

# WEST YORKSHIRE PENSION FUND

ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PENSION SCHEMES REGISTRY NUMBER 10041078



## REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015



**West Yorkshire Pension Fund**

# WEST YORKSHIRE PENSION FUND

## ANNUAL REPORT 2014/15

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## SECTION 1 – FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2015 we had 268,780 members and 383 employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

The value of the Fund rose from £10.37 billion to £11.32 billion over the year, an increase of £0.95 billion. Over two thirds of this increase was a result of the strong equity and private equity performance, asset classes where the Fund continues to maintain a high weighting; but all other asset classes also produced positive returns for the year. The Investment Advisory Panel reviews the asset allocation quarterly, and makes adjustments against the benchmark based on future expected returns.

The new career average scheme came into force on 1<sup>st</sup> April 2014. We have continued to work hard to develop our systems, train staff and support employers as the new scheme regulations and guidance have materialised. Our engagement in the process of reforming the Local Government Pension Scheme continues, and we participate in a number of working groups assisting in the continuing development of the new scheme.

As part of the move to a career average scheme and the consequent need for accurate and current data, the monthly web-based return for employers has been successfully implemented. This will reduce the data cleansing required as we approach the actuarial valuation at 31 March 2016.

In addition, the preparations for the joint services partnership with Lincolnshire Pension Fund were completed during the year, and we began delivering services to Lincolnshire members, including the Lincolnshire Fire Authority, from 1 April 2015. I would like to welcome the staff who joined us in Lincoln, and congratulate everyone involved in the preparations for this joint venture in Bradford and Lincoln.

I would like to thank members of the Joint Advisory Group, the Investment Advisory Panel, and our External Advisors, as well as the administration and investment staff, for all their efforts and commitment.

I hope you enjoy reading the Annual Report and Accounts, and find them useful and informative.

**Councillor Malcolm Slater**  
**Chairman,**  
**Joint Advisory Group and Investment Advisory Panel**

## SECTION 2 – MANAGEMENT STRUCTURE

### Members of the WYPF Joint Advisory Group

#### **Bradford Council**

Councillor M Slater  
(Chairman)

Councillor G Miller  
(Deputy Chairman)

Councillor H Middleton

#### **Calderdale Council**

Councillor B Metcalfe

Councillor S Baines MBE

Councillor J Lynn

#### **Kirklees Council**

Councillor E Firth

Councillor N Mather

Councillor H Richards

#### **Leeds Council**

Councillor P Davey

Councillor P Harrand

Councillor T Hanley

#### **Wakefield Council**

Councillor G Stokes

Councillor L Shaw

Councillor R Forster

#### **Trades Union Representatives**

I Greenwood OBE – UNISON  
Tristan Chard – GMB  
Liz Bailey - UNISON

#### **Scheme Member Representatives**

Kenneth Sutcliffe

#### **Councils Representative**

Stuart McKinnon-Evans

## SECTION 2 – MANAGEMENT STRUCTURE

### Members of the WYPF Investment Advisory Panel

#### **Bradford Council**

Councillor M Slater  
(Chairman)

Councillor G Miller

Councillor H Middleton

#### **Calderdale Council**

Councillor B Metcalfe

Councillor S Baines MBE

#### **Kirklees Council**

Councillor E Firth

Councillor H Richards

#### **Leeds Council**

Councillor P Davey

Councillor P Harrand

#### **Wakefield Council**

Councillor G Stokes

Councillor L Shaw

#### **Trades Union Representatives**

I Greenwood OBE – UNISON  
(Deputy Chairman)  
L Bailey – UNISON  
Tristan Chard – GMB

#### **Scheme Member Representatives**

Stuart Imeson  
Gerald Hey

#### **West Yorkshire Pension Fund**

Rodney Barton – Director

#### **Councils Representative**

David Smith – Director of Resources Kirklees  
Metropolitan Council

#### **External Advisers**

Noel Mills  
Mark Stevens

## SECTION 2 - MANAGEMENT STRUCTURE

### Appointed service providers and advisers

<b>Actuarial Services</b>	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
<b>AVC Providers</b>	Equitable Life Assurance Society P O Box 177 Walton Street Aylesbury, Buckinghamshire HP21 7YH
	Scottish Widows P O Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Prudential Lancing BN15 8GB
<b>Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)</b>	Rodney Barton, Director WYPF City of Bradford Metropolitan District Council Argus Chambers, Hall Ings, Bradford BD1 1HY
<b>Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)</b>	Suzan Hemingway, Interim Chief Executive City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY

## SECTION 2 - MANAGEMENT STRUCTURE

### Appointed service providers and advisers (continued)

<b>IDRP Medical Adviser</b>	Santia Occupational Health Santia House Parc Nantgarw, Cardiff CF15 7QX
<b>Auditors</b>	Mazars LLP Gelder Road Gildersome Leeds LS27 7JN
<b>Banking and Custodial Services</b>	HSBC 8 Canada Square, Canary Wharf London E14 5HQ
<b>Legal Adviser</b>	Dermot Pearson Acting City Solicitor City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY
<b>Pensions Computer Services</b>	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD

## SECTION 3 – 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 (Management and Investment of Funds) Regulations 2009, Public Service Pension Act 2013, 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 a number of administrative local government pension scheme directives and regulations through the Department for Communities and Local Government, as such these directives and regulations 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 are contracted out of the State Second 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

WYPF held its fourteenth annual meeting for scheme members at The Bradford Hotel in Bradford city centre. The meeting was chaired by Councillor Malcolm Slater, the Chairman of WYPF's Investment Panel and Joint Advisory Group. There were presentations from the Bradford Credit Union, Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. The employer annual meeting was held in Bradford on 6 November 2014. Topics covered were:

- The results of the 2013 pension fund valuation
- Financial planning
- The new 2014 career-average pension scheme
- The shared service partnership with Lincolnshire Pension Fund
- Updates on the Fund's investments
- The general economic and financial market climate.

The presentations were well received by those present.



## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

### Employer workshops

During the year WYPF continued to run a series of one-day and half-day workshop sessions for employers. Four different types of workshops are provided for employers:

- Introduction to West Yorkshire Pension Fund (full day)
- Complete guide to administration (half day)
- Your Responsibilities (half day)
- Contributions and Year-End Data Return (half day)

These workshops are informative and continue to attract interest from employers. All employer workshops are delivered by WYPF in house staff. This strategy provides continuity and access to the extensive pensions knowledge base within WYPF for employers to use free of charge. The workshops are designed to give employers a good understanding of the pension scheme and regulations. Feedback from participants on these events has always been positive.

In addition to the workshops listed above WYPF ran two one day workshops covering administration, discretionary statements, and the employer portal. Over 120 employers attended and very good feedbacks were received from delegates at these workshops.

6 training workshops were also delivered to Lincolnshire employers to update them on our processes and procedures before the new shared service partnership went live on 1 April 2015. These workshops were attended by 165 officers from around 90 different employers and payroll providers in Lincolnshire.

### Pension days

A number of events called Pension Days were held at each of our five Council employers' premises with the focus of publicising the new LGPS 2014. Pension days provides topical pension information to members and allow members to get answers to their questions from pension experts. The sessions were advertised to our scheme members and were well received. The sessions were sponsored by Prudential (one of our additional voluntary contribution providers) who gave a presentation on additional voluntary contributions.

### Monthly Returns

April 2014 saw the launch of our monthly member records postings and reconciliation service. This replaced the annual contribution returns, where member records were submitted by employers and active members' records were updated once a year, with regular monthly data returns and monthly records update. Our objectives for this change are:

- 1) Improve data governance
- 2) Strengthen administrative strategy
- 3) Improve statutory compliance
- 4) Deliver improved administrative and management efficiencies
- 5) Maintain value for money

## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

The monthly contributions remittance and member records management processes, provides simplification of data processes, systems integration, increased data accuracy and monthly up to date member records. This integrated approach supports employer covenant management and ensures pensions contribution paid by employers is correct, agrees to employers payroll and HR records.

Monthly returns from employers has allowed us to automate a number of processes and allowed work to be shared across the organisation. Some of the major improvements are:

1. Automated system for bulk posting of membership records.
2. Secure website for employers to submit member records, with comprehensive cash reconciliation process for balancing cash paid with records submitted by employers.
3. A number of exception reporting processes produced to speed up the correction of data errors and allow officers to focus their time on improving workflow and processes.
4. Efficiency is also improved by a reduction of 95% in manual notification of change events such as leavers and starters by using data capture from month returns, this is of great benefit to employers, members and WYPF.
5. Improved data protection processes.

### Shared Service

West Yorkshire Pension Fund was chosen by Lincolnshire Pension Fund to join in a collaborative shared service pension administration and payroll service for its members of the Local Government and Firefighters Pension Schemes. The new partnership utilises WYPF's expertise and experience in providing a high quality service at a cost effective price. The partnership went live as planned on 1 April 2015.

### Pension Boards

The long awaited governance regulations were laid before parliament on 28 January 2015 requiring Local Pension Boards to be established by 1 April 2015. WYPF has been busy establishing the terms of reference for the new board, setting up training and looking at the knowledge and experience members will require to undertake their role on the new board. A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. Our Local Pension Board is scheduled to meet within the last two quarter of the year.

### Career Average Scheme

The new LGPS career average scheme came into effect at 1 April 2014. The basis of the pension scheme has changed from a final salary scheme to a career average scheme. However, benefits accrued under the old schemes are still preserved and there are transitional arrangement for those that are 55 years or over at 1 April 2014.

The government has also announced that councillors will no longer be eligible to be members of the LGPS from 1 April 2014. Existing councillors will have their membership terminated when their current fixed term of office ends, even if they are re-elected.

## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

### Pension 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 2014/15 year an increase of 2.7% was applied on 7 April 2014 (April 2015 1.2% and April 2013 2.2%).

### Pension administration

Workload across the pension fund continued to increase, employers and member numbers continue to rise, despite reductions in public service budgets. Research shows that the increase in member numbers is largely due to auto enrolment of employees into pension funds.

### Knowledge and skills framework, training and development

WYPF recognises the importance of ensuring that all staff and elected Members charged with financial management and decision-making with regard to the pension scheme are fully equipped with knowledge and skills to discharge their duties and responsibilities. WYPF therefore seeks to appoint individuals who are both capable and experienced. WYPF provides training for staff, Joint Advisory Group and Investment Advisory Group members to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. Newly appointed staff have a training plan which identifies their training needs and requirements, this is used to deliver training and a record of achievement is maintained to record training provided.

### Members training and development

Investment Advisory Panel members are very active in undertaking training and attending investment conferences in order to maintain an informed current understanding of the pension and investment landscape. This enables Investment Advisory Panel Members to monitor new opportunities, make investment decisions and manage investment risks. Over the past 12 months Members have represented the Fund at a number of industry conferences and attended training events such as:

- The Local Government Chronicle (LGC) Investment Summit
- Local Government Pension Scheme (LGPS) Conference
- Local Government Pension (LGP) Investment Forum
- Local Authority Pension Fund Forum (LAPFF) Conference
- National Association of Pension Funds (NAPF) Conference
- IBC - Local Government Pension Investment Forum 2014 Conference.

In addition to the conferences listed above, all new members of the Joint Advisory Group and Investment Advisory Panel are encouraged to attend a three-day LGA Trustee Training – Fundamentals course in Leeds. This provides a basic introduction to the LGPS investment management and governance.

## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

### Staff training and development

WYPF provides a comprehensive training programme for all its staff and encourage staff to work towards professional qualifications such as:

- Institute of Payroll Professionals (IPP) foundation degree in Pensions Administration and Management
- Pensions Management Institute qualification (APMI)
- Certificate in Pensions Administration (CPA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)

In addition staff members attended a variety of useful events during the year, including:

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network events
- Eversheds Conference
- Mercers LGPS Summit Conference

Training activities are provided to staff on IT, data security, health and safety and customer care. A comprehensive system of e-learning and self-services are available to support staff with their training and development.

### Disaster recovery and risk management monitoring

WYPF use a disaster recovery (DR) Datacentre, which is located separately from Bradford Council's primary datacentre. Our DR Datacentre hosts standby servers, storage and network connectivity. WYPF's primary Datacentre is linked to the DR Datacentre by fibre optic cables. Both centres are live on the Council's network. The DR Datacentre provides service resilience and service continuity in case of primary system failure. All our main network, email services and software applications infrastructure are duplicated at the Primary Datacentre and the DR Datacentre sites, to ensure all software application, system settings, security and user profiles, and data are fully backed up.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices. The Council operates a comprehensive disaster recovery plan for its services.

## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

### New LGPS 2014

The new Local Government Pension Scheme came into force on 1 April 2014.

The main provisions of the new LGPS are outlined below:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the annual revaluation factor.
- The pension accrual rate is 1/49th.
- The current normal retirement age of 65 years is replaced with the State Pension Age – current minimum is 65 years.
- Member contributions to the scheme are between 5.5% and 12.5% of actual pay.
- There is an option for members to elect to pay half contributions for half pension, while retaining the full value of other benefits. This is known as the 50/50 option.
- To be entitled to benefits from the scheme a member will have to have two years qualifying service, contributions paid for period less than two years are refunded.
- A member who on leaving the scheme is age 55 or over is able to elect to receive immediate payment of pension benefits.

In addition the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 regulations provide some protections for current scheme members, such as pension for past service to 31 March 2014, which continues to be based on final salary and normal pension age.

During 2014 there were consultations on new governance arrangements and the future structure of the LGPS. The LGPS (Amendment) (Governance) Regulations were laid before Parliament on 28 January 2015. These regulations require Administering Authorities to have established a Local Government Pension Board by 1 April 2015 and also for the establishment of a National Scheme Advisory Board by 1 April 2015.

### Club together

Our partnership with Club Together continues to flourish bringing benefits both to pensioners and WYPF. Club Together is essentially a magazine that includes interesting articles for those of retiring age. Club Together also offers members and their families a range of discounts, offers, competitions, savings, and earning opportunities

### Social media

WYPF's Facebook and Twitter accounts were launched in November 2013 to encourage members of all ages to engage with the Fund.

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

[www.facebook.com/westyorkshirepensionfund](http://www.facebook.com/westyorkshirepensionfund)

## SECTION 3 – PENSIONS ADMINISTRATION REVIEW

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### FINANCIAL PERFORMANCE- analytical review

The following table identifies significant movements within the Fund Account and the Net Asset Statement for the financial year. The full financial statements are within the Accounts section of this document (page 62).

### Statutory Accounts Financial Performance

	2014/15	2013/14	Notes
	£'000	£'000	
<b>Fund Account</b>			
Payments to and on account of leavers	181,468	13,650	A bulk transfer of liabilities relating to the Probation Service was made to Greater Manchester Pension Fund during the reporting period which accounts for the majority of this change.
Profit and loss on disposal of and change in value of investments	896,453	213,710	Increase is due to a significant rise in capital values
<b>Net Asset Statement</b>			
Fixed Interest Securities:	1,096,230	956,929	Fixed Income Securities increased in value by £139m driven by an increase in market values and a switch from both Public Sector Index Linked Securities of £60m, and a quantity of Corporate Index Linked Bonds. Unquoted Fixed Interest Securities reduced in value as several investments matured.
Equities:	7,974,012	7,162,619	Equities appreciated in value by £811m, driven by a net investment of £150m into Overseas Equities and generally from a significant appreciation in market values.
Index Linked Securities:	608,117	598,625	In spite of the switch out of Index Linked Securities into Fixed Interest Securities, this asset class also appreciated in value due to capital appreciation.
Pooled Funds	1,354,482	1,189,911	Pooled vehicles appreciated in value by £165m, driven by a £109m investment into Property and the capital appreciation of Property,
Direct Property	6,000	0	Direct Property grew in value by £6m after the Funds recent investment in its first directly owned property.
Cash Deposits:	181,000	318,967	Cash meanwhile declined by £138m largely due to the transfer out of £171m in pension liabilities for the Probation Service to the Greater Manchester Pension Fund.

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Forecasts

The table below shows budget estimates and outturn figure for the Fund account.

Fund Account - Estimates & Actuals	2017/18 Estimate	2016/17 Estimate	2015/16 Estimate	2014/15 Outturn	2013/14 Estimate	2013/14 Outturn
	£000	£000	£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the Fund</b>						
Contributions receivable	376,200	376,200	372,100	368,058	342,200	360,413
Transfers in	16,000	16,000	15,800	15,670	22,000	28,732
Other income	0	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	24,400	24,400	24,100	23,833	24,500	24,182
<b>Total income from members and employers</b>	<b>416,600</b>	<b>416,600</b>	<b>412,000</b>	<b>407,561</b>	<b>388,700</b>	<b>413,327</b>
Benefits payable	-446,800	-446,800	-441,900	-437,058	-392,900	-418,555
Non-statutory pensions and pensions increase	-24,400	-24,400	-24,100	-23,833	-24,500	-24,182
Payments to and on account of leavers	-14,506	-14,506	-14,352	-181,468	-14,600	-13,650
<b>Total payments to members</b>	<b>-485,706</b>	<b>-485,706</b>	<b>-480,352</b>	<b>-642,359</b>	<b>-432,000</b>	<b>-456,387</b>
<b>Management expenses</b>	<b>-8,406</b>	<b>-8,246</b>	<b>-8,090</b>	<b>-7,197</b>	<b>-6,300</b>	<b>-7,440</b>
<b>Returns on investments</b>						
Investment income	296,300	296,300	293,100	294,029	255,900	266,032
Taxes on income	-200	-200	-200	-165	-2,100	-2,174
Profit and losses on disposal of and changes in value of investments	913,000	913,000	902,900	896,453	963,300	213,710
Stock lending	2,100	2,100	2,100	2,094	1,100	1,434
Underwriting commission	0	0	0	0	0	2
<b>Net return on investments</b>	<b>1,211,200</b>	<b>1,211,200</b>	<b>1,197,900</b>	<b>1,192,411</b>	<b>1,218,200</b>	<b>479,004</b>
<b>Net increase in the net assets available for benefits during the year</b>	<b>1,133,688</b>	<b>1,133,848</b>	<b>1,121,458</b>	<b>950,416</b>	<b>1,168,600</b>	<b>428,504</b>
<b>Opening net assets of the Fund</b>	<b>12,453,073</b>	<b>11,319,225</b>	<b>10,368,809</b>	<b>10,368,809</b>	<b>9,940,305</b>	<b>9,940,305</b>
<b>Closing Net assets of the Fund</b>	<b>13,586,762</b>	<b>12,469,119</b>	<b>11,506,078</b>	<b>11,319,225</b>	<b>11,108,905</b>	<b>10,368,809</b>
<b>% INCREASE IN NET ASSETS</b>	<b>9.10%</b>	<b>10.02%</b>	<b>10.82%</b>	<b>9.17%</b>	<b>11.76%</b>	<b>4.31%</b>

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



## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Management expenses forecast and outturn report

The table below gives the management cost forecast 2015/ 16 to 2017/18 and outturn figures for the year ending 31 March 2015:

	2017/18 Estimate	2016/17 Estimate	2015/16 Estimate	2014/15 Revised Estimate	2014/15 Full Year Outturn	2014/15 Variance Outturn- Revised
	£	£	£	£	£	£
<b><u>Expenditure</u></b>						
Accommodation	248,800	243,440	238,200	213,550	196,943	-16,607
Actuarial Costs	261,120	255,500	250,000	150,000	113,455	-36,545
Computer Costs	300,430	293,960	287,630	327,230	337,160	9,930
Employee Costs	6,288,310	6,152,950	6,020,500	5,157,640	4,986,679	-170,961
Internal Recharges from Bradford Council	441,570	432,060	422,760	422,760	380,880	-41,880
Printing and Postage	386,140	377,830	369,700	262,780	249,443	-13,337
Other Running Costs	1,826,180	1,808,400	1,791,000	1,371,230	1,293,746	-77,484
Other Miscellaneous income	-1,129,280	-1,104,970	-1,081,180	0	-37,704	-37,704
Other Organisations	-217,570	-212,890	-208,310	-184,480	-323,713	-139,233
<b>Total Management Expense</b>	<b>8,405,700</b>	<b>8,246,280</b>	<b>8,090,300</b>	<b>7,720,710</b>	<b>7,196,889</b>	<b>-523,821</b>

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

The £524k favourable variance between the estimate and outturn figure for 2014/15 is mainly as a result of the following activities:

- Accommodation costs reduced by £16.6k as a result of efficiency savings for facilities costs from Bradford Council (WYPF administrative authority).
- Actuarial cost was underspend by £36.5k, most of the work carried out by our actuary AON in the last quarter of 2014/15 were requested by employers and as such increased recharges were made to employers.
- Underspend on employee costs by £171k, this was due in the main to staffing and systems efficiencies across the Fund.
- Reduction in support service recharges from Bradford Council of £42k.
- Printing and postage cost reduction of £13k as a result of increased use of digital postage facilities.
- Other running cost reduced by £77.5k as a result of efficiencies and reduced cost across the Fund.

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### PARTICIPATING EMPLOYERS

#### Analysis of employers summarised by type

There were 383 active employers at the end of the financial year. A total of 18 employers ceased their membership of the fund during the year, these included eight academies which merged and became one employer (Schools Partnership Trust).

Employers		Ceased	Active
Admitted body	148	9	139
Scheduled body	253	9	244
Total	401	18	383

#### Analysis of contributions received on time and late

The table below shows the value of pension contributions that have been received both on time and late. West Yorkshire Pension Fund receives contributions from around 383 employers every month with a total monthly value in excess of £30m. Contributions are due by 19 of the month following the payroll month. Contributions received late were late for less than one month, therefore no statutory late payment interest was charged.

	Total	Received on time	% Received on time	Received late	% Received late
	£000	£000		£000	
Employer contributions	259,528	253,829	97.8	5,699	2.2
Employee contributions	108,530	105,902	97.6	2,628	2.4
	<b>368,058</b>	<b>359,731</b>	<b>97.7</b>	<b>8,328</b>	<b>2.3</b>

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Data Governance and Monthly returns

In April 2014, we implemented a new system for collecting members' data and contribution payment details from all employers participating in the Fund. Employers are now required to submit a detailed monthly return for their staff members. The return provides a comprehensive data update for members' records and also allow us to reconcile payments made by employers for each member on a monthly basis. This has improved efficiency and removed the need for year-end reconciliation projects. This process has improved our data governance significantly.

Monthly Returns Performance Data	2014/15	
Number of returns expected in the year from all employers.	4,812	100.00%
Number of returns received during month.	4,699	97.65%
Number of returns received by 19 April 2015.	4,449	92.46%
Number of returns not received by 31 May 2015.	113	2.35%
Returns processed within 10 working days.	3,917	83.36%
Number of records on return.	1,093,953	100.00%
Number of new member records set up using monthly return.	16,526	1.51%
Number of leavers advise processed using monthly return.	6,933	0.63%



## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Employers who made contributions to the Fund during 2014/15

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
	%		£	£	£
<b>BRADFORD COUNCIL</b>	14.2	14,806	0	34,918,126	14,872,799
<b>LEEDS COUNCIL</b>	13.6	21,851	3,404,619	58,572,845	25,284,654
<b>CALDERDALE MBC</b>	14.4	5,426	1,490,000	11,824,917	5,164,612
<b>KIRKLEES COUNCIL</b>	13.8	12,570	0	28,987,860	13,219,126
<b>WAKEFIELD MDC</b>	14	8,280	4,500,000	20,714,969	9,254,195
ABBEY GRANGE CE ACADEMY	12.4	89	21,800	134,172	65,094
ABBEY PARK PRIMARY ACADEMY	12.8	34	0	34,525	14,855
ABSOLUTELY CATERING LTD (BGS)	21.3	4	0	2,665	731
ACKWORTH PARISH COUNCIL	17.6	2	0	6,729	2,422
AFFINITY TRUST	NIL	12	0	1,827	14,949
AIRE VALLEY HOMES (WAS LEEDS SOUTH HOMES)	10.4	0	0	-169	-110
AIREBOROUGH LEARNING PARTNERSHIP TRUST	14.5	334	24,200	386,456	173,977
AIREDALE & WHARFEDAILE COLLEGE	0	0	0	0	0
AIREDALE ACADEMY	14.4	205	0	243,173	100,667
ALL SAINTS CE JNR SCHOOL	14.4	28	0	18,886	7,244
ALWOODLEY PARISH COUNCIL	19.6	1	0	1,008	437
AMEY COMMUNITY LTD (BFD BSF PHASE 1 FM SERVICES)	12.5	8	0	11,598	6,083
AMEY COMMUNITY LTD BRADFORD BSF PASE 2 FM SERVICES	14.3	20	0	31,748	13,140
AMEY COMMUNITY LTD BRADFORD BSF PASE 2 ICT SERVICES	9.2	3	0	8,085	5,819
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	6.4	9	0	18,509	19,851
AMEY LG LTD (CALDERDALE)	12.4	18	0	69,959	36,907
APPLETON ACADEMY	13.8	83	0	157,639	69,941
ARTS COUNCIL ENGLAND	24	10	900,000	89,440	28,272
ASPENS SERVICES LTD	12.6	2	0	9,327	4,311
ASPENS SERVICES LTD (LEEDS WEST ACADEMY)	19.2	6	0	8,943	2,605
ASPIRE-I	21.1	19	59,200	190,741	45,688
B B G ACADEMY	13.9	34	0	65,385	21,344
BARDSEY PRIMARY FOUNDATION SCHOOL	14.5	22	1,237	20,439	8,569
BARNARDOS (ASKHAM GRANGE PRISON)	NIL	5	0	0	4,010
BARNARDO'S (LEEDS PORTAGE)	NIL	1	0	224	1,282
BATLEY GIRLS ACADEMY	12.8	83	5,800	129,412	60,087
BATLEY GRAMMAR SCHOOL	15	16	0	53,442	21,839
BEECH HILL SCHOOL	13.4	68	6,900	102,342	45,423

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Deficit	Employer contributions	Employee Contributions
BEESTON PRIMARY TRUST	14.5	47	3,537	53,446	22,077
BELLE ISLE TENNANT MANAGEMENT	14.2	32	0	110,864	52,456
BELLE VUE GIRLS ACADEMY	14.4	88	0	149,949	62,608
BID SERVICES	13.7	1	0	2,680	1,271
BINGLEY GRAMMAR SCHOOL	14.2	68	550	159,323	78,645
BIRSTALL PRIMARY ACADEMY	14.3	30	5,300	31,692	12,237
BISHOP WHEELER CATHOLIC ACADEMY TRUST	15.6	214	78,200	311,355	135,996
BLESSED PETER SNOW CA TRUST (KIRKLEES)	15.7	136	0	119,636	37,235
BOLTON BROW PRIMARY ACADEMY	14.6	34	0	29,138	11,101
BOOTHROYD PRIMARY ACADEMY	13.6	38	0	60,992	25,599
BOSTON SPA SCHOOL	14.5	75	9,251	139,652	64,771
BRADFORD ACADEMY	12.9	125	0	256,792	132,848
BRADFORD COLLEGE	13.4	572	33,900	1,660,858	652,557
BRADFORD COLLEGE EDUCATION TRUST	3.8	5	0	7,461	5,116
BRADFORD COUNCILLORS	14.2	33	0	105,871	42,347
BRADFORD DIOCESAN ACADEMIES TRUST	14.6	102	0	136,929	55,104
BRADFORD DISTRICT CARE TRUST	14.4	0	0	7,503	0
BRADFORD DISTRICT CREDIT UNION	25.1	9	4,900	39,030	9,689
BRADFORD FAMILY SERVICE UNIT	0	0	0	0	1,474
BRADFORD STUDIO SCHOOL	9.2	0	0	2,348	1,128
BRADFORD UNIVERSITY	15	653	0	2,016,077	881,420
BRADSHAW PRIMARY SCHOOL	12.6	43	14,900	31,633	14,173
BRAMLEY ST PETER'S C OF E SCHOOL	14.5	34	2,324	35,119	15,798
BRIGHOUSE ACADEMY	13.9	116	0	170,634	74,986
BRIGHTER FUTURES ACADEMY TRUST	14.5	82	18,100	84,305	32,559
BROOKSBANK SCHOOL SPORTS COLLEGE	15.1	130	40,000	222,108	81,533
BRUNTCLIFFE TRUST SCHOOL	14.5	105	9,909	172,680	69,980
BULLOUGH CONTRACT SERVICES (BINGLEY GRAMMAR SCHOOL)	18.8	4	0	3,217	798
BULLOUGH CONTRACT SERVICES (OAKBANK)	NIL	2	0	0	92
BULLOUGH CONTRACT SERVICES LTD	NIL	2	0	0	692
BULLOUGH CONTRACT SERVICES LTD (BRIGHOUSE ACADEMY)	14.8	8	0	6,140	2,265
BURNLEY ROAD ACADEMY	15.9	29	2,200	34,752	12,234
BUTTERSHAW BUSINESS & ENTERPRISE COLLEGE	14.2	84	0	150,264	62,669
CAFCASS	15.8	1,661	3,540,900	9,440,345	4,549,117
CALDERDALE & KIRKLEES CAREERS	15.2	135	119,200	516,307	254,221
CALDERDALE COLLEGE	12.7	290	46,000	695,603	299,383
CALVERLEY C OF E PRIMARY SCHOOL	15.6	35	1,822	27,527	11,450
CARE QUALITY COMMISSION	26.7	7	54,167	83,935	22,510

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
CARILLION	16.3	11	5,300	20,997	7,437
CAROLL CLEANING COMPANY LTD (CALDERDALE)	NIL	2	0	0	329
CAROLL CLEANING COMPANY LTD (WAKEFIELD)	NIL	1	0	0	258
CAROLL CLEANING COMPANY LTD (WHETLEY)	NIL	3	0	0	703
CARROLL CLEANING CO LTD (BIRKENSHAW PRIMARY SCHOOL)	23	1	0	524	223
CARROLL CLEANING CO LTD (BOLTON BROW ACADEMY)	23.8	1	0	1,195	262
CARROLL CLEANING CO LTD (HOLY TRINITY PRIMARY)	23.8	2	0	935	553
CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)	18.8	5	0	1,822	533
CARROLL CLEANING CO LTD (RAVENSCLIFFE HIGH SCHOOL)	14.3	1	0	908	349
CARROLL CLEANING CO LTD (SHADE PRIMARY SCHOOL)	19.7	1	0	337	94
CARROLL CLEANING CO LTD (ST JOSEPH'S BRADFORD)	12.3	1	0	623	279
CARROLL CLEANING COMPANY (CROFTON ACADEMY)	19.3	9	0	8,222	2,343
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	18	4	0	1,479	538
CARROLL CLEANING COMPANY LIMITED (THORNBURY)	21.9	4	0	2,057	541
CASTLE HALL ACADEMY	13.9	46	13,900	96,007	45,420
CASTLEFORD ACADEMY	12.7	259	10,400	299,306	143,323
CATER LINK LTD (CRIGGLESTONE ST JAMES PRIMARY ACADEMY)	13.2	3	0	3,828	1,635
CATERING ACADEMY	1.5	2	0	22,573	1,283
CATERING ACADEMY (BGS)	17.8	0	0	1,198	370
CATHOLIC CARE	23.3	1	0	2,774	655
CHIEF CONSTABLE FOR WEST YORKSHIRE	11.1	3,711	0	10,278,888	6,164,652
CHRISTCHURCH CE ACADEMY	14.1	31	13,100	54,629	23,220
CLAYTON PARISH COUNCIL	8.4	1	0	517	350
COALFIELDS REGENERATION	22.7	9	0	77,486	26,246
COCKBURN HIGH SCHOOL TRUST	14.5	90	10,996	166,162	74,040
COLNE VALLEY HIGH ACADEMY	16.4	46	770	73,403	30,142
COMMUNITY ACCORD	7.4	1	0	2,116	1,687
COMPASS (RADILLION) LEEDS PFI SCHOOLS	13.5	22	0	30,238	11,522
COMPASS CONTRACT (BUTTERSHAW SCHOOL)	NIL	3	0	0	1,428
COMPASS CONTRACT SERVICES	13.3	6	0	4,548	1,852
COMPASS CONTRACT SERVICES (SPTA)	21.3	7	0	11,339	4,183
COMPASS CONTRACT SERVICES (UK) LTD	17.1	10	600	17,522	6,025
COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELLS)	5.5	2	0	1,308	1,304

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Deficit	Employer contributions	Employee Contributions
COMPASS CONTRACT SERVICES (UK) LTD (MINSTHORPE ACAD)	19.7	15	0	50,484	8,003
CO-OPERATIVE ACADEMY OF LEEDS	11.7	205	0	331,116	170,386
COTTINGLEY PRIMARY ACADEMY	17.3	21	5,600	43,472	14,583
CRAFT CENTRE & DESIGN GALLERY LTD	6.6	4	286	4,321	4,237
CRAWSHAW ACADEMY TRUST	12.4	0	41,600	50,670	21,091
CREATIVE SUPPORT LIMITED	NIL	15	0	0	18,453
CRESCENT FURTHER EDUCATION LIMITED	3.9	16	0	18,937	33,165
CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY	15.3	33	0	36,893	13,493
CROFTON HIGH ACADEMY	15.8	73	0	100,137	36,925
DARRINGTON C OF E PRIMARY SCHOOL	15.6	15	0	18,346	6,905
DAVID YOUNG COMMUNITY ACADEMY	11.5	59	0	163,243	91,029
DE LACY ACADEMY	17.4	0	0	52	17
DEIGHTON GATES PRIMARY FOUNDATION SCHOOL	14.5	23	1,111	22,631	9,628
DENBY DALE PARISH COUNCIL	6.9	1	2,100	1,095	920
DIAMOND WOOD COMMUNITY ACADEMY	15	6	935	60,029	25,634
DIXONS ACADEMIES CHARITABLE TRUST	15	260	0	570,075	233,596
DIXONS CITY ACADEMY	14.8	0	0	7,026	0
DIXONS MARCHBANK ACADEMY	0	0	0	13,269	5,331
EAST GARFORTH PRIMARY ACADEMY	15.6	1	0	46	0
EDUCATION LEEDS LTD	0	0	0	88,022	0
ELITE CLEANING & ENVIRONMENTAL SERVICES LTD	5.1	6	0	3,114	3,541
ENGLISH BASKETBALL	25.2	1	2,600	6,678	1,722
ENVIROSERVE (SHELF J & I SCHOOL)	22.1	1	0	942	234
FEATHERSTONE ACADEMY	16.4	15	0	75,931	12,120
FEVERSHAM COLLEGE ACADEMY	12.2	54	5,600	71,364	36,966
FEVERSHAM PRIMARY ACADEMY	8.7	38	0	36,826	16,793
FIELDHEAD JUNIOR INFANT & NURSERY ACADEMY	8.9	24	9,200	19,892	12,654
FIRST WEST YORKSHIRE	27.9	407	500,000	3,464,588	863,379
FLEET FACTORS (LIMITED)	14.8	1	0	3,332	2,388
FOUNDATION HOUSING	NIL	3	0	0	5,480
FOXHILL PRIMARY SCHOOL	14.2	23	0	33,764	13,627
GAWTHORPE COMMUNITY ACADEMY	12.3	32	17,800	32,321	15,925
GREEN LANE ACADEMY	13.3	2	0	48	22
GREENHEAD COLLEGE	15.8	76	0	183,637	74,860
GREENVALE HOMES	15.1	105	6,800	353,731	150,199
GREETLAND ACADEMY	13.5	66	0	58,567	29,408
GROUNDWORK WAKEFIELD	13.5	11	0	45,879	22,226
HALIFAX HIGH	13.7	51	0	119,003	52,724
HALIFAX OPPORTUNITIES	7.2	1	0	2,423	2,195

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	17.1	68	0	111,944	38,861
HANSON SCHOOL	14.2	86	0	239,323	69,720
HARDEN PRIMARY SCHOOL	13.6	19	0	30,510	12,170
HARRISON CATERING SERVICE LTD	13.1	0	0	105	45
HAVERCROFT ACADEMY	16.1	28	300	45,824	16,134
HEATH VIEW ACADEMY	15	48	1,080	32,102	13,221
HEBDEN ROYD TOWN COUNCIL	10.2	9	7,800	13,204	7,686
HECKMONDWIKE GRAMMAR SCHOOL ACADEMY	15.5	94	4,500	192,801	77,461
HEMSWORTH ACADEMY	14.7	123	0	224,126	91,139
HEMSWORTH TOWN COUNCIL	13.3	14	8,100	36,252	17,218
HEPWORTH GALLERY TRUST	15	3	500	22,324	11,575
HILL TOP FIRST SCHOOL	14.2	28	0	31,149	12,548
HIPPERHOLME & LIGHTCLIFFE ACADEMY	13.2	110	8,200	145,302	64,502
HOCHTIEF FACILITY MANAGEMENT UK LTD	13.4	22	0	29,599	12,930
HOLLINGWOOD PRIMARY SCHOOL	14.2	62	0	73,266	30,225
HOLLYBANK TRUST	24.3	20	0	142,086	36,241
HOLME VALLEY PARISH COUNCIL	15.2	1	0	3,189	1,217
HOLY TRINITY ACADEMY	13.4	72	18,800	76,126	32,007
HOME FARM TRUST	NIL	15	0	0	19,777
HORBURY ACADEMY	14.6	94	24,700	141,289	58,026
HORBURY BRIDGE CE J & I SCHOOL	11.3	18	6,100	15,230	7,840
HORSFORTH SCHOOL ACADEMY	14.8	79	52,700	150,894	62,765
HORSFORTH TOWN COUNCIL	17.9	0	0	3,207	1,165
HORTON HOUSING ASSOCIATION (CSL)	NIL	9	0	326	11,071
HORTON HOUSING ASSOCIATION (OPHRS)	13.8	1	0	1,598	1,181
HUDDERSFIELD NEW COLLEGE	14.5	99	9,700	183,905	77,720
HUDDERSFIELD UNIVERSITY	11.5	2,310	905,300	3,055,222	1,806,123
HUGH GAITSKELL PRIMARY SCHOOL TRUST	14.5	87	5,881	88,869	36,661
I S S FACILITIES SERVICES LTD	19.4	13	0	15,993	6,072
IGEN	23.9	26	53,200	198,026	49,475
IGEN LTD	NIL	10	0	0	18,147
ILKLEY GRAMMAR SCHOOL ACADEMY	15.1	88	6,700	154,316	61,262
ILKLEY PARISH COUNCIL	10.6	3	2,700	2,123	1,100
INCOMMUNITIES	12.9	1,063	0	3,225,774	1,620,291
IND CLEAN SERV LTD	8.1	1	0	755	110
INITIAL CATERING SERVICES	15	13	0	16,909	6,303
INITIAL FACILITIES MANAGEMENT LTD	12.9	6	0	11,186	5,256
INTERSERVE (FACILITIES MANAGEMENT) LTD	15.8	49	0	90,921	23,802
INTERSERVE (FM) LTD (P.C.C FOR WEST YORKSHIRE)	15.5	7	0	25,482	10,050



## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Deficit	Employer contributions	Employee Contributions
INTERSERVE ACADEMIES TRUST LTD (CRAWSHAW ACADEMY)	12.4	54	0	56,832	30,972
INTERSERVE PROJECT SERVICES LTD	13.7	21	0	32,497	14,225
IQRA ACADEMY	10.9	53	0	51,939	20,992
JERRY CLAY LANE ACADEMY	16.4	21	500	33,413	11,838
JOHN SMEATON ACADEMY	12.3	38	0	108,810	46,155
KEELHAM PRIMARY SCHOOL	14.2	30	0	7,647	3,039
KEEPMOAT PROPERTY SERVICES LTD	15.4	3	0	8,513	3,171
KEIGHLEY TOWN COUNCIL	13.5	8	5,500	18,331	7,908
KHALSA SCIENCE ACADEMY	6.2	7	0	3,387	3,147
KILLINGHALL PRIMARY SCHOOL	14.2	60	0	76,824	30,908
KING JAMES SCHOOL	12.4	51	30,500	86,480	43,026
KING'S SCIENCE ACADEMY	8.1	21	1,900	9,391	7,046
KIRKBURTON PARISH COUNCIL	16.5	2	0	88,068	2,038
KIRKLEES ACTIVE LEISURE	8.1	464	0	443,868	332,019
KIRKLEES COLLEGE	13.1	495	0	1,103,211	532,045
KIRKLEES COUNCILLORS	14	27	0	70,762	28,644
KIRKLEES NEIGHBOURHOOD HOUSING	10.1	366	0	908,036	589,147
KNOTTINGLEY ST BOTOLPHS C OF E ACADEMY	16.2	33	0	46,714	16,633
LADY ELIZABETH HASTINGS	14.5	11	718	10,858	4,495
LAISTERDYKE GM MIDDLE	14.2	71	0	112,138	47,160
LEEDS BECKETT UNIVERSITY	11.8	1,447	0	2,109,580	1,236,666
LEEDS CC COUNCILLORS	13.8	35	7,654	115,668	49,525
LEEDS CENTRE FOR INTEGRATED LIVING	NIL	15	0	41,353	21,041
LEEDS CITIZENS ADVICE BUREAU	15.4	55	5,100	140,721	59,081
LEEDS CITY ACADEMY	18.4	30	1,400	57,093	18,958
LEEDS CITY COLLEGE	13.2	673	25,800	1,850,455	841,630
LEEDS COLLEGE OF ART & DESIGN	11.7	109	15,433	233,192	145,526
LEEDS COLLEGE OF BUILDING	13	176	0	388,803	189,677
LEEDS COLLEGE OF MUSIC	10.7	208	55,100	385,176	248,658
LEEDS EAST ACADEMY	14.1	0	9,000	33,310	14,552
LEEDS EAST PRIMARY PARTNERSHIP TRUST	14.5	159	11,198	169,103	70,058
LEEDS EAST-NORTH EAST HOMES	14.5	1	0	134,405	-929
LEEDS GRANDE THEATRE & OPERA HOUSE	15.2	118	14,598	220,597	97,176
LEEDS GROUNDWORK TRUST	15.1	1	800	10,386	6,810
LEEDS HOUSING CONCERN	NIL	8	0	0	12,456
LEEDS INSTITUTE FOR THE BLIND	9.7	6	0	12,303	9,384
LEEDS METROPOLITAN UNIVERSITY	11.8	22	415,800	2,048,686	1,223,373
LEEDS MIND	14.7	19	2,100	66,364	31,525
LEEDS NORTH WEST EDUCATION PARTNERSHIP	14.5	203	19,202	311,088	127,302

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
LEEDS RACIAL EQUALITY	33	1	8,600	4,554	1,130
LEEDS TRINITY UNIVERSITY COLLEGE	15.1	268	0	834,137	386,757
LEEDS WEST ACADEMY	12.2	0	1,100	58,642	29,479
LEEDS WEST-NORTH WEST HOMES	9.6	2	0	63,380	-641
LIBERTY GAS GROUP LTD	11.3	1	0	4,895	2,787
LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	15	60	0	75,417	30,166
LIGHTCLIFFE CE J&I SCHOOL	14.4	49	0	45,020	17,829
LIGHTHOUSE SCHOOL	8.1	22	4,400	20,593	14,659
LINDLEY C E INFANT ACADEMY	18	35	0	21,933	6,992
LINDLEY JUNIOR SCHOOL ACADEMY	15.4	35	500	39,765	14,627
LOCAL GOVERNMENT YORKSHIRE & HUMBERSIDE	20	4	162,200	63,869	25,261
LONGROYDE JUNIOR SCHOOL	14.4	25	0	34,371	13,968
LPM CLEANING LTD	NIL	3	0	0	771
LUDDENDENFOOT GRAMMAR	14.8	1	3,700	6,225	2,377
MAKING SPACE	12.4	4	0	13,642	4,550
MANSTON ST JAMES ACADEMY	15.2	27	10,900	42,609	15,787
MEARS FACILITIES SERVICES (SOUTH)	13.2	49	0	191,013	94,613
MEARS FACILITIES SERVICES (WEST)	15	19	0	81,269	35,203
MEARS LTD	16.5	11	8,100	58,076	22,080
MELLORS CATERING SERVICES (LEEDS CITY COLLEGE)	NIL	1	0	0	246
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	16.5	8	0	4,217	1,744
MELTHAM TOWN COUNCIL	9.6	1	0	1,454	879
MENSTON PARISH COUNCIL	13.2	1	0	539	209
MERLIN TOP PRIMARY ACADEMY	15.4	33	0	48,501	16,366
MICKLEFIELD PARISH COUNCIL	8.6	1	0	1,338	902
MIDDLETON PRIMARY SCHOOL TRUST	14.5	52	6,355	96,034	42,282
MINSTHORPE ACADEMY TRUST	12.7	133	28,600	256,056	123,822
MIRFIELD FREE GRAMMAR ACADEMY	12.7	90	22,800	204,607	85,860
MITIE (PFI LTD)	15.2	11	0	24,049	9,803
MITIE PEST CONTROL	3	1	0	565	1,092
MOOR END ACADEMY TRUST	13.3	71	0	122,357	58,249
MORLEY TOWN COUNCIL	NIL	1	0	0	1,158
MOUNT PELLON PRIMARY ACADEMY	14.5	87	0	115,236	38,733
MYRTLE PARK PRIMARY SCHOOL	14.2	24	0	13,218	5,402
N I C SERVICES GROUP LTD (COOKRIDGE HOLY TRINITY SCHOOL)	17.8	1	0	451	127
NATIONAL ASSEMBLY FOR WALES	36.8	8	0	99,706	46,649
NATIONAL COAL MINING MUSEUM	15.8	76	0	197,764	80,413

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
NEW COLLEGE PONTEFRACT	13.8	66	22,900	229,785	66,203
NIC SERVICES GROUP LTD	28.4	1	0	1,387	269
NORMANTON TOWN COUNCIL	5.8	3	0	3,547	2,668
NORTH HALIFAX GRAMMAR ACADEMY	15	52	2,600	108,508	43,821
NORTH HALIFAX PARTNERSHIP LTD	15.6	72	0	140,226	53,079
NORTH KIRKLEES CAB	11.5	6	0	12,393	6,728
NORTHERN SCHOOL OF CONTEMPORARY DANCE	9.1	25	2,217	33,496	25,380
NORTHORPE HALL TRUST	13.3	4	0	11,477	5,535
NOTRE DAME 6TH FORM COLLEGE	12.2	48	7,178	108,468	62,119
NPS (NE)	11.3	45	0	310,715	121,068
NPS LEEDS LIMITED	11.2	25	0	102,162	64,333
OAKBANK SCHOOL	14.2	108	0	235,723	95,461
OAKWORTH FIRST SCHOOL	14.2	60	0	28,885	11,898
OASIS ACADEMY LISTER PARK	11.8	69	0	118,774	63,311
OFSTED	17.3	1	80,000	10,024	2,560
OLD EARTH ACADEMY	13.5	71	8,500	65,465	28,376
ONE IN A MILLION FREE SCHOOL	12.3	11	0	17,806	9,269
OPEN COLLEGE NETWORK YHR	30.1	3	0	30,205	7,445
OSSETT ACADEMY & 6TH FORM COLLEGE	11.8	117	49,100	204,559	105,352
OSSETT PENSION (TRUST)	14	117	0	160,798	66,292
OTLEY TOWN COUNCIL	13.5	3	9,000	10,454	5,033
OUR LADY OF VICTORIES CATHOLIC PRIMARY ACADEMY	14.2	32	0	26,973	10,925
OUTWOOD GRANGE ACADEMY	12.5	189	44,000	325,760	170,954
OUTWOOD PRIMARY ACADEMY KIRKHAMGATE	15.9	30	100	30,289	11,363
OUTWOOD PRIMARY ACADEMY LEDGER LANE	12.8	39	0	36,028	15,865
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	15.4	35	0	45,607	15,649
OVERTHORPE C OF E ACADEMY	13.2	52	10,500	66,769	29,923
PARK LANE LEARNING TRUST	14.4	36	0	86,515	36,202
PENNINE HOUSING 2000 LIMITED	14	345	83,200	1,203,914	572,003
PEOPLE IN ACTION	4.2	0	0	75	92
PINNACLE BUSINESS SERVICES (LEEDS)	16.3	17	0	29,131	10,324
PINNACLE LTD (KIRKLEES)	13	3	0	4,194	2,005
PONTEFRACT ACADEMIES TRUST	15.4	404	0	550,870	207,807
PONTEFRACT EDUCATION TRUST	14.9	39	0	38,165	16,056
POOL PARISH COUNCIL	14.9	1	0	1,345	496
PRIESTHORPE ACADEMY	14.5	93	11,294	169,743	75,121
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	14.5	41	2,149	34,968	14,267
PRINCE HENRYS GRAMMAR	13.3	86	42,200	156,766	70,187
PROSPECT SERVICES	NIL	8	0	167	8,066

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Deficit	Employer contributions	Employee Contributions
PROSPECTS SERVICES LTD 2012 (BRADFORD)	18.3	10	5,600	44,955	15,343
PUDSEY GRANGFIELD TRUST	14.5	68	8,891	150,748	53,053
PURSTON E-ACT ACADEMY	16.4	0	15,400	28,184	10,163
RAINBOW PRIMARY FREE SCHOOL	8.9	8	1,900	8,268	4,139
RASTRICK HIGH SCHOOL ACADEMY TRUST	13	86	0	166,862	76,112
RAWDON PARISH COUNCIL	13.2	1	0	1,287	536
RIPON DIOCESAN C OF E COUNCIL FOR SOCIAL AID-CARDIGAN HOUSE	20.5	8	7,107	41,052	15,402
RIPON HOUSE	15.3	9	4,000	35,246	11,829
RM EDUCATION PLC	8.6	3	0	7,098	5,244
RODILLIAN ACADEMY	14.4	52	27,200	131,668	56,542
ROOKS NEST ACADEMY	15.4	37	5,700	53,796	19,338
ROTHWELL CHURCH OF ENGLAND PRIMARY ACADEMY	20.1	14	440	28,052	8,120
ROYDS COMMUNITY ASSOCIATION	28.6	3	11,000	30,730	7,496
ROYDS LEARNING TRUST	14.5	52	7,186	109,091	49,126
RUSSELL HALL FIRST SCHOOL	14.2	27	0	12,277	5,331
RYBURN VALLEY ACADEMY	15	75	0	81,688	33,974
RYBURN VALLEY HIGH SCHOOL	14.4	9	0	55,525	29,738
RYECROFT PRIMARY ACADEMY	15	28	5,600	32,047	12,208
RYHILL PARISH COUNCIL	10.5	1	0	1,266	721
SALENDINE NOOK ACADEMY TRUST	12.6	70	0	119,207	56,460
SALTERLEE ACADEMY TUST	10.2	22	2,500	9,265	5,038
SAMUEL LISTER ACADEMY	15.3	58	45,700	129,555	55,408
SANDAL MAGNA COMMUNITY ACADEMY	NIL	29	0	32,393	14,573
SCHOOL PARTNERSHIP TRUST ACADEMIES	12.3	618	0	801,529	388,428
SCHOOLS LETTINGS SOLUTIONS (FREESTON ACADEMY)	8.8	1	0	305	190
SCHOOLS LINKING NETWORK	11.5	2	0	14,716	9,317
SCHOOLS PARTNERSHIP TRUST ACADEMIES	12.2	3	0	17,123	-27
SCOUT ROAD ACADEMY	14.6	24	500	19,941	8,361
SEA FISH INDUSTRY	16.5	41	0	260,103	123,848
SHANKS WASTE MANAGEMENT LTD	14.7	20	0	67,301	29,580
SHELLEY COLLEGE	14.5	87	23,400	213,996	72,636
SHIBDEN HEAD PRIMARY ACADEMY	13.8	31	9,800	34,238	13,948
SHIPLEY COLLEGE	13.3	161	23,200	299,025	153,128
SHIRLEY MANOR PRIMARY ACADEMY	15	27	810	29,518	11,715
SIMPSONS LANE ACADEMY	16.4	0	0	5,451	51
SITA UK LTD	13.9	15	0	56,644	25,796
SKILLS FOR CARE	15.9	77	0	587,341	238,450
SOUTH ELMSALL TOWN COUNCIL	9.4	2	3,100	5,943	3,681

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
SOUTH HIENDLEY PARISH COUNCIL	8.3	1	0	530	351
SOUTH LEEDS ACADEMY	12.8	62	0	132,495	59,007
SOUTH OSEET INFANTS	17.8	17	3,300	23,628	7,664
SOUTHERN ELECTRIC	15.5	15	8,700	70,624	30,239
SOUTHFIELD GRANGE TRUST	14.1	221	0	406,910	181,282
SOUTHMERE PRIMARY ACADEMY	12.6	56	730	44,140	20,199
ST ANNES CATHOLIC PRIMARY ACADEMY	14.2	26	0	28,092	13,026
ST ANNES COMMUNITY SERVICES	13.7	441	834,000	1,253,971	571,972
ST ANNES COMMUNITY SERVICES (BRADFORD)	NIL	12	0	0	18,652
ST CHADS C OF E PRIMARY SCHOOL	14.4	35	0	28,836	11,376
ST GILES CHURCH OF ENGLAND ACADEMY	12.7	33	0	32,721	14,463
ST HELENS CE PRIMARY ACADEMY	15.5	25	0	30,627	13,078
ST JOHN'S (CE) PRIMARY ACADEMY TRUST	14	32	7,500	35,254	14,435
ST JOHNS CE PRIMARY SCHOOL	14.2	57	0	69,096	27,967
ST JOHNS HOSTEL	16.9	15	30,000	55,307	20,906
ST JOHNS PRIMARY ACADEMY RISHWORTH	16.3	11	2,800	18,640	6,539
ST MICHAEL & ALL ANGELS SCHOOL	14.4	28	0	27,116	10,518
ST MICHAELS CE ACADEMY	13.1	50	0	72,943	26,928
SWALLOW HILL COMMUNITY COLLEGE ACADEMY	13.2	65	0	120,584	47,725
TAYLOR SHAW	NIL	5	0	0	2,506
TAYLOR SHAW LTD (BATLEY GIRLS HIGH SCHOOL)	3.4	6	0	1,474	2,384
TAYLOR SHAW LTD (FIELDHEAD GRIMES MANSTON)	19.5	7	0	6,915	1,951
TAYLOR SHAW LTD (PARKLANDS PRIMARY)	13.4	3	0	3,205	1,316
TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITELAITH)	17.7	8	0	1,885	585
THE ANAH PROJECT	13.5	1	0	6,557	2,752
THE BECKFOOT & HAZELBECK ACADEMY TRUST	13.9	140	0	300,482	141,242
THE BISHOP KONSTANT CATHOLIC TRUST	14	464	86,200	502,022	217,485
THE CATHEDRAL C of E	11.3	75	0	122,197	68,914
THE CROSSLEY HEATH ACADEMY TRUST	13.8	76	17,500	122,878	50,515
THE FARNELY ACADEMY	16.4	1	0	-1,348	-557
THE FREESTON ACADEMY	14.5	82	18,200	114,783	48,139
THE GORSE ACADEMIES TRUST	12.9	344	0	392,987	181,957
THE LANTERN LEARNING TRUST	16.5	176	14,328	216,505	92,200
THE MALTINGS LEARNING TRUST	10.1	9	0	12,922	8,063
THE MORLEY ACADEMY	13.2	1	0	277	77
THE POLICE & CRIME COMMISSIONER FOR WEST YORKSHIRE	11	118	0	659,997	334,804
THORNHILL COMMUNITY ACADEMY	12.3	60	29,200	93,103	48,671
THORNTON GRAMMAR SCHOOL	14.2	104	0	291,019	121,442

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

<u>Employer name</u>	<u>Employer Rate</u>	<u>Number of Active Members</u>	<u>Deficit</u>	<u>Employer contributions</u>	<u>Employee Contributions</u>
TODMORDEN TOWN COUNCIL	17.3	2	0	7,200	2,583
TONG HIGH SCHOOL	14.2	130	0	299,678	129,533
TRINITY ACADEMY HALIFAX	11.4	118	27,800	201,210	107,942
TURNING POINT	NIL	6	0	0	7,507
UNITED RESPONSE	NIL	9	0	34,934	14,000
UNIVERSITY ACADEMY KEIGHLEY	14.4	84	1,700	152,498	67,359
UPP RESIDENTIAL SERVICES	15.1	1	0	1,938	711
WAKEFIELD & DISTRICT HOUSING	12.9	1,377	0	4,523,778	2,356,419
WAKEFIELD CITY ACADEMY	15	46	2,900	155,454	73,751
WAKEFIELD COLLEGE	13.3	351	0	674,046	316,825
WAKEFIELD COUNCILLORS	17.9	20	0	52,407	21,608
WATERTON ACADEMY TRUST	15	39	1,000	39,461	11,614
WEST END ACADEMY	12.4	38	0	33,431	15,284
WEST VALE PRIMARY SCHOOL	14.4	22	0	29,096	11,428
WEST YORKSHIRE COMBINED AUTHORITY	13.5	391	965,900	1,304,937	645,850
WEST YORKSHIRE POLICE AUTHORITY	10.9	0	0	0	9,688
WEST YORKSHIRE PROBATION	11.7	0	0	441,026	245,728
WEST YORKSHIRE TRANSPORT SERVICE	0	0	0	0	2,391
WEST YORKSHIRE VALUATION TRIBUNAL	12.8	3	30,800	14,967	8,654
WEST YORKSHIRE ITA	13	1	0	-1	0
WESTBOROUGH HIGH SCHOOL	13.8	54	0	30,912	1,620
WESTWOOD PRIMARY SCHOOL TRUST	14.5	26	1,954	29,498	12,159
WETHERBY TOWN COUNCIL	18.2	7	0	21,392	7,220
WHITEHILL COMMUNITY ACADEMY	14.9	89	3,400	121,424	49,150
WILLIAM HENRY SMITH SCHOOL	20.8	49	21,000	176,463	53,676
WILLOW GREEN ACADEMY	17.4	0	0	-3	0
WOODHOUSE GROVE SCHOOL	29.1	4	33,500	28,018	5,998
WOODKIRK ACADEMY	15.6	94	7,400	192,236	74,644
WOODSIDE ACADEMY	11.9	84	14,200	64,302	33,306
WRAT - LEEDS EAST ACADEMY	14.1	45	0	51,108	22,941
WRAT - LEEDS WEST ACADEMY	12.2	60	0	82,291	44,987
WY FIRE & RESCUE	13.2	288	96,400	1,184,473	475,609
W Y P T E	13.5	3	0	1	9,901
YORKSHIRE HOUSING LTD	17.5	2	0	6,909	2,290
YPO	12.3	467	0	1,461,113	765,370
<b>TOTAL</b>		<b>97,548</b>	<b>19,887,817</b>	<b>239,640,132</b>	<b>108,530,134</b>

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### BENEFITS PAID

West Yorkshire Pension fund pays over 82,000 pensioners every month with a gross pension payroll in excess of £30m each month.

### Third party service provision

In addition to the Local Government pension payments, each month West Yorkshire Pension Fund also provide a Pensions Administration and payroll service for the following Fire authorities:

- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire & Rescue Authority
- South Yorkshire Fire & Rescue Authority (the fund provides the administration Function only).

As at 31 March 2015 the combined membership of the Fire authorities is shown in the following table:

Membership as at 31 March 2015	
Active Members	3,258
Pensioners	4,168
Beneficiaries	664
Deferred pensioners	463
Undecided leavers	48
Frozen refunds	16
<b>Total</b>	<b>8,617</b>

### Pension overpayment

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

Overpayments	2014/15 £000		2013/14 £000		2012/13 £000
Annual payroll	342,087		327,405		311,422
Overpayments	237	0.069%	67	0.020%	44
Overpayments written off	17	0.005%	11	0.003%	0
Overpayments recovered	96	0.028%	59	0.018%	23
Analysis of overpayments	No. of payments		No. of payments		No. of payments
Number of pensions paid during reporting period	985,776		949,128		908,172
Number of cases overpaid	333	0.034%	198	0.021%	125
Number of cases written off	27	0.003%	18	0.002%	N/A
Number of cases recovered	201	0.020%	173	0.018%	99



## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

West Yorkshire Pension Fund take 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 Local Government Pension Scheme and Fire Services Pension members managed by the Fund.

A summary of the latest results of these exercises is shown below.

Pensioners, beneficiaries and deferred members - deceased	No of record sent	No of mismatches	Overpayments			Possible Frauds	mismatches still outstanding
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1456	0.94%	82	0.05%	3	8

### Internal Audits completed during 2014/15

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Metropolitan District Council. Each year a risk based audit work programme is delivered covering financial systems, procedures, services, performance activities across the organisation, agreed in advance with the Pension Fund management. Listed below is a summary of the reviews that were carried out during the financial year 2014/15.

- **Local Government Scheme Contributions** – This looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as required. Recommendations were made to improve control over the raising of invoices for early retirement costs and unfunded benefit contributions and these have been implemented.
- **Transfers Out** – This was an audit of the risks to the process where individuals cease to be employed by a schedule or admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new scheme. The control environment was largely as required with no significant recommendations arising.
- **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.
- **Purchase of Additional Pension** – Since 1 April 2014, new additional pension requests have to be purchased through Additional Pension Contributions. The audit identified weaknesses in the procedures for receiving deductions and calculating pensions and made recommendations for improvement. All improvement actions were implemented.
- **New Pensions and Lump Sums** – 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 excellent.



## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

- **Foreign Equities** – These foreign investments are held under the custody of the HSBC, and the audit found the system to be well controlled.
- **Verification of Assets** – This audit ensures that the assets held by the West Yorkshire Pension Fund are as expected. The standard of control in place to achieve this was found to be excellent.
- **Treasury Management** – This audit reviewed the arrangements in place to ensure that surplus cash is invested in the most appropriate ways and found control of this process to be excellent.
- **Review of the West Yorkshire Pension Fund 2013/14 Accounts** – This work was carried out at the request of the Financial Controller with the aim of assisting the Financial Controller in ensuring the quality of the financial statements.

### ISO 9001:2008

WYPF is an ISO 9001:2008 accredited service provider. All our services are quality assured using rigorous quality management systems, and assessed by external assessors twice a year. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.

The purpose of the ISO 9001:2008 certification is to ensure that WYPF provides quality Local Government Pension Scheme services to employers, members and beneficiaries within the scope of Local Government Pension Scheme Regulations 2013 and the Firefighters' Pension Scheme Order 2013.

### WYPF quality policy

We will provide best value and deliver and improve our services in an efficient and effective manner by:

- Providing a high-quality service to all beneficiaries and deferred members
- Paying correct benefits on time, dealing with queries promptly
- Providing accurate and timely pension information
- Providing equal access to all our services within the relevant regulations
- Providing an efficient and effective service to all employers in the scheme

These means responding quickly to requests for information, giving advice and training, and supplying detailed guidance on the 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 the 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  
Holding regular service review meetings to review service performance and quality issues

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Management and Customer Service Key Performance Indicators

WYPF monitors its performance against several Key Performance Indicators (KPIs). As a result of the implementation of the new scheme all aspects of the administration structure and processes were reviewed in 2014/15.

Our key performance indicators during the year measured against our targets are shown in the table below. Critical business areas impacting on pensioners and their family takes priority, these being, members requiring immediate payment for retirements, redundancies, dependents pensions and death grants. Delays in receiving new scheme regulations did present some issues, impacting on a small number of our key performance indicators.

WORKTYPE	TOTAL CASES	TARGET DAYS	TARGET MET CASES	KPI TARGET	ACTUAL KPI
1. Payment of pensions (pensioners + beneficiaries)	82,148	Due days	82,148	100%	100%
2. Pension Set Up – Payment of Lump Sum	2,661	3	2,551	85%	96%
3. Deferred Benefits Into Payment – Payment of Lump Sum	25	3	24	85%	96%
4. Death in Service – Payment of Death Grant	24	5	23	85%	96%
5. Death of a Pensioner – Payment of Death Grant after receipt of all necessary information	74	5	60	85%	81%
6. Payment of Beneficiary Pension	686	5	646	85%	94%
7. Initial letter acknowledging death of active, deferred or pensioner member	2,232	5	2,119	85%	95%
8. Refund Payment	619	5	573	85%	93%
9. New starter set up	1,781	5	1,591	85%	89%
10. Divorce Quote, within legislative timescales	315	40 days used as a general average	291	85%	92%
11. Transfer In Quote	426	10	349	85%	82%
12. Employer satisfaction with the service provided by the Pensions Administration section	n/a	n/a	n/a	83%	83%
13. The percentage of visitors waiting less than seven minutes at a reception point.	n/a	n/a	n/a	100%	100%
14. The percentage of phone calls answered within 20 seconds.	n/a	n/a	n/a	94%	97%

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Cost per member

The latest published data (2013/14) for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £18.66, the 11th lowest cost amongst 89 LGPS funds and well below the national average of £26.81.

WYPF has the lowest total cost per members (administration and investment) at £27.80, the national average for LGPS in 2013/14 is £126.73.

The 2014/15 annual cost of administering the West Yorkshire Pension Fund per member is £18.82, this compared favourably with the average cost for authorities in the DCLG –SF3 results for 2013/14 as shown in the table below:

Cost per member 2013/14	Position	West Yorkshire Pension Fund	LGPS Average	LGPS Lowest	LGPS Highest
Admin cost per member	11 <sup>th</sup>	£18.66	£26.81	£9.17	£80.05
Total cost per member	1 <sup>st</sup>	£27.80	£126.73	£27.80	£469.89

\*LGPS figures are from DCLG SF3 2013/14 data set.

### Staff numbers and trends

	2011/12 FTE	2012/13 FTE	change %	2013/14 FTE	change %	2014/15 FTE	change %
Service centre staff	73	74	1.4	55	-25.7	44.4	-19.3
Payroll	12	10	-16.7	16	60.0	16	0.0
ICT/UPM staff	7	7	0.0	9	28.6	11	22.2
Finance Staff	5	3	-40.0	11	266.7	12	9.1
Business support staff	11	13	18.2	13	0.0	12	-7.7
Technical	3	3	0.0	4	33.3	4	0.0
<b>Total</b>	<b>111</b>	<b>110</b>	<b>-0.9</b>	<b>108</b>	<b>-1.8</b>	<b>99.4</b>	<b>-8.0</b>

### Staff to fund member ratio

	2011/12 FTE*	Total fund membership 2011/12	2012/13 FTE*	Total fund membership 2012/13	2013/14 FTE*	Total fund membership 2013/14	2014/15 FTE*	Total fund membership 2014/15
<b>Total</b>	<b>111</b>	<b>234,947</b>	<b>110</b>	<b>245,519</b>	<b>108</b>	<b>256,561</b>	<b>98</b>	<b>268,780</b>

\* FTE = Full time equivalent

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Membership trends over a 3 year period

The membership in the Fund continues to grow, with a total membership including undecided leavers and frozen refunds of 268,780 as at 31 March 2015. Active members are employed by 383 separate organisations. The number of active members continue to increase as a result of auto enrolment. Member numbers for 2013/14 have been restated.

Membership category (at 31 March each year)	2014/15	change	2013/14	change	2012/13	change	2011/12
Active Members	97,548	3.71%	94,056	3.28%	91,072	-2.03%	92,959
Pensioners	71,189	4.14%	68,358	4.88%	65,177	4.39%	62,435
Beneficiaries	10,959	2.08%	10,736	2.21%	10,504	1.81%	10,317
Deferred pensioners	77,780	2.99%	75,522	7.13%	70,493	8.11%	65,202
Undecided leavers	5,988	125.54%	2,655	-20.44%	3,337	N/A	N/A
Frozen refunds	5,316	1.57%	5,234	6.04%	4,936	22.36%	4,034
<b>Total</b>	<b>268,780</b>	<b>4.76%</b>	<b>256,561</b>	<b>4.50%</b>	<b>245,519</b>	<b>4.50%</b>	<b>234,947</b>

### Admissions to the Fund

Employees joining the Fund were as follows:

	2014/15	Restated 2013/14
Employees/councillors joining with no previous service	23,272	19,274
Employees with transfers from:		
- other local government funds	7	109
- other pension schemes	73	198
<b>Totals</b>	<b>23,352</b>	<b>19,581</b>

## SECTION 4 – FINANCIAL & MANAGEMENT PERFORMANCE

### Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows:

	2014/15	Restated 2013/14
Members awarded immediate retirement benefits	2,783	2,316
Benefits awarded on death in service	85	52
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	5,440	6,453
<b>Totals</b>	<b>8,308</b>	<b>8,821</b>

## SECTION 5 – INVESTMENT REPORT

### INVESTMENT ADVISORY PANEL – OPERATIONAL REVIEW

This is a review of the WYPF investment advisory panel activities for the financial year 2014-2015. This report provides an overview of the investment market conditions that formed the backdrop to the panel's operations during the year and highlight other aspects of the panel's work, including aspects of governance and meetings with internal and external investment managers running assets for the scheme and investment decisions.

The first investment panel meeting of the year was tinged with sadness as a long serving panel member Councillor Clive Fox had died unexpectedly earlier in the month. There were a number of tributes paid to this well liked and respected panel member at the meeting. Deputy Chair Ian Greenwood wrote the following tribute, which was published in the annual newsletter for members. 'Clive was the longest serving member of both West Yorkshire Pension Fund's Investment Advisory Panel and Joint Advisory Group and was always thoughtful, considered, whilst on occasions appropriately challenging. He was a thoroughly decent man who I considered a friend. The Fund is poorer for his loss. We will miss him. Our thoughts are with his family'.

### HSBC Custodial Services and Stock lending

At this first meeting of the new financial year as is normal practice the panel received a number of annual governance reports for review. A report on the stock lending activities of the fund was presented at this meeting. The panel agreed that the upper level of stock lending should be set at the maximum permitted, which is currently 35%. This was a continuation of existing policy. A proposal to add Lloyds Bank PLC as a new lending counterparty was also approved. The principles of stock lending were reviewed and the current level of stock on loan and the previous year's income generated were also presented in the report. In accordance with best practise the panel reviewed a report on the operational controls of HSBC Securities Services, who act as custodian to the schemes assets. The ISAE 3402 assurance report on controls provided by HSBC Securities Services had been reviewed by KPMG with the full report being made available to panel members.

### Investing For Growth

The April agenda also featured an update report on the 'Investing for Growth' initiative where the WYPF has been working jointly with a number of other large metropolitan funds to identify potential 'impact investment' opportunities that meet strict commercial rates of return hurdles, and also have the potential to be regionally significant. The panel discussed the first investment made under this 'Investment for Growth' initiative. It was noted that the property investments that will form the majority of this first investment would generate attractive levels of return for the scheme but with the additional benefit of providing a positive social impact.

### April 2014 Investment Panel meeting

The previous financial year ended with global equities struggling to make further ground. The strong returns seen during 2013 were not carried through into the first quarter of 2014, where the UK equity market delivered a small loss despite the continuing positive news on the economy. The very strong run for the US Equity market also slowed as concerns over high valuation levels combined with disappointing economic data, albeit weather related.

## SECTION 5 – INVESTMENT REPORT

After the very strong returns over the previous year Japanese equities had fallen over the quarter on profit taking and worries over the impact of the impending sales tax rise. The portfolio remained underweight the strategic benchmark in Japan. The panel agreed not to allocate additional funds in the first quarter to take advantage of the recent falls, as there was already previously allocated cash awaiting investment. New cash flow was allocated to European Equities, as both the valuation and potential central bank policy response seemed to favour European shares. The panel also continued to allocate to property via both listed and unlisted funds, while preparations to establish a direct property investment capability continued.

### July 2014 Investment Panel meeting

The panel met in July for the second meeting of the financial year. After the difficult start to the year global equity markets regained some momentum during the second quarter. All major equity markets generated positive returns with Japan the strongest of the developed markets after investors returned following the implementation of the sales tax rise. Bond markets continued to be strong as investors responded to lower than expected inflation and soothing statements emanating from the US Federal Reserve on the future path of interest rates. The panel again allocated cash flow to markets that offered the best combination of valuation and a catalyst for strong returns. The Japanese economy continues show signs of recovery and with equity valuations extremely low by historical comparison further investment was made in this area.

### Panel review of 2013/14 performance

The panel at this July meeting formally reviewed the investment performance achieved by the fund in the previous financial year. As usual a representative of the investment performance measurement company WM Performance Services presented a report detailing returns over both the long and short term. Reference was made to the funds own customised benchmark and the wider local authority universe of funds. WM Performance Services presented research that showed over the last five years the relationship between the risk of an investment and its return had normalised after the shocks delivered during the global financial crisis. After the strong recovery in equity markets in recent years the return of the “equity risk premium” can now be seen in the figures. That is a higher return for investors in equity than bonds can now be seen in all periods from short to long term. Which is the expected reward for the higher risk of holding these assets. It was also highlighted by WM that over all reported periods up to and including twenty years the returns generated by the assets within the LGPS had significantly beaten inflation.

### Risk and return, long vs. short term investments

The panel continues to take a genuinely long-term investment view, which is consistent with the long-term nature of the liabilities of the fund. It is however still relevant to monitor investment performance over the short term as well. Over the financial year to March 2014 the fund returned 4.8% this compares with 5.5% for the scheme’s benchmark, however the fund remains ahead of its benchmark over the long term. These investment returns place the fund below the middle of the range over one year against the local authority average, where extremely strong active returns particularly in UK equities have boosted the universe. Over longer periods the fund remains ahead of this peer group and the panel continue to consider a lower risk approach adopted by the internal teams as the most appropriate investment style over the longer term.

## SECTION 5 – INVESTMENT REPORT

### Stock selection and asset allocation

Following on from the report on performance the panel received a report on the investment return targets that have been adopted by the fund. The internal team was congratulated on positive stock selection contribution over the previous three years. It was noted however that despite consistently good decisions on the deployment of new cash flow by the panel over the period the contribution of asset allocation had been a slight negative. This apparent discrepancy highlighted the issue of mainly using new cash flow to influence asset allocation relative to the benchmark. Given the growth in the fund the extent to which new cash flow alone can meaningfully influence asset allocation is limited. The panel will continue to monitor this situation and will introduce revised procedures if these can be demonstrated to better influence returns.

### Local Authority Pension Fund Forum (LAPFF)

The meeting concluded with an update from the deputy chair on the governance work carried out by LAPFF, with particular emphasis on the engagement LAPFF has been undertaking on the subject of high levels of executive pay. The panel talked through a number of specific examples where LAPFF voting alerts had been issued and questions asked at public AGM's. The panel continues to take seriously issues of corporate governance in organisations the fund invests in and fully supports the work of LAPFF in this regard.

### WYPF Alternative Investments Working Group

An Alternative Investments Working Group was convened in London during September 2014. Members of the Alternative Investments Working Group met for face-to-face meetings with seventeen external managers running the fund of hedge funds, private equity and infrastructure investments for the scheme. These face-to-face meetings held over two days allow for a review of performance and strategy as well as a detailed look at the investment environment. The manager presentations are held back to back over a short period and this puts Panel Members in a good position to compare and contrast the various managers and their responses to changing market conditions. By meeting private equity managers in this way Panel Members are in a better position to assess new funds offered by these same managers as existing investments mature and follow on funds are proposed.

### November 2014 Investment Panel meeting

The November panel took place just prior to the annual meetings of the employers and members. Equity markets had made modest further progress over the third quarter with US and Japanese markets leading the way. Returns in the property market continued to be very strong with property assets delivering the highest return over one year of any of the assets the scheme invests in. Global bonds enjoyed a strong quarter in part as a response to disappointing global growth and falling inflation but also in the case of German Bunds in response to heightened geo-political tensions following the shooting down of a Malaysian airliner over the Ukraine.

Two reports were presented to the panel on developments within the alternative investment portion of the fund. The panel had previously approved a proposal to establish a separate listed alternatives portfolio. Over recent years the in house team have identified a number of investment opportunities offering high yields and attractive returns that also demonstrate low correlation to either bond or equity markets. However, unlike the funds investment in Private Equity and Hedge funds these investments are listed on recognised share exchanges and do offer better liquidity than many of the other



## SECTION 5 – INVESTMENT REPORT

alternatives held by the fund. The meeting agreed for existing investments of this type to be transferred to this portion of the fund and for cash flow to be made available each quarter for an increase in investments of this type, as and when opportunities arise. Thus allowing the in house team the flexibility to move quickly when required. A second report was presented to the panel, which highlighted the progress that has been made in streamlining the hedge fund portfolio, which over the last two years has seen a reduction in fees combined with increased transparency. The introduction of a bespoke single manager fund has seen performance improve overall but in particular on a risk-adjusted basis where the results have been extremely encouraging.

### Employers' and members' annual meeting

Communication with both employers and members remains an important aspect of the panel's activities. Immediately following the November meeting the annual meetings for both the employers and members took place in Bradford at the City Hall and following day at the Bradford Hotel. These annual events are always well attended and they provide an opportunity for employers, members and pensioners to hear about various aspects of the scheme including the investment environment and a review of investment performance over both the previous year and the longer term. In addition to the economic and investment background these meetings provide an opportunity to hear about the administration aspects of the fund and any changes that have taken place for members or employers. As it is the administration function of the scheme that is the main interface with employers and pensioners this information always proves of interest. There was an opportunity to ask questions with these being answered for the benefit of the whole meeting. The members meeting welcomed Andrew Bowker from the Bradford District Credit Union as guest speaker Andrew delivered a clear and informative presentation that prompted a number of interesting questions from the audience. A list of the questions can be found on:

- [WYPF Annual meeting questions](#)

or go to

- <http://www.wypf.org.uk/Member/News/2015/April/AnnualMeetingReport.aspx>

### January and April 2015 Investment Panel meetings

The final two meetings of the financial year took place in January and March 2015. Equity markets ended the year strongly with global equities producing double digit returns during 2014. US equities were the stand out performer having adjusted to the ending of the US Federal Reserves 'quantitative easing' programme better than many investors had anticipated. In fact 2014 was a good year all round for asset markets with bonds also delivering double digit returns and UK index linked gilts and property both returning almost 20%.

The panel acknowledged that the investment environment remains challenging with a number of equity markets now looking fully valued and bonds trading on historically low yields, which have in some markets actually turned negative. With this as a background it was decided that as well as on on-going commitment to listed alternative investments that cash flow should continue to be directed towards the two equity markets that are expected to benefit from central bank activity. Both Japan and the ECB are expected to implement significant further quantitative easing going forward. Japan in particular is a big beneficiary of the lower oil prices that had become such a major factor towards the end of the year. European and Japanese equities also offer better value than many other markets and in particular the

## SECTION 5 – INVESTMENT REPORT

US. Consequently cash flow was again allocated to both markets, with internal managers given full discretion over the timing of these investments.

### Statement of Investment Principles review

In addition to the investment decisions the panel reviewed the statement of investment principles and business plan for the new financial year. This report covers a number of the Myner's principles that codify a model of best practice for pension funds and in particular relate to the areas of 'Effective Decision Making'. The 2015-16 business plan sets out the timetable and structure of the regular investment advisory meetings, meetings of the alternative investments working group and plans for training. The business plan and the statements of investment principles were approved for the year.

### March 2015 - Alternative Investments Working Group

An Alternative Investments Working Group was held in Bradford during March. The members of the Alternative Investments Working Group reviewed in detail seventeen funds from eight separate managers. Most of these private equity funds would be considered UK lower mid-market in terms of geography and target market. As with the London meetings these face-to-face meetings provide members with the opportunity to ask questions of the managers and to monitor the investment landscape and performance. This Alternative Investments Working Group is somewhat different in style to the longer London meeting as some of the funds are specifically targeted at local businesses investment and members are able to ask detailed questions given their local knowledge. The meeting concluded with a presentation from a new manager looking to provide loans and equity capital with emphasis on the local region. The members of the working group decided to recommend this new investment to the full panel.

### Investment Panel – Good Governance

As part of ongoing good governance, attendance at investment and training seminars is encouraged not only for new panel members but also for existing members to keep their knowledge as up to date as possible. During the period the panel has been represented at a number of industry investment seminars including the LGC Investment Summit, annual LAPFF conference the Local Government Autumn Seminar, run by Grant Thornton and Local Authority Pension Fund Investment Strategies and Current Issues Conference, run by SPS. In addition to industry and investment related events panel members are encouraged to attend suitable training events in order to enhance their investment understanding in order to better contribute to the workings of the panel. To this end the availability of upcoming training and investment seminars are a regular agenda item discussed at the regular quarterly meetings. In terms of wider engagement with the LGPS community, the WYPF Pensions Director and Deputy Chair both remain members of the LAPFF Executive and National Shadow Pensions boards.

### Voting rights

In terms of responsible ownership the scheme continued to exercise its shareholder voting rights in full. The panel adopts the PIRC shareholder voting guidelines for this purpose and continues to make use of the full-extended service. The fund is able to vote on every company represented in its investment portfolio anywhere in the world. The Fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. As reported in previous years this engagement is conducted through the LAPFF where deputy chairman Ian Greenwood remains a very active member. The voting activity of the fund is made available each quarter to both panel members and the public via the WYPF web site.

## SECTION 5 – INVESTMENT REPORT

### Investment Panel – member changes

As has been highlighted in previous reports the experience of the investment panel members is a significant benefit to the fund as it ensures that the scheme continues to operate with high standards of governance and that investment decisions are reviewed and monitored to the highest standards. However during any financial year it is usual for some members of the panel to leave and to be replaced with new faces. During the period under review long serving pensioners representative Peter Meer stepped down and was replaced by the former Director of WYPF Stuart Imeson. There were two changes to the panel representatives from Leeds with Cllr Hanley and the late Councillor Fox being replaced by Cllr Harrand and Cllr Davey. The panel wishes to welcome newcomers and to thank those leaving for their contribution to the scheme during the period of their tenure

### The year in summary

As the new financial year begins a number of global equity markets are at or near record highs and bond yields remain historically low and in some cases negative. The outlook for asset returns looks fragile. However this has been a feature of the recent past and markets have continued to climb the wall of worry. As the fund moves into the final year of the three year actuarial cycle the panel will be paying particular attention to the likely effects of a US interest rate hike as well as monitoring the success of otherwise of central bank intervention in Japan and Europe. Possible volatility emanating from the Greek bailout restructuring talks and issues surrounding Russia and Ukraine will also need to be monitored. In what looks to be a busy year it is expected that directly held property will feature for the first time as an asset class in the fund and the newly formed pension board will meet for the first time. The panel will continue to operate to the highest levels of governance seeking to adapt new best practise as it emerges.

### Investment management and strategy

The Fund's entire investment portfolio continues to be managed on a day-to-day basis in-house, supported by the Fund's external advisers. Investment strategy and asset allocation is agreed at quarterly meetings of the Investment Panel. There are fourteen professional investment managers and seven administration settlement staff in the in-house investment team.

The in-house investment management costs continue to be among the lowest of all local authority pension funds. In 2013/14, the Fund's in-house investment management costs were £9.14 per scheme member compared with the national average for all local authority pension funds of £99.92.

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 Statement of Investment Principles. The benchmark represents the optimal investment portfolio distribution between asset classes to bring WYPF up to 100% funding in accordance with the principles outlined in the Funding Strategy Statement. The Panel does however make tactical adjustments around the benchmark for each asset class within a set control range.

The volatility in markets over the last year, which is covered in more detail in the following sections, provided the investment Panel with opportunities to allocate investment into equities, bonds and private equity during the year. The investment in hedge and currency funds was further reduced during the year. The Fund holds 1.65% in cash. The return on cash balances remains at a historic low.

### Voting policy

The Fund will vote 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 Fund's Statement of Investment Principles. Full details of the voting policy is also available for viewing on the Fund's website, as are details of the Fund's voting activity at companies' Annual General and Extraordinary General Meetings.

### Custody of financial assets and stock lending

HSBC provides custodial services to the Fund and are responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, stock lending, general custodial services and other administrative actions in relation to all the Fund's fixed-interest and equity shareholdings, with the exception of private equity and properties.

### Investment performance

The Fund returned 11.8% in 2014/15, 1.1% above the return on the fund-specific benchmark of 10.7%. The average return for all local authority pension funds is 13.2%, this positioned the Fund in the 73<sup>rd</sup> percentile of the local authority universe.

The Fund's long-term investment performance continues to be good. WYPF's average annualised return over the last three years was 10.1%; over the last five years it was 8.3%; and over the last ten years it was 8.3%. The benchmark figures were 9.6%, 7.9% and 7.8%. The respective average returns for local

## SECTION 6 – INVESTMENT MANAGEMENT AND STRATEGY

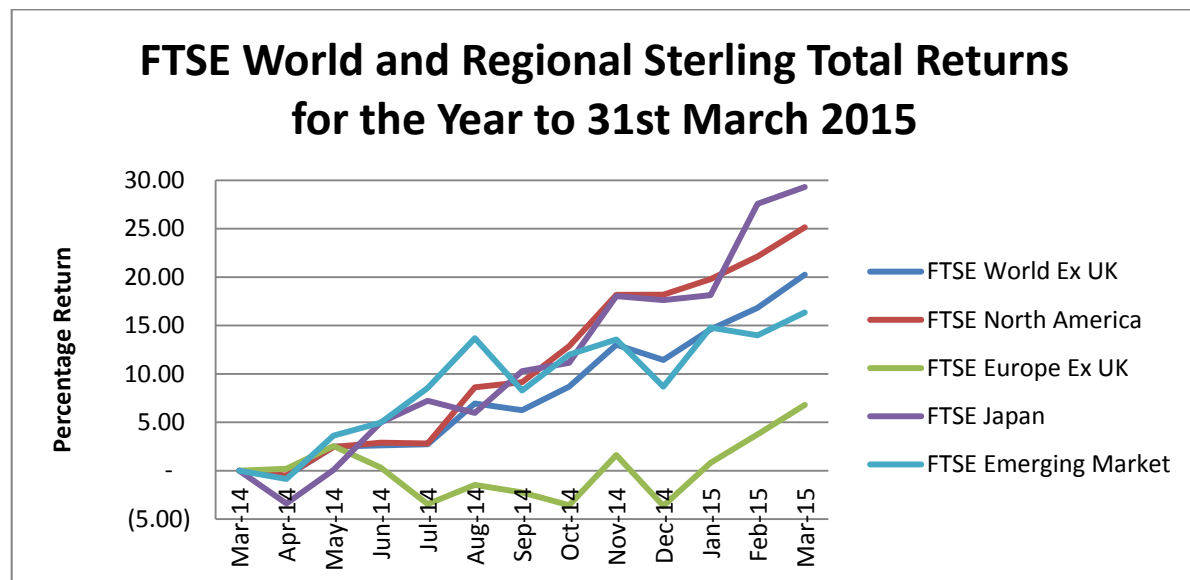
authority pension funds are 11.0%, 8.7% and 7.9%, which on a league table basis places WYPF in the 80<sup>th</sup>, 69<sup>th</sup> and 27<sup>th</sup> percentile over these periods.

The longer-term out-performances against the local authority average have been achieved from both asset allocation and consistent good stock selection. This positive contribution from stock selection demonstrates the excellent work of the in-house investment management team.

## SECTION 7– INVESTMENT MARKETS

### INTERNATIONAL EQUITIES INVESTMENT MARKETS

Global equity markets made very strong returns over the year to March, 2015 with the FTSE All World Index returning 19.2%, and 20.3% excluding the UK. Most markets delivered strong returns with both Europe and emerging markets delivering double digit returns, although currency weakness reduced European Euro returns from 21% to just 5.9% in Sterling terms. Emerging market returns of 16.3% were very much driven by Greater China which compensated for the losses made by Latin America and Eastern Europe.



### North America

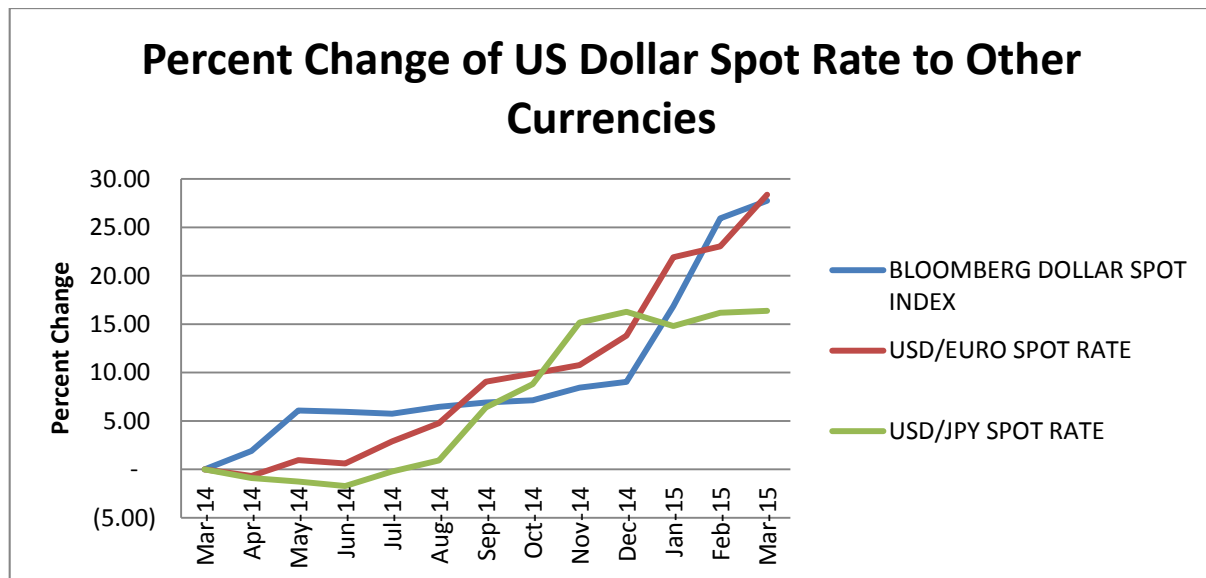
The US stock market was highly volatile and whilst it delivered a respectable return for the year, it suffered several corrections and recoveries. This volatility was the result of the US Federal Reserve tapering its policy of Quantitative Easing (QE) which finally ended on 29 October 2014. This policy had been a major stimulus to the market whereby the Fed bought bonds in the open market to raise demand and prices. The higher prices depressed bond yields and therefore lowered the cost of borrowing. However, once unemployment fell below 6% and the economy was thought to have reached a point where growth was self-sustaining, QE was withdrawn. The removal of this prop made the markets nervous as the inevitable consequence was that bond prices would ease and yields would rise. It was also likely that the Federal Reserve would raise interest rates from their low level of 0.25% in order to temper the inflationary pressures that a full labour market and growing economy would generate.

### World Monetary Policies

Over the year monetary policies have diverged with tighter policies in the USA contrasting with the looser policies of Japan, Europe and China. The most dramatic impact of this divergence has been the

## SECTION 7– INVESTMENT MARKETS

relative appreciation of the dollar against other currencies which, according to the Bloomberg Dollar Spot Index, has appreciated 27.8% against a basket of 10 other major currencies, since March 2014.



The impact of this dramatic appreciation has been to reduce non US Dollar earnings and in turn, reduce the price competitiveness of US exports which has dampened confidence in US equities. In contrast, the Japanese and Europeans in particular have enjoyed a boost to exports and earnings.

### Oil Price

World markets were also affected by the sudden and dramatic fall in oil prices which fell from \$108 per barrel in March 2014 to \$55 per barrel by March 2015. This was caused largely by an oversupply of oil, with countries such as Saudi Arabia continuing to pump oil in an effort to reclaim market share from more expensive producers in North America. The number of oil wells in North America has consequently been reduced, because many unconventional sites (e.g. oil sands and shale) are not profitable at these prices.

The impact of lower oil prices has been both positive and negative. For oil producers it has been negative as revenue and profits have fallen. Capital investment has been halted, drilling rigs mothballed, and earnings have often halved causing share prices to fall. In contrast, oil importers have benefited from the fall in fuel costs and consumers are expected to benefit from the extra cash in their pockets.

### European Markets

The European markets had a difficult year, and failed to make any headway until the final quarter. The European economy was struggling to show any real signs of growth for much of the year and several headwinds held back economic expansion and dampened sentiment. These headwinds included the conflict in the Ukraine and its associated trade sanctions, and the ongoing contraction of the Greek economy, and fear that Greece would both default on its debt repayments and withdraw from the Euro.



## SECTION 7– INVESTMENT MARKETS

Over the year the European Central bank (ECB) introduced various measures to ease monetary policy in an effort to stimulate borrowing and investment. Initially it cut interest rates from 0.25% to 0.15%, and later introduced Targeted Long Term Refinancing Operations (TLTRO's) that were intended to stimulate greater bank lending and credit growth, but to no avail. Finally, and some would say belatedly, in January 2015 it introduced a program of QE which succeeded in boosting sentiment and propelled the stock market forward nearly 19% in local currency terms. The Euro bloc returned 29.3% in Euro terms for the year, but the devaluation of the Euro against Sterling that accompanied the introduction of QE meant sterling returns were only 5.9%. However, economic numbers at last showed signs of improvement across the region. Europe, aided by lower oil prices and a boost to competitiveness from the weaker currency, may now have turned the corner, although the fear of a Greek debt default and possible exit from the Euro remain a threat.

### Japan

Japan was also a story of anaemic economic growth, in spite of the government's efforts to restructure the economy and stimulate growth. Consumer sentiment was inevitably dampened by the budgetary need to increase sales tax, but efforts to increase wages, and looser monetary policies including the introduction of QE, have succeeded in driving the stock market forward, buoyed by lower oil prices and a weaker Yen. The FTSE Japan index returned an impressive 27% in sterling terms, 9.9% of this in the last quarter.

### Emerging Markets

Emerging markets also made strong returns for the year returning 16.3% in sterling terms. This is a welcome improvement marking an end to three years of underperformance against other markets. Much of this was driven by Greater China that returned 32.6%, offsetting an 11.7% decline in Latin America and a 9.9% loss from Emerging European markets. Chinese growth is slowing in a controlled manner as the government shifts the emphasis from capital and infrastructure led growth to one led by the consumer. Monetary policies have been loosened and whilst growth has now slowed from 7.5% to below 7%, this slowdown has been disciplined and should not lead to a recession. Unfortunately, this decline in Chinese demand for commodities has led to a fall in global commodity prices that has in turn affected the economy of commodity exporting nations like Brazil. The decline in the pace of demand growth for commodities means commodity prices, upon which many Latin American economies depend, are unlikely to recover from their current low levels in the near future.

### UK EQUITIES

The UK equity portfolio valued at £3,900m continues to be the largest single asset class representing 35% of the total portfolio. UK equities are an important driver of returns for the Fund. Historically they achieve greater returns than UK government bonds, provide protection from inflation and are based in sterling. Over the long term they offer the growth required to combat the fund's rising liabilities.



## SECTION 7– INVESTMENT MARKETS

### Stock performance

The UK equity market returned 6.6% over the year to 31 March 2015. Over the 10 years to 31 March 2015 the annualised return on the FTSE All Share index was 7.74% pa despite this period encompassing the 2008 global market crash.

### Stock selection

Over a 10 year period the last 3 have been the best, returning an annualised 10.6% pa. The WYPF UK equity portfolio has outperformed this, returning an annualised 11% pa over the 3 years. This has been achieved by consistent good stock selection, and carefully balanced exposure to sectors offering high yield or sustainable growth.

### UK equity market performance

The strong returns have pushed the FTSE100 index over the 7000 mark for the first time. This has been fuelled by exposure to both the UK domestic recovery but also the unusually large exposure of UK stocks to overseas economies. In particular exposure to the strong US recovery and emerging markets which are still growing faster than Europe and the UK despite having cooled recently.

### FTSE 100 Index 1 April 2005 to 31 March 2015



Source –Bloomberg

### UK equity market exposure to overseas markets

## SECTION 7– INVESTMENT MARKETS

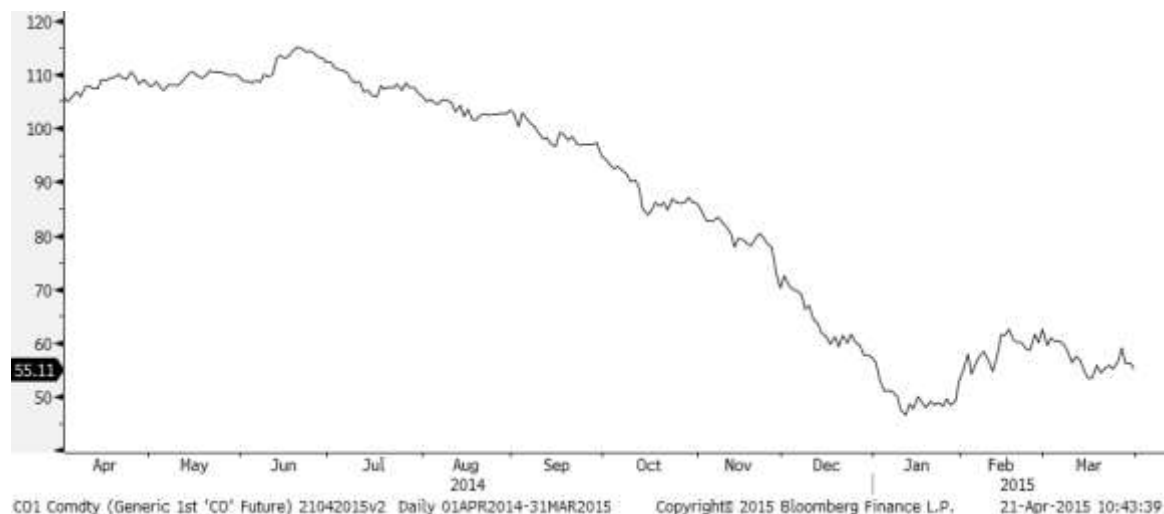
The UK economic recovery continues slowly, but economic indicators are not unanimously positive. Latest published figures show GDP growth of 2.4% over the year but a deteriorating trade deficit demonstrates falling exports and a continued reliance on domestic consumers and the service sector. The housing market is moderating and we may be on the brink of a deflationary period in the UK.

The historic reliance on the consumer to spend the UK out of recession has been unrealistic since 2008 when the standard of living fell sharply. Over the last 12 months earnings growth has overtaken weakening inflation measured by CPI, officially reached zero in March 2015. Unemployment continued to fall during the year, now standing at 5.6% compared to 8.4% at its worst in 2011.

Most of the reduction in prices and increase in real living standards has been due to pressures outside of the control of the UK government. In particular the extreme fall in global oil price.

### Brent Oil Price 01/04/2014 to 31/03/2015

During the year the price of Brent Crude halved to \$46.59 per barrel. Although quite volatile, the general trend seems to be for a slow recovery. However global oil prices continue to suffer from geo political pressures and oversupply. Although the UK is a sizeable oil producer it is a net oil importer and therefore the recent turmoil in global oil markets has not added further pressure to the struggling UK export market.



### UK exports

UK exports remain weak. The trade in goods deficit widened to £29.9bn in the first quarter of 2015. Both imports and exports fell, partly due to fuel prices. The main area of concern was in deteriorating exports to the EU, the UK trade deficit with the EU reached a new high as Europe continues to suffer from recessionary pressures. The UK deficit with non EU countries improved slightly. The trade in services, where the UK has a surplus, also deteriorated slightly in the first quarter. Both imports and exports fell.

## SECTION 7– INVESTMENT MARKETS

Long term pressures remain on the UK export market due to slowing growth in emerging markets, the continued recession in the Eurozone, and the strength in sterling. The trade weighted measure shows a 15% appreciation with other currencies and in particular a 20% rise against the Euro since the low of 2013.

The UK housing market continued to moderate slightly following the peak in Q3 2014. Annual growth rates in house prices have fallen but remain in excess of 5%.

### UK interest rate

The abnormally low base rate of 0.5% has been maintained since 2009. This is unsurprising given the inflation figures and the moderating housing market. Recent indications from the Bank of England suggest that rate rises will be delayed until the external pressures of oil and food prices are resolved, and will be gradual when they are finally applied. But in the long term a resolution to this and the outstanding £375bn of quantitative easing must be addressed.

### Government debt

General government gross debt increased to a new high at £1.6 trillion (86.6% of GDP) despite the severe austerity measures. New borrowing in the current year turned out at £87.3bn, £11bn lower than in the previous year helped by the £1.1bn receipt of bank fines.

### General market conditions

Although the UK equity market returned 6.6% over the year there was a significant divergence of returns among the different industrial sectors within the index. Given the dramatic fall in oil prices it is unsurprising that the oil stocks fared badly, losing 22%. Mining stocks also suffered as the Chinese authorities continue to apply restraint on economic growth. UK food and drug retailers have suffered more domestic problems as competition remains fierce particularly against the low cost new entrants which the British consumer has embraced.

The majority of sectors provided a healthy return. Consumer related sectors such as leisure, house builders, media, healthcare and pharmaceuticals, all returned well in excess of 20%. The gradual improvement in unemployment and earnings growth, together with lower cost fuel and food created sufficient disposable income for increased discretionary spending.

The financial sectors were also buoyant. Property, financial services, insurances and investment companies all returned over 20%. However, the major UK banks gave a lackluster performance returning a meagre 1%. Fortunately the UK equity portfolio continues to be under exposed to the bank sector in comparison to the market as a whole. There were a number of newly listed banking stocks, old names returning such as TSB, old businesses with new names such as Virgin and One Savings, and new banks or those which previously were privately held. The latter include Secure Trust Bank, Aldermore and Shawbrook.

Following the strong market performance over the last year and the overall three year performance, UK equities are reasonably valued. Earnings per share growth is now forecasted

## SECTION 7– INVESTMENT MARKETS

to be negative in 2015, with a resumption of growth in 2016. Based on historic trends the market is not cheap, however global equity markets are generally fully valued at present therefore the UK market is not expensive in relative terms.

Near term risks of a hung parliament appear to have been averted by a more decisive outcome to the general election than had been feared. The UK equity market has risen in response to the clarity which that result brings, however the new government has only a slim majority which could become problematic in the medium term.

Longer term the economic recovery both in the domestic and the European economies will add earnings growth to those already enjoyed by exposure to steady emerging markets growth. A stable oil price will enhance prospects going forward.

### UK CORPORATE BONDS

Bonds have performed very strongly over the year. UK Government Gilts returned 13.9%. Bond prices have been squeezed upwards due to ever lower yields. For existing holders of bonds this is advantageous but for investors looking to add exposure to bond markets the yields on offer are unattractive.

Yields on bonds continue to fall as the governments of western economies have continued to apply monetary stimuli mainly in the form of quantitative easing (QE) and low interest rates. The US and UK introduced QE soon after the 2008 global credit crunch. The UK has maintained the same level of QE since 2009, the US is now maintaining QE and the ECB embarked on QE in January 2015.

The fall in global bond yields since 2008 has been dramatic and has continued this year with yields reaching new historic lows. 10 year yields have fallen 1.2% to 1.58% in the UK, 1.7% to 1.9% in the US, and 1.4% to just 0.19% in the EU.

Yields on long maturities are particularly influenced by market expectations of inflation. The UK, US and EU markets are currently more concerned by deflation than inflation. This has led to the highly unusual situation of negative yields on index linked bonds. Very low yields and negative yields seem unlikely to be sustainable for long.

Corporate bonds offer higher yields than government bonds, typically an additional 1.2% to 3% depending on the credit quality of the issuer of the bond. Much of the existing corporate bond portfolio has been purchased on the high yields prevailing following the credit crunch.

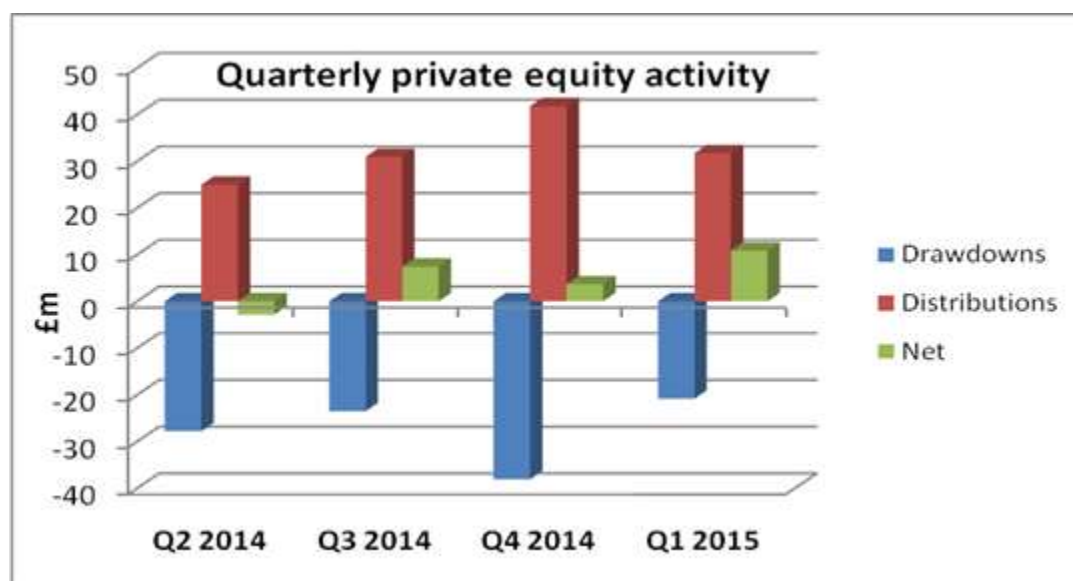
Bonds with very short maturities have the lowest yield of all and it has been possible to switch out of short maturities realising substantial profits whilst reinvesting in slightly longer maturities which offer a higher yield. In addition indexed linked government and corporate bonds have been sold at substantial profits as these prices seem unsustainable.

Over the last year bond portfolio sales of almost £400m were made to realise profits and reinvest at higher yields.

## SECTION 7– INVESTMENT MARKETS

### PRIVATE EQUITY

The value of private equity deals increased by more than 20% globally, in the financial year to 31 March 2015 compared to the prior year. The WYPF private equity portfolio mirrored this with a 19% increase in cash invested. The value of global private equity backed exits for the same period was 16% higher than the previous year. However, the WYPF portfolio saw distributions that were 51% higher year-on-year. The reason for this was that General Partners (GPs) capitalised on the availability of leverage and strong exit markets. Because of improved fund distributions and a recent uptick in public equities, investor allocations increased, which in turn led to a robust fundraising environment. This led to an increase of over 30% in available capital for deals compared with 2012 levels. GPs appear to be cautiously putting capital to work in new transactions, with considerable ‘add-on’ activity post-investment.



For the year to 31 March 2015, net proceeds received from the WYPF’s private equity portfolio amounted to £18.7m overall. As a proportion of the WYPF, the weighting of the private equity portfolio including infrastructure, was 5.5%, up from 5.2% the previous year. The table below shows the currency exposure of the private equity portfolio’s undrawn commitments at the start of the period and the cashflows that followed.

Currency	Net undrawn commitments at 31 March 2015	Draw down during 2014/15	Distribution during 2014/15	Net investment at 31 March 2015
	%	£m	£m	£m
Euro	15.1	10.8	41.0	-30.2
Sterling	20.9	29.2	19.7	9.5
USD	64.0	70.5	68.5	2.0
Total	100.0	110.5	129.2	-18.7

## SECTION 7– INVESTMENT MARKETS

### Diversification

The WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between Euro, Sterling and Dollar denominated funds, produced internal rates of return (IRRs) of 20.9%, 16.4% and 18.0% in their local currency. In sterling, the overall IRR was 21.3% for the year to 31 March 2015, due to dollar strength over the period. The dollar appreciated by nearly 12% against sterling, resulting in dollar funds producing an aggregate IRR of 32.9% in sterling.

### New commitments made during 2014/15

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

Private equity fund	
	£m
HarbourVest International Private Equity Partners VII	15.0
Bridgepoint Europe V	32.5
Equistone Partners Europe Fund V	27.5
HGGC Fund II (additional commitment)	10.5
BlackRock co-investment mandate	15.0
The UK GIB Offshore Wind Fund	35.0
Sciens Aviation Special Opportunities Fund III	16.0
Elysian Fund II	10.0
<b>Total</b>	<b>161.5</b>

### Net undrawn commitments

At 31 March 2015, un-drawn commitments amounted to £375.4m. This excludes a further £70.0m of binding commitments made that have yet to reach first close.

### Private equity strategy

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. Going forward, infrastructure will be carved out from the private equity portfolio to form a separate asset class.

### HEDGE FUNDS

For the twelve months to 31 March 2015, the WYPF's allocation to hedge funds returned 8.9% in aggregate. However, this masks varying component returns. The Fund of Funds (FoF) portfolio returned 5.3%, which was in line with the HFRI FoF Composite Index (USD). Meanwhile, the single manager hedge fund portfolio returned 9.2% (in dollars), versus 0.4% for

## SECTION 7– INVESTMENT MARKETS

the HFRX Global Hedge Fund Index (USD). A 12% appreciation in the dollar over the period meant that the single manager hedge portfolio returned 23.9% in sterling terms and therefore had a positive impact on overall performance.

The WYPF continues to focus on efficient diversification and fee structures whilst limiting downside risk and allowing strategy flexibility.

### PROPERTY

For the 12 months to 31 March 2015, total returns for All Property amounted to 18.3% (Bloomberg). This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 15.9% (WM Performance Services). The return comparison for Property versus Gilt and UK Equity returns is detailed in the bar chart below:



Source: Bloomberg

Property capital values have risen for 23 consecutive months. Initially capital growth was negligible, before accelerating through 2014, and then slowing in early 2015. Capital values are now 19.3% higher than the recent low in April 2013 (Bloomberg). Much of this improvement was seen in London and South East office markets, along with industrials. UK investors continued to target regional opportunities, taking advantage of the yield gap between London and regional property. As risk aversion has continued to diminish, the spread between prime and secondary yields has continued to tighten. Yields in core regional locations are now on a par with the outskirts of London, where rental growth prospects are, reportedly, better. Entry of new lenders, e.g. insurers and debt funds, and re-entry of re-capitalised banks, has improved debt availability for a wider property pool.

Rental growth over the last 12 months was positive for all sectors and void rate also improved over this period.

Although rental growth figures indicate an improving outlook in occupier markets, the underlying picture remains mixed. For example, supply-constrained markets, such as the West End and City offices, have seen rental growth accelerate to over 10% year-on-year. Meanwhile regional high street retail is suffering from either high vacancy levels, little demand or over-renting.



## SECTION 7– INVESTMENT MARKETS



**Source: Bloomberg**

During the 12 months to 31 March 2015, retail was again the worst performing sub-sector (13.3%). Regional offices also lagged behind other sectors. WYPF is underweight in retail but overweight in regional offices compared to its benchmark. The best performing sub-sectors during the same period were, again, City and South East offices, West End offices and South East industrials. WYPF is overweight in offices and industrials located in the South East and slightly underweight in City and West End offices when compared to the All Pooled Property Funds Index.

During the year, WYPF began investing in direct UK property, whilst targeting an 80:20 split between UK and non-UK property. The rationale for investing directly in property is to reduce fees and mitigate third party, investor-led liquidity issues, and the forced sale situations experienced after the global financial crisis. WYPF made property purchases of £129.2m and sales of £20.7m, giving a net investment of £108.5m over the 12 months to 31 March 2015.



## SECTION 7– INVESTMENT MARKETS

### Analysis of investments held at 31 March 2015

		Book Cost	Market Value	
		£m	£m	%
<b><u>UK Quoted</u></b>				
UK Fixed Interest	Public Sector Bonds	428.1	475.1	4.2
	Corporate Bonds	327.3	371.2	3.3
UK Index Linked	Public Sector	379.6	510.4	4.6
	Corporate	23.1	41.1	0.4
UK Ordinary & Convertible Shares (Equities)		1,961.2	3,790.6	33.8
UK Unit Trust	Property	290.2	428.4	3.8
	Other	38.9	138.9	1.2
UK Fund of Hedge Funds		196.7	258.7	2.3
<b><u>UK Unquoted</u></b>				
UK Fixed Interest Corporate Bonds		18.6	23.4	0.2
UK Ordinary & Convertible Shares (Equities)		5.7	1.6	0.0
UK Cash Deposits		181.0	181.0	1.6
UK Private Equity		119.7	181.3	1.6
Direct Property		6.4	6.0	0.1
<b>SUB TOTAL UK</b>		<b>3,976.5</b>	<b>6,407.7</b>	<b>57.1</b>
<b><u>Foreign Quoted</u></b>				
Foreign Fixed Interest	Public Sector Bonds	142.6	149.4	1.3
	Corporate Bonds	70.0	73.4	0.7
Foreign Index Linked	Public Sector	50.8	56.7	0.5
	Corporate	0.0	0.0	0.0
Foreign Ordinary & Convertible Shares (Equities)		2,197.4	3,556.0	31.7
Foreign Unit trusts	Property	53.5	46.4	0.4
	Other	261.7	467.8	4.2
<b><u>Foreign Unquoted</u></b>				
Foreign Fixed Interest Corporate Bonds		3.1	3.7	0.0
Foreign Ordinary & Convertible Shares (Equities)		2.6	1.1	0.0
Foreign Private Equity		292.5	443.3	4.0
Foreign Unit Trusts		0.5	14.3	0.1
<b>SUB TOTAL FOREIGN</b>		<b>3,074.7</b>	<b>4,812.1</b>	<b>42.9</b>
<b>TOTAL</b>		<b>7,051.2</b>	<b>11,219.8</b>	<b>100.0</b>

## SECTION 7– INVESTMENT MARKETS

### UK equity investments by industry at 31 March 2015

	Book Cost		Market Value		No of Companies
	£M	%	£M	%	
Oil & Gas Producers	264.1	13.7	429.8	11.4	20
Oil Equipment & Services	13.5	0.7	18	0.5	6
Alternative Energy	3.1	0.2	2.4	0.1	7
Chemicals	11.3	0.6	30.7	0.8	8
Forestry & Paper	4.3	0.2	9.1	0.2	1
Mining	143.2	7.4	220.3	5.9	12
Construction & Materials	12	0.6	16.9	0.5	6
Aerospace & Defence	31.1	1.6	86.1	2.3	8
General Industrials	11.6	0.6	32.9	0.9	5
Electronic & Electrical Equip.	7.4	0.4	20.3	0.5	9
Industrial Engineering	10.7	0.6	38.1	1	9
Industrial Transportation	6.5	0.3	10.4	0.3	4
Support Services	85.2	4.4	169.9	4.5	30
Automobiles & Parts	5	0.3	16.1	0.4	1
Beverages	29.3	1.5	146.4	3.9	2
Food Producers	7.5	0.4	22.2	0.6	5
Household Goods & Home Const	26.1	1.4	112.2	3	9
Personal Goods	7.7	0.4	82.6	2.2	5
Tobacco	40.7	2.1	170.3	4.5	2
Healthcare Equipment & Services	7.8	0.4	21.6	0.6	3
Pharmaceuticals & Biotechnology	90.6	4.7	298.6	8	11
Food & Drug Retailers	25.6	1.3	50.2	1.3	4
General Retailers	28	1.5	93.3	2.5	19
Media	84.1	4.4	144.4	3.8	16
Travel & Leisure	72.3	3.7	160.1	4.3	23
Fixed Line Telecommunications	46.8	2.4	78.1	2.1	1
Mobile Telecommunications	61.4	3.2	92.2	2.5	2
Electricity	11.1	0.6	29.1	0.8	3
Gas Water & Multi utilities	45.9	2.4	108.4	2.9	5
Banks	388.7	20.1	378.3	10.1	7
Nonlife Insurance	25.3	1.3	35.9	1	6
Life Insurance	95.7	5	200.8	5.3	8
Real Estate Invest & Services	8.9	0.5	12.6	0.3	5
Real Estate Investment Trusts	60.4	3.1	102.4	2.7	16
Financial Services	48.8	2.5	96.9	2.6	15
Equity Investment Instruments	77.7	4	156.8	4.2	26
Software & Computer Services	14.6	0.8	27.3	0.7	14
Technology Hardware & Equipment	15.5	0.8	32.2	0.9	7
Other Equities	1.4	0.1	0.2	0	3
<b>TOTALS</b>	<b>1,930.90</b>	<b>100</b>	<b>3,754.10</b>	<b>100</b>	<b>343</b>

## SECTION 7– INVESTMENT MARKETS

### Analysis of overseas equity investments as at 31 March 2015

	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Australia	131.1	6.1	171.2	4.9	39
Austria	4.1	0.2	5.3	0.2	8
Belgium	7.8	0.4	5.6	0.2	4
Brazil	58.6	2.7	32.5	0.9	36
Canada	41.2	1.9	65.2	1.9	13
Chile	3.9	0.2	1.9	0.1	6
China	98.7	4.6	142.4	4.1	51
Columbia	3.2	0.1	1.5	0.0	2
Denmark	23.2	1.1	54.5	1.6	14
Ireland	16.7	0.8	32.1	0.9	15
Finland	29.4	1.4	39.1	1.1	18
France	81.2	3.8	149.4	4.3	38
Germany	83.9	3.9	158	4.5	36
Greece	6.5	0.3	1.9	0.1	12
Hong Kong	67.5	3.1	106.6	3.0	37
India	0.7	0.0	6.1	0.2	2
Indonesia	14.1	0.7	23.9	0.7	10
Italy	52.1	2.4	60.3	1.7	40
Japan	357.6	16.6	529.8	15.1	90
Korea	52.5	2.4	118.7	3.4	26
Malaysia	21.2	1.0	30.4	0.9	16
Mexico	23.8	1.1	35.6	1.0	19
Netherlands	31.4	1.5	60.8	1.7	14
Norway	22.1	1.0	36.3	1.0	24
Peru	4.8	0.2	4	0.1	3
Philippines	12.8	0.6	27.5	0.8	8
Portugal	6.8	0.3	7.2	0.2	10
Singapore	37.6	1.7	53.6	1.5	24
South America	2.3	0.1	4.4	0.1	1
Spain	70.2	3.3	113.2	3.2	29
Sweden	45.2	2.1	83.4	2.4	38
Switzerland	36.7	1.7	158.2	4.5	17
Taiwan	39.4	1.8	61.7	1.8	28
Thailand	20.1	0.9	45.3	1.3	18
United States	574.6	26.6	976.2	27.8	114
Other Asian	2.6	0.1	8.1	0.2	1
Other Eastern European	2.8	0.1	6.3	0.2	4
Other International	33.5	1.6	39.2	1.1	15
Other Western European	34.5	1.6	53	1.5	8
<b>TOTALS</b>	<b>2,156.40</b>	<b>100</b>	<b>3,510.40</b>	<b>100</b>	<b>888</b>

## SECTION 7– INVESTMENT MARKETS

### List of twenty largest holdings at 31 March 2015

	Market Value	% of Total Investment
	£m	%
BP	188.4	1.7
HSBC	185.2	1.6
Royal Dutch Shell A	153.8	1.4
Glaxosmithkline	144.8	1.3
British American Tobacco	118.4	1.0
AstraZeneca	111.7	1.0
Prudential	86.6	0.8
Vodafone	83.6	0.7
Diageo	82.5	0.7
BT Group	78.1	0.7
Rio Tinto	73.5	0.7
Barclays	69.5	0.6
Jupiter JGF India Select	67.0	0.6
Reckitt Benckiser Group	66.3	0.6
BHP Billiton	66.3	0.6
SabMiller	63.9	0.6
Lloyds Banking Group	62.1	0.6
Unilever	61.8	0.6
National Grid	61.4	0.5
Aviva Property	60.7	0.5
<b>TOTAL</b>	<b>1,885.6</b>	<b>16.8</b>

## SECTION 8 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

### AVC investments

WYPF uses three AVC providers – Equitable Life, Scottish Widows and Prudential. In line with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, AVCs are not included in WYPF's Fund Account and Net Assets Statement.

### AVC membership information at 31 March 2015.

	Equitable Life	Prudential	Scottish Widows	TOTAL
	£000	£000	£000	£000
Scheme value	£3,003	£8,257	£12,783	£24,043

Scheme members with an AVC policy	Equitable Life	Prudential	Scottish Widows	TOTAL
At 31 March 2015	691	1,277	1,442	3,410
At 31 March 2014 (restated)	774	1,002	1,545	3,321
Members still contributing	52	1,223	448	1,723

AVC membership data for the reporting period 2013/14 has been restated.

### WEST YORKSHIRE PENSION FUND

#### STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2015

##### 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 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

##### Actuarial Position

1.

The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund’s assets at that date (of £9,956.7M) covering 96% of the liabilities in respect of service prior to the valuation date allowing, in the case of 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 2014 was:

- 14.3% 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.

**Plus**

- Monetary amounts 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 2014, amounting to £26.5M in 2014/15, and increasing by 3.9% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

## SECTION 9 – ACTUARY’S REPORT

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.6% p.a.
Rate of pay increases:	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

[http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation_WYPF_Index.aspx)

**Aon Hewitt Limited**  
**May 2015**

## SECTION 10 – AUDITOR’S REPORT

### INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2015, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council’s members as a body, for our work, for this report, or for the opinions we have formed.

#### 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 you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority’s full annual statement of accounts describes the basis of our opinion on those financial statements.

#### Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Mark Kirkham**

**For and on behalf of Mazars LLP**

**Mazars House  
Gelder House  
Gildersome  
Leeds  
LS27 7JN**

**Date 28th September 2015**



## 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 2015 and its income and expenditure for the year ended 31 March 2015.

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

## SECTION 11 – STATEMENT OF ACCOUNTS

### Fund Account for the year ended 31 March 2015

	Note	31 March 2015	31 March 2014 Rstated
		£000	£000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions receivable	2	368,058	360,413
Transfers in	3	15,670	28,732
Other income		0	0
Non-statutory pensions and pensions increases recharged	4	23,833	24,182
		<b>407,561</b>	<b>413,327</b>
Benefits payable	5	-437,058	-418,555
Non-statutory pensions and pensions increase	4	-23,833	-24,182
Payments to and on account of leavers	6	-181,468	-13,650
		<b>-642,359</b>	<b>-456,387</b>
<b>Management expenses</b>	9	<b>-7,197</b>	<b>-7,440</b>
<b>Returns on investments</b>			
Investment income	10	294,029	266,032
Taxes on income		-165	-2,174
Profit and losses on disposal of and changes in value of investments	13	896,453	213,710
Stock lending	13	2,094	1,434
Underwriting commission		0	2
<b>Net return on investments</b>		<b>1,192,411</b>	<b>479,004</b>
<b>Net increase in the net assets available for benefits during the year</b>		<b>950,416</b>	<b>428,504</b>
<b>Opening net assets of the Fund</b>		<b>10,368,809</b>	<b>9,940,305</b>
<b>Closing Net assets of the Fund</b>		<b>11,319,225</b>	<b>10,368,809</b>

The 2013/14 figures have been restated due to new disclosure guidelines which were introduced during the 2014/15 reporting period. Figures restated relates to costs previously capitalised as investment cost which has now been charged to Management expenses.

## SECTION 11 – STATEMENT OF ACCOUNTS

### Net Assets Statement at 31 March 2015

	Note	31 March 2015	31 March 2014 Restated	1 April 2013 Restated
		£000	£000	£000
<b>Investment assets</b>				
Fixed interest securities	13	1,096,230	956,929	972,135
Equities (including convertible shares)	13	7,974,012	7,162,619	6,608,535
Index-linked securities	13	608,117	598,625	697,136
Pooled investment vehicles	13	1,354,482	1,189,911	1,191,931
Direct Property	13	6,000	0	0
Cash deposits	13	181,000	318,967	356,205
Other investment balances	13	41,056	87,526	53,743
<b>Investment liabilities</b>				
Other investment balances	13	-6,000	-7,675	-14,903
<b>Investments at 31 March 2015</b>		<b>11,254,897</b>	<b>10,306,902</b>	<b>9,864,782</b>
<b>Current assets</b>				
Debtors	17	49,384	51,940	50,905
Cash balances (not forming part of the investment assets)*		25,012	22,900	34,192
<b>Current liabilities</b>				
Creditors	18	-10,068	-12,933	-9,564
<b>Net current assets and liabilities</b>		<b>64,328</b>	<b>61,907</b>	<b>75,523</b>
<b>Net assets of the scheme available to fund benefits</b>		<b>11,319,225</b>	<b>10,368,809</b>	<b>9,940,305</b>

\* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2015 was £25,012,067 (31 March 2014 £22,899,741).

The financial statements for West Yorkshire Pension Fund does not take account of liabilities to pay pensions and other benefits after 31 March 2015. 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 8.

Figures relating to 2013/14 have been restated following a review asset classification by WYPF investment managers of funds held in Fixed Interest Securities, Equities and Pooled Investment Vehicles.

Signed: .....  
**Stuart McKinnon-Evans**  
**Director of Finance**  
**City of Bradford Metropolitan District Council**

**25 September 2015**

## SECTION 11 – STATEMENT OF ACCOUNTS

### Accounting policies

#### 1. Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2014/15 financial year and its financial position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 8.

#### 2. Contributions

Contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable.

Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current assets debtors.

#### 3. Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.

Transfers in or out, including bulk transfers, are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

#### 4. 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.

#### 5. Management expenses

Total management expense is made up of administration, oversight and governance, and investment management expenses.

##### Administrative expenses

All administrative expenses are accounted for on an accruals basis. All WYPF staff are charged direct 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.

## SECTION 11 – STATEMENT OF ACCOUNTS

### **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 therefore increase or reduce as the value of the investments change. The fees of the external advisors increase by RPI on an annual basis.

In addition, the Fund has engaged with WM - State Street Global Services to report on the performance of the Fund.

The cost of the Funds in-house investment fund management team are 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 investment management expenses.

## **6. Cash and cash equivalents**

Cash comprises of cash in hand 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.

## **7. Investment income**

### **Interest income**

Interest due on fixed-interest securities, index-linked securities and short-term investments is accounted for on an accruals basis, income from UK equities is accounted for on the date when stocks are quoted ex-dividend, and other investment income is accounted for when received.

### **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 asset debtors.

### **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 asset statement as a current financial asset.

## SECTION 11 – STATEMENT OF ACCOUNTS

### **Movement in the net market value of investments**

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

### **8. 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 expense as it arises.

### **9. Financial assets and liabilities**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as loans and receivables, which are stated at nominal value.

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 this date any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

### **10. Fair value of financial instruments**

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. 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.

#### **Valuation methodology**

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 16 to the accounts.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.

## SECTION 11 – STATEMENT OF ACCOUNTS

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument.

### Loans and receivables

The fair value of deposits is considered to be equal to their carrying value. Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable in greater than 12 months as this is not considered material.

## 11. 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 Equitable Life as its AVC providers. AVC's 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.

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 7).

## 12. 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) Foreign currency purchases are translated into Sterling at the actual purchase rate, all commission are charged as expense to management costs.
- b) Proceeds of sales of foreign assets are translated into Sterling
  - a. If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.
  - b. Else the mid-market rate on the date of receipt is used.
- c) Purchase of foreign investments are translated into Sterling using the rate at which the foreign currency was purchased or translated to Sterling.
- d) Balance of foreign currency income accounts are moved to capital account using the mid-market rate on the date of movement.
- e) Dividends from foreign investments are translated into Sterling using the mid-market rate on the date of receipt.
- f) When currency are sold we use the actual sale rate and commissions are charged to management expense.

## SECTION 11 – STATEMENT OF ACCOUNTS

### 13. Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

### 14. 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.

### 15. 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 a note 21 to 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.

### 16. Investment transactions

Investment transactions occurring up to 31 March 2015 but not settled until later are accrued in the accounts.



## SECTION 11 – STATEMENT OF ACCOUNTS

### 17. Critical accounting estimates and judgements

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies 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.

The significant judgements made by management in applying the Fund's accounting policies and 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.

#### a) Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. 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.

#### b) 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 8 and doesn't comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 8.

### 18. Events after the Balance sheet

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 such events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## SECTION 11 – STATEMENT OF ACCOUNTS

### Note to the accounts

#### 1. Prior period adjustment

##### Net Asset Statement reclassification of investments

The classification of investments for prior periods have been restated to better reflect the underlying nature of the investments which the Fund now manages internally as listed alternatives. The reclassification has no impact on the financial position reported in prior periods.

The code requires disclosure of any material restatements relating to previous years. These are detailed below.

The impact on the comparative 2012/13 statement of accounts is summarised below.

	2012/13	2012/13	2012/13
	Original	Change	Restated
	£000	£000	£000
Fixed Interest securities	1,023,063	-50,928	972,135
Equities (including convertible shares)	6,565,740	42,795	6,608,535
Pooled investment vehicles	1,183,798	8,133	1,191,931

The impact on the comparative 2013/14 statement of accounts is summarised below.

	2013/14	2013/14	2013/14
	Original	Change	Restated
	£000	£000	£000
Fixed Interest securities	1,014,078	-57,149	956,929
Equities (including convertible shares)	7,111,415	51,204	7,162,619
Pooled investment vehicles	1,183,966	5,945	1,189,911

#### 2. Contributions receivable

	2014/15	2013/14
	£000	£000
<b>By category</b>		
Employers	259,528	256,768
Members	108,530	103,645
<b>Total</b>	<b>368,058</b>	<b>360,413</b>
<b>By type of employers</b>	<b>£000</b>	<b>£000</b>
Scheduled bodies	331,737	327,856
Admitted bodies	36,321	32,557
<b>Total</b>	<b>368,058</b>	<b>360,413</b>
<b>By type</b>	<b>£000</b>	<b>£000</b>
Employees normal contributions	108,530	103,645
Employer's normal contributions	239,617	233,323
Employers deficit contributions	19,888	23,425
Employers augmentation contributions	23	20
	<b>368,058</b>	<b>360,413</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2013) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

### Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1 April 2014, and there are several tiered employee contribution rates. For 2014/15 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 12.5% to be paid on salaries over £150,000 a year.

### Additional voluntary contributions

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in note 7.

### 3. Transfers in from other pension funds

	2014/15	2013/14
	£000	£000
Individual transfers in from other schemes	14,670	28,732
Bulk transfers in from other schemes	1,000	0
<b>Total transfers in</b>	<b>15,670</b>	<b>28,732</b>

### 4. Non-statutory pensions increase and recharges

	2014/15	2013/14
	£000	£000
Pensions	23,833	24,182
Lump sums	0	0
<b>Total</b>	<b>23,833</b>	<b>24,182</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. Costs of annual inflation proofing for non-participating employers are also recharged.

## SECTION 11 – STATEMENT OF ACCOUNTS

### 5. Benefits payable

	2014/15	2013/14
	£000	£000
<b>Pensions</b>		
Funded pensions – retired employees	-314,890	-301,426
Funded pensions – dependants	-27,198	-25,979
<b>Total pensions</b>	<b>-342,088</b>	<b>-327,405</b>
<b>Lump sums</b>		
Funded lump sums on retirement	-85,377	-80,263
Funded lump sums on death	-9,593	-10,887
<b>Total benefits paid in year</b>	<b>-437,058</b>	<b>-418,555</b>
<b>Benefits payable by type of employers</b>		
<b>Pensions</b>		
Scheduled bodies	-378,481	-363,448
Admitted bodies	-43,110	-39,904
Other interested bodies with no pensionable employees	-15,467	-15,203
<b>Total pensions</b>	<b>-437,058</b>	<b>-418,555</b>

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

### 6. Payments to and on account of leavers

	2014/15	2013/14
	£000	£000
Refund of contributions	-452	-59
Individual transfers	-10,763	-13,591
Bulk transfers	-170,253	0
	<b>-181,468</b>	<b>-13,650</b>

The Greater Manchester Pension Fund (GMPF) was chosen by the Ministry of Justice to administer the LGPS in respect of the National Probation Service, for this reason a bulk transfer of liabilities (£170m) relating to the Probation Service was made to GMPF during the reporting period by West Yorkshire Pension Fund.

## SECTION 11 – STATEMENT OF ACCOUNTS

### 7. 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 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:

#### Details of AVC transactions are as follows:

	2014/15	2013/14
	£000	£000
Value of funds at 1 April	21,879	20,704
Contributions received	4,304	3,746
Transfers and withdrawals	32	74
Internal transfers	0	54
Interest and bonuses/change in market value of assets	2,081	915
Sale of investments to settle benefits due to members	-4,253	-3,614
Value of funds at 31 March	<b>24,043</b>	<b>21,879</b>

AVC investments by providers	Active members	Members 2014/15	Members 2013/14	2014/15	2013/14
				£000	£000
Equitable Life	52	691	774	3,003	3,165
Prudential	1,223	1,277	1,002	8,258	6,687
Scottish Widows	448	1,442	1,545	12,782	12,027
<b>Total</b>	<b>1,723</b>	<b>3,410</b>	<b>3,321</b>	<b>24,043</b>	<b>21,879</b>

### 8. Actuarial present value of promised retirement benefits

#### Introduction

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 2015, are based on members' Final Pensionable Pay.

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

## SECTION 11 – STATEMENT OF ACCOUNTS

reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (Actuarial statement on p59).

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

### Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2013/14 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2013 together with the 2010 figures 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 IAS19 assumptions.

	31 March 2013	31 March 2010
	£m	£m
Fair value of net assets	9,940.30	7,916.91
Actuarial present value of the promised retirement benefits	12,259.30	11,726.54
Surplus / (deficit) in the Fund as measured for IAS26 purposes	<b>-2,319.00</b>	<b>-3,809.63</b>

### Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2013. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2013	31 March 2010
	% p.a.	% p.a.
Discount rate	4.5	5.5
RPI Inflation	3.4	3.9
CPI Inflation	2.4	3.0
Rate of increase to pensions in payment*	2.4	3.9
Rate of increase to deferred pensions*	2.4	3.9
Rate of general increase in salaries **	3.9	5.4

\* In excess of Guaranteed Minimum Pension increases in payment where appropriate

\*\* In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013.

The assumptions to which the actuarial present value of promised retirement benefits are most sensitive are the discount rate, net of pay and pension increases, and the longevity improvement assumption.

## SECTION 11 – STATEMENT OF ACCOUNTS

### Principal demographic assumptions

Post retirement mortality	31 March 2013	31 March 2010
<b>Males</b>		
Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	22.5	21.7
Future lifetime from age 65 (currently aged 45)	24.7	23.6
<b>Females</b>		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	100%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	25.4	23.9
Future lifetime from age 65 (currently aged 45)	27.7	25.9

\* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

\*\* The scaling factors shown apply to normal health retirements.

## SECTION 11 – STATEMENT OF ACCOUNTS

	31 March 2013	31 March 2010
<b>Commutation</b>	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service is 75% of the permitted maximum.	Each member is assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.
<b>Changes in benefits during the accounting period</b>	<b>There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1 April 2014.</b>	

### 9. Management expenses

	2014/15	2013/14
		Restated
	£000	£000
Administration costs	-4,054	-4,277
Investment management expenses	-2,499	-2,446
Oversight and Governance	-644	-717
<b>Total</b>	<b>-7,197</b>	<b>-7,440</b>

2013-14 figures were restated due to new disclosure guidelines introduced in 2014-15 reporting period.

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 £24k (2013/14 £30k) in respect of performance related fees paid and also a statutory audit fee of £48k (2013-14 £48k), no other fees have been paid to the external auditor.



## SECTION 11 – STATEMENT OF ACCOUNTS

### 10. Investment income

	2014/15	2013/14 Restated
	£000	£000
Income from fixed interest securities	39,016	43,600
Dividends from equities	229,428	198,774
Income from index-linked securities	6,963	8,304
Income from pooled funds	16,653	13,969
Income from Direct Property	-14	0
Interest on cash deposits	1,983	1,385
<b>Total</b>	<b>294,029</b>	<b>266,032</b>

Investment income has been restated due to new CIPFA guidelines relating to management costs, some costs that were previously charge against investment income have now been charged to management costs.

#### a) Income from Direct Property

	2014/15	2013/14
	£000	£000
Rental income	67	0
Direct operating expenses	(81)	0
<b>Net income</b>	<b>(14)</b>	<b>0</b>

#### b) Analysis of Investment income accrued

	2014 UK	2015 UK	2014 NON UK	2015 NON UK	2014 GLOBAL	2015 GLOBAL	2014 TOTAL	2015 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Equities	18,879	20,532	67	328	0	0	18,946	20,860
Bonds	11,218	9,902	2,871	2,122	0	0	14,089	12,024
Direct Property holdings	0	67	0	0	0	0	0	67
Cash and cash equivalents	0	482	0	0	0	32	0	514
Other	0	0	0	0	0	0	0	0
<b>Total</b>	<b>30,097</b>	<b>30,983</b>	<b>2,938</b>	<b>2,450</b>	<b>0</b>	<b>32</b>	<b>33,035</b>	<b>33,465</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### 11. Investment Expenses

	2014/15	2013/14
	£000	£000
Internal management costs	2,091	2,000
Custody fees	408	447
<b>Total</b>	<b>2,499</b>	<b>2,447</b>

### 12. Direct Property Holdings

	2014/15	2013/14
	£000	£000
Opening balance	0	0
Additions:		
Purchases	6,387	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase / decrease in market value	-387	0
Other changes in fair value	0	0
<b>Total</b>	<b>6,000</b>	<b>0</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### 13. Investments

#### Movement in the value of investments in 2014/15

	Restated Opening Value at 01.04.14	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.15
	£000	£000	£000	£000	£000
Fixed interest securities	956,929	309,177	-240,453	70,577	1,096,230
Equities	7,162,619	555,215	-367,248	623,426	7,974,012
Index-linked securities	598,625	80,563	-156,113	85,042	608,117
Pooled funds	1,189,911	249,519	-202,743	117,795	1,354,482
Direct Property	0	6,387	0	-387	6,000
Cash deposits	318,967	0	-137,967	0	181,000
Other investment debtors	87,526	0	-46,470	0	41,056
Other investment creditors	-7,675	1,675	0	0	-6,000
	<b>10,306,902</b>	<b>1,202,536</b>	<b>-1,150,994</b>	<b>896,453</b>	<b>11,254,897</b>

#### Comparative movement in the value of investments in 2013/14

	Opening Value at 01.04.13	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.14
	£000	£000	£000	£000	£000
Fixed interest securities	972,135	296,615	-268,766	-43,055	956,929
Equities	6,608,535	659,680	-349,739	244,143	7,162,619
Index-linked securities	697,136	141,243	-193,058	-46,696	598,625
Pooled funds	1,191,931	70,948	-132,286	59,318	1,189,911
Direct Property	0	0	0	0	0
Cash deposits	356,205	0	-37,238	0	318,967
Other investment debtors	53,743	0	33,783	0	87,526
Other investment creditors	-14,903	7,228	0	0	-7,675
	<b>9,864,782</b>	<b>1,175,714</b>	<b>-947,304</b>	<b>213,710</b>	<b>10,306,902</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. In 2013-14 WYPF did not hold any Direct Property. The cash deposits balance represents a current element of the investment assets.

## SECTION 11 – STATEMENT OF ACCOUNTS

### a. Investments analysis by security type

	Restated	
	2014/15	2013/14
	£000	£000
<b>Fixed interest securities:</b>		
UK public sector quoted	475,130	390,878
UK other quoted	371,219	334,642
UK unquoted	23,393	29,059
Overseas public sector quoted	149,385	132,754
Overseas other quoted	73,413	60,817
Overseas unquoted	3,690	8,779
<b>Total Fixed Interest Securities</b>	<b>1,096,230</b>	<b>956,929</b>
<b>Equities:</b>		
UK quoted	3,790,604	3,672,397
UK unquoted	182,955	169,825
Overseas quoted	3,556,023	2,953,532
Overseas unquoted	444,430	366,865
<b>Total equities</b>	<b>7,974,012</b>	<b>7,162,619</b>
<b>Index linked securities:</b>		
UK public sector quoted	510,361	486,635
UK other quoted	41,097	51,692
Overseas public sector quoted	56,659	60,298
<b>Total index linked securities</b>	<b>608,117</b>	<b>598,625</b>
<b>Managed and unitised funds:</b>		
Hedge funds	258,655	260,408
Property	474,834	328,943
Other	620,993	600,560
<b>Total managed funds</b>	<b>1,354,482</b>	<b>1,189,911</b>
<b>Direct Property</b>	<b>6,000</b>	<b>0</b>
<b>Cash deposits:</b>		
Sterling	181,000	318,967
<b>Other Investment assets</b>	<b>41,056</b>	<b>87,526</b>
<b>Other Investment liabilities</b>	<b>-6,000</b>	<b>-7,675</b>
<b>Total</b>	<b>11,254,897</b>	<b>10,306,902</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### b. Geographical analysis of investments held as at 31 March 2015

	2015 UK	2015 Non UK	2015 Global	2015 Total
	£m	£m	£m	£m
Fixed Interest Securities	869.7	226.5	0.0	1,096.2
Equities	3,973.6	4,000.5	0.0	7,974.1
Index Linked Securities	551.5	56.6	0.0	608.1
Pooled Investment Vehicles	397.6	482.1	474.8	1,354.5
Property (direct holdings)	6.0	0.0	0.0	6.0
Cash and cash equivalents	181.0	0.0	0.0	181.0
<b>Total</b>	<b>5,979.4</b>	<b>4,765.7</b>	<b>474.8</b>	<b>11,219.9</b>

### c. Comparative geographical analysis of investments held as at 31 March 2014

	2014 UK	2014 Non UK	2014 Global	2014 Total
	£m	£m	£m	£m
Fixed Interest Securities	754.6	202.3	0	956.9
Equities	3,842.2	3,320.4	0	7,162.6
Index Linked Securities	538.3	60.3	0	598.6
Pooled Investment Vehicles	398.0	463.0	328.9	1,189.9
Property (direct holdings)	0	0	0	0
Cash and cash equivalents	319.0	0	0	319.0
<b>Total</b>	<b>5,852.1</b>	<b>4,046.0</b>	<b>328.9</b>	<b>10,227.0</b>

In 2013/14 WYPF did not hold any Direct Property.

## SECTION 11 – STATEMENT OF ACCOUNTS

### d. Concentration of investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment makes 5% of the value of the scheme. Those which make 5% of a class of security are listed below:

	2014/15	2013/14
	£000	£000
<b>Fixed interest securities</b>		
Treasury 1.75% 2022	n/a	57,370
Treasury 3.25% 2044	56,965	n/a
<b>Index linked securities</b>		
Treasury 2020	42,234	52,282
<b>Treasury 2022</b>	35,674	34,446
Treasury 2024	35,471	50,297
Treasury 2029	71,001	62,200
Treasury 2030	34,305	31,362
Treasury 2034	52,711	n/a
Treasury 2035	n/a	43,431
Treasury 2040	38,687	49,070
Treasury 2044	43,603	46,851
<b>Managed and unitised funds</b>		
Aurum ISIS Sterling Fund	78,192	72,508
QIP Ltd	86,081	82,333
<b>Direct Property</b>		
Aldermanbury House	6,000	n/a

n/a=no investments

## SECTION 11 – STATEMENT OF ACCOUNTS

### e. Stock lending

	2014/15	2013/14
	£000	£000
<b>UK stock lending</b>		
Income - fixed interest	51	222
Income - UK equities	737	372
<b>Overseas equities</b>	1,358	1,022
	<b>2,146</b>	<b>1,616</b>
<b>Less - costs</b>	-52	-182
<b>Total</b>	<b>2,094</b>	<b>1,434</b>

At 31 March 2015, £631.4 million of stock was on loan to market makers, (31 March 2014 £708.2m) and this was covered by collateral totalling £702.8 million, (31 March 2014 £751.6m). The collateral was comprised of UK & International Government Bonds £202.3m, International Equities £267.4 m and Certificates of Deposit £107k. The total amount on loan is fully indemnified by HSBC our custodian.

### f. Property Holdings

	2014/15	2013/14
	£000	£000
<b>Opening balance</b>	0	0
<b>Additions:</b>		
Purchases	6,387	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase/ decrease in Market Value	-387	0
Other changes in fair value	0	0
<b>Closing balance</b>	<b>6,000</b>	<b>0</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### 14. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading.

31 March 2015				
	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
<b>Financial Assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed interest securities	1,096,230	0	0	1,096,230
Equities	7,974,012	0	0	7,974,012
Index-linked securities	608,117	0	0	608,117
Pooled investment vehicles	1,354,482	0	0	1,354,482
Cash deposits (Investments)	0	181,000	0	181,000
Cash balances (not forming part of the investment assets)	0	25,012	0	25,012
Other investment balances	41,056	0	0	41,056
Debtors	0	49,384	0	49,384
<b>Total financial assets</b>	<b>11,073,897</b>	<b>255,396</b>	<b>0</b>	<b>11,329,293</b>
<b>Financial Liabilities</b>				
Other investment balances	-6,000	0	0	-6,000
Creditors	0	0	-10,068	-10,068
<b>Total financial liabilities</b>	<b>-6,000</b>	<b>0</b>	<b>-10,068</b>	<b>-16,068</b>

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

31 March 2014				
	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
<b>Financial Assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed interest securities	956,929	0	0	956,929
Equities	7,162,619	0	0	7,162,619
Index-linked securities	598,625	0	0	598,625
Pooled investment vehicles	1,189,911	0	0	1,189,911
Cash deposits (Investments)	0	318,967	0	318,967
Cash balances (not forming part of the investment assets)	0	22,900	0	22,900
Other investment balances	87,526		0	87,526
Debtors	0	51,940	0	51,940
<b>Total financial assets</b>	<b>9,995,610</b>	<b>393,807</b>	<b>0</b>	<b>10,389,417</b>
<b>Financial Liabilities</b>				
Other investment balances	-7,675	0	0	-7,675
Creditors	0	0	-12,933	-12,933
<b>Total financial liabilities</b>	<b>-7,675</b>	<b>0</b>	<b>-12,933</b>	<b>-20,608</b>

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



## SECTION 11 – STATEMENT OF ACCOUNTS

### 15. Financial instruments – fair values of financial assets and liabilities

The following table summarises the carrying values of financial assets and liabilities presented on the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	2014/15 Carrying value	2013/14 Carrying value	2014/15 Fair value	2013/14 Fair value
	£000	£000	£000	£000
<b>Financial assets</b>				
Trading and other financial assets at fair value through profit or loss	11,073,897	9,995,610	11,073,897	9,995,610
Loans and receivables	255,397	393,807	255,397	393,807
<b>Total financial assets</b>	<b>11,329,294</b>	<b>10,389,417</b>	<b>11,329,294</b>	<b>10,389,417</b>
<b>Financial liabilities</b>				
Trading and other financial liabilities at fair value through profit or loss	-6,000	-7,675	-6,000	-7,675
Financial liabilities at amortised cost	-10,068	-12,933	-10,068	-12,933
<b>Total financial liabilities</b>	<b>-16,068</b>	<b>-20,608</b>	<b>-16,068</b>	<b>-20,608</b>

### 16. 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.

##### 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 fixed interest securities, quoted index linked securities and unit trusts.

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.

##### 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 property funds and currency funds.

Property Funds are valued at closing bid price. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trust. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

##### 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, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations 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.

The values of investments in Fund of Hedge Funds are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.

## SECTION 11 – STATEMENT OF ACCOUNTS

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.

### Valuation hierarchy

	31 March 2015			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	9,645	475	913	11,033
Loans and receivables	181	0	0	181
<b>Total financial assets</b>	<b>9,826</b>	<b>475</b>	<b>913</b>	<b>11,214</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-6	0	0	-6
<b>Total financial liabilities</b>	<b>-6</b>	<b>0</b>	<b>0</b>	<b>-6</b>

	31 March 2014			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	8,806	323	866	9,995
Loans and receivables	394	0	0	394
<b>Total financial assets</b>	<b>9,200</b>	<b>323</b>	<b>866</b>	<b>10,389</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-8	0	0	-8
<b>Total financial liabilities</b>	<b>-8</b>	<b>0</b>	<b>0</b>	<b>-8</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### 17. Current assets -Debtors

#### Debtors

	2014/15	2013/14
	£000	£000
Contributions due from employers	26,420	25,307
Other Debtors	22,964	26,633
	<b>49,384</b>	<b>51,940</b>
By type of body:		
Central government bodies	74	184
Other local authorities	41,886	44,653
NHS bodies	80	18
Public corporations and trading funds	1,393	1,595
Bodies external to general government	5,951	5,490
	<b>49,384</b>	<b>51,940</b>

### 18. Current liabilities

	2014/15	2013/14
	£000	£000
Unpaid benefits	-6,108	-9,329
Other current liabilities	3,960	-3,604
	<b>-10,068</b>	<b>-12,933</b>
By type of body:		
Central government bodies	-3,960	-3,604
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Bodies external to general government	-6,108	-9,329
	<b>-10,068</b>	<b>-12,933</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### 19. Related party transactions

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

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

#### 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 note 28. Contributions in respect of March 2015 payroll are included within the debtors figure in note 22.

UK Central government bodies are related parties and balances outstanding are included within the creditors figure in note 23.

#### Administering body

In 2014/15, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £605,840 in respect of support services provided (£596,850 in 2013/14). The charge included accommodation, financial, legal and information technology services.

#### 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. Of these members 6 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.

From 1st April 2014 Councillors were no longer entitled to join the scheme and current councillor members will cease their participation when their current term ends.

#### 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 £116,145 (2013 £117,600). Details of the remuneration for these two posts are included in Note 30 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2015 was valued at £19.2m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2014/15. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

### 20. 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 Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at [www.wypf.org.uk](http://www.wypf.org.uk)

The Investment Principles are 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 on risk.

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 equity holdings are spread across more than 300 UK companies, almost 900 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. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

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

## SECTION 11 – STATEMENT OF ACCOUNTS

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

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

### b) Price risk

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

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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 2014/15 reporting period.

Asset Type	2014/15 Potential Market Movement +/- (%p.a.)	2013/14 Potential Market Movement +/- (%p.a.)
UK equities	10.2	12.2
Overseas equities	8.9	11.4
UK gilts	6.0	5.4
UK corporate bonds	5.1	5.1
UK index-linked	7.7	7.4
Overseas bonds	8.8	7.6
Alternatives (universe)	5.3	4.3
Property	3.3	2.0
Cash	0.1	0.0

## SECTION 11 – STATEMENT OF ACCOUNTS

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

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

Asset type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
UK equities	3,973,559	10.2	4,378,862	3,568,256
Overseas equities	4,000,453	8.9	4,356,493	3,644,413
UK gilts	475,130	6.0	503,638	446,622
UK corporate bonds	394,612	5.1	414,737	374,487
UK index-linked	551,458	7.7	593,920	508,996
Overseas bonds	283,147	8.8	308,064	258,230
Alternatives (universe)	879,648	5.3	926,269	833,027
Property	480,834	3.3	496,702	464,966
Cash	181,000	0.1	181,181	180,819
Other investment assets	41,056	0.0	41,056	41,056
Other investment liabilities	-6,000	0.0	-6,000	-6,000
<b>Total investment assets</b>	<b>11,254,897</b>		<b>12,194,922</b>	<b>10,314,872</b>

Asset type	Value as at 31 March 2014	Percentage change	Value on increase	Value on decrease
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
UK equities	3,842,222	12.2	4,310,973	3,373,471
Overseas equities	3,320,397	11.4	3,698,922	2,941,872
UK gilts	390,878	5.4	411,985	369,771
UK corporate bonds	363,701	5.1	382,250	345,152
UK index-linked	538,327	7.4	578,163	498,491
Overseas bonds	262,648	7.6	282,609	242,687
Alternatives (universe)	860,968	4.3	897,990	823,946
Property	328,943	2.0	335,522	322,364
Cash	318,967	0.0	318,967	318,967
Other investment assets	87,526	0.0	87,526	87,526
Other investment liabilities	-7,675	0.0	-7,675	-7,675
<b>Total investment assets</b>	<b>10,306,902</b>		<b>11,297,232</b>	<b>9,316,572</b>



## SECTION 11 – STATEMENT OF ACCOUNTS

### 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 direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2015	31 March 2014
	£000	£000
Cash deposits	181,000	318,967
Cash balances	25,012	22,900
<b>Total</b>	<b>206,012</b>	<b>341,867</b>

### d) 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	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	181,000	1,810	-1,810
Cash balances	25,012	250	-250
<b>Total</b>	<b>206,012</b>	<b>2,060</b>	<b>-2,060</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	318,967	3,190	-3,190
Cash balances	22,900	229	-229
<b>Total</b>	<b>341,867</b>	<b>3,419</b>	<b>-3,419</b>

### e) 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 2015 and 31 March 2014:

Currency exposure - asset type	Value as at 31 March 2015	Value as at 31 March 2014
	£000	£000
Overseas quoted fixed interest securities	222,798	193,571
Overseas unquoted fixed interest securities	3,690	8,779
Overseas quoted equities	3,556,023	2,953,532
Overseas unquoted equities	444,430	366,865
Overseas quoted index linked securities	56,659	60,298
Overseas unit trusts	482,102	462,934
Property funds	46,454	28,621
<b>Total overseas assets</b>	<b>4,812,156</b>	<b>4,074,600</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 5.6%, (2013/14 5.7%).

A 5.6% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2015	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	222,798	235,275	210,321
Overseas unquoted fixed interest securities	3,690	3,897	3,483
Overseas quoted equities	3,556,023	3,755,160	3,356,886
Overseas unquoted equities	444,430	469,318	419,542
Overseas quoted index linked securities	56,659	59,832	53,486
Overseas unit trusts	482,102	509,100	455,104
Property funds	46,454	49,055	43,853
<b>Total overseas assets</b>	<b>4,812,156</b>	<b>5,081,637</b>	<b>4,542,675</b>

Asset type	Value as at 31 March 2014	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	193,571	204,605	182,537
Overseas unquoted fixed interest securities	8,779	9,279	8,279
Overseas quoted equities	2,953,532	3,121,884	2,785,180
Overseas unquoted equities	366,865	387,776	345,954
Overseas quoted index linked securities	60,298	63,735	56,861
Overseas unit trusts	462,934	489,321	436,547
Property funds	28,621	30,252	26,990
<b>Total overseas assets</b>	<b>4,074,600</b>	<b>4,306,852</b>	<b>3,842,348</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### f) 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 HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 13.e.

### g) 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.

## 21. Contingent liabilities and contractual commitments

At 31 March 2015 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2015	Un-drawn commitments
	£m	£m
<b>Asset class</b>		
Private equity	624.6	445.4
Property funds	480.8	57.2
Global bonds	0	0
	<b>1,105.4</b>	<b>502.6</b>

At 31 March 2014 the West Yorkshire Pension Fund had the following un-drawn commitments:

## SECTION 11 – STATEMENT OF ACCOUNTS

	Investment Value at 31 March 2014	Un-drawn commitments
	£m	£m
<b>Asset class</b>		
Private equity	530.4	352.9
Property funds	323.0	78.8
Global bonds	322.7	18.7
	<b>1,176.1</b>	<b>450.4</b>

### 22. Accounting Developments

In preparing this account West Yorkshire Pension Fund has adopted all current account standards and December 2013 improvements to IAS 40 – Investment Properties and IFRS 13 Fair Value Measurement.

The impact of accounting standards issued but not adopted has been assessed as non-material to the Fund's financial statements

### 23. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website [www.wypf.org.uk](http://www.wypf.org.uk).

## SECTION 12 – RESOLVING COMPLAINTS

### Internal disputes resolution procedure

With pensions being such a complicated issue at times 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 Disputes Resolution Procedure.

The Internal Disputes Resolution Procedure 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 the person 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 6 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 Internal Disputes Resolution Procedure 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' interests and it can step in and run schemes where employers, professional advisers or trustees or administrators have failed in their duties.

## SECTION 13 – FURTHER INFORMATION AND CONTACTS

### WYPF's senior management team are

Director - West Yorkshire  
Pension Fund

Rodney Barton  
Phone: 01274 432317  
Fax 01274 437700  
E-mail [rodney.barton@bradford.gov.uk](mailto:rodney.barton@bradford.gov.uk)

#### WYPF Administration

Technical & Development Manager

Caroline Blackburn  
Phone 01274 434523  
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Business Development Manager

Yunus Gajra  
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Service Centre Group Manager

Grace Kitchen  
Phone 01274 434266  
E-mail [grace.kitchen@bradford.gov.uk](mailto:grace.kitchen@bradford.gov.uk)

Financial Controller

Ola Ajala  
Phone 01274 434534  
E-mail [ola.ajala@bradford.gov.uk](mailto:ola.ajala@bradford.gov.uk)

## SECTION 13 – FURTHER INFORMATION AND CONTACTS

### WYPF Investments

Chief Investment Officer (UK)

Debra Hopkins/Joanna Wilkinson  
Phone 01274 432318/01274 432038  
Fax 01274 308016  
E-mail [debra.hopkins@bradford.gov.uk](mailto:debra.hopkins@bradford.gov.uk)  
E-mail [joanna.wilkinson@bradford.gov.uk](mailto:joanna.wilkinson@bradford.gov.uk)

Chief Investment Officer (Overseas)

Colin Standish  
Phone 01274 432748  
Fax 01274 308016  
E-mail [colin.standish@bradford.gov.uk](mailto:colin.standish@bradford.gov.uk)

A Minicom text service is available for people with hearing difficulties on 01274 724472  
Our office at Ground Floor Aldermanbury House, Godwin Street in Bradford, is open Monday to Friday between 08.45 and 16.30.

### **Company information**

WEST YORKSHIRE PENSION FUND

[ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL]

ALDERMANBURY HOUSE,

BRADFORD

BD1 2ST

United Kingdom

PHONE - 01274 434 199     [www.wypf.org.uk](http://www.wypf.org.uk)





# Pension Administration Strategy



### Contents

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

# SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

## 1. Regulatory framework & 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 & IDRPs
- An **Administration contact** for the day to day administration of WYPF, completing of forms and responding to queries
- A **Finance contact** for completion and submission of the monthly postings and co-ordination of the exception reports

If they wish, employers may also nominate additional contacts.

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

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" and signing 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	8.30 to 4.30 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
Pension Matters and Xtra	12 per year and as and when required	E-mail

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Format of communication	Frequency	Method of distribution
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 & 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	19 <sup>th</sup> day of the month following the month in which contributions was 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	90% compliance or better

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			<p>within 2 weeks of receipt of the exception report.</p> <p>If the employer is not using monthly return, then information is due within 6 weeks of change event.</p>	
<b>50/50 &amp; 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>	<p>Monthly return</p> <p>Web form</p> <p>Monthly returns (exception reports)</p>		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.	90% compliance or better

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report.	
<b>Retirement notifications</b>	Web form		<b>10</b> 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 in respect of the key discretions as required by the regulations to its employees.

### 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

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

they have been allocated on joining the scheme and when they have been reallocated to a different band.

### **4.5 Internal Disputes 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 & 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 19<sup>th</sup> day of the month following the month in which the deductions were made. Where the 19<sup>th</sup> falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19<sup>th</sup>.

### **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 option to pay by instalment is taken, the annual interest used Base Rate + 1%

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

### **5.7 Interest on late payment**



## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

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**

Employer's 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's 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.

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

### 6. Administering authority duties & 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:

- Employers Annual meeting
- Members 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:

- Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point access for information relating to the LGPS
- Create a member record for all new starters admitted to the LGPS
- Collect and reconcile employer and employee contributions
- Maintain and update members records for any changes received by WYPF
- 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 he can determine the assets and liabilities for each employer
- Communicate the results of the actuarial valuation to the Fund to each employer
-

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

- Provide every active, deferred and pension credit member with a benefit statement each year
- Provide estimate of retirement benefits on request by the Employer
- Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.
- 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 Disputes 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 Contribution – Notification of Entitlement	5	85%
8. Refund of Contribution – Payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Service	Days	Minimum Target
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 P60's 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%

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

### 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 Annual Report.

#### 7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this Strategy, which 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.

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

### APPENDIX A – MAIN CONTACT REGISTRATION AND AUTHORISED USER LIST



## Main contact registration form

Employer name or location codes (for multiple employers)
Employer address

**Important: please read the attached notes before you fill this form in.**

### Strategic contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	

### Administration contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	

### Finance contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	
Date signatures valid from	
Signed (by current authorised signatory)	

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY



### Authorised user list

Please give the full name, phone number and email address of the additional people you authorise to submit information on your behalf. We will give them a secure administration.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

### 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 19 <sup>th</sup> month. (weekends and bank holidays on the last working day before 19 <sup>th</sup> )	Due by 19 <sup>th</sup> 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 19 <sup>th</sup> month, errors on return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months.	Due by 19 <sup>th</sup> 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 pension 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	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.



## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
	data response must be provided to WYPF within 2 weeks of receipt of the exception report.	
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 19 <sup>th</sup> month. (weekends and bank holidays on the	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

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
last working day before 19 <sup>th</sup> )		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.
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 pension officers 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.	1 <sup>st</sup> 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 members 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.

## SECTION 14 – PENSIONS ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
14. Miscellaneous items: a. Benefit recalculation b. Members file search and record prints c. Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + vat will be levied. This charge is for each members record folder reference.

## APPENDIX C – CHARGING LEVELS

Charges will be made on half a day basis, less than quarter a day no charge will be made and 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 Pension Officer Level

**Level II** – Work at Senior Pension Officer Level

**Level III** – Work at Pension Manager Level

## Funding Strategy Statement

### 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 FSS. The key requirements for preparing the FSS can be summarised as follows:

After consultation with all such persons as it considers appropriate, 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 Statement of Investment Principles (SIP) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) (“The Investment Regulations”); and

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 the SIP.

**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. Contributions to the Fund from employers should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a common rate of employer contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

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### 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 to maintain as far as possible stable employer contribution rates;

**2.2.3** makes a prudent longer-term view of funding those liabilities.

**2.3** It should be **stressed** at the outset that as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' contribution rates through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contribution rates and, therefore, 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 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 admitted bodies, whilst achieving and maintaining the

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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;

3.1.2 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

3.1.3 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 SIP;

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 a Statement of Investment Principles in consultation with interested parties;

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- 4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSS/SIP accordingly;
- 4.2.12 manage the valuation process in consultation with the actuary; and
- 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer.

### **4.3 Each individual employer should:**

- 4.3.1 deduct contributions from employees' pay correctly;
- 4.3.2 pay all 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.

### **4.4 The Fund Actuary should:**

- 4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency 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 termination of Scheme employers.
- 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 required by the regulations; and

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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 role in advising the Fund.

### 5 Solvency Issues and Target Funding Levels

#### Risk Based Approach

**5.1** The Fund adopts a risk based approach to funding rather than a 'deterministic' approach which gives little idea of the associated risk. In particular the discount rate (for most employers) 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 appropriate levels of employer contribution payable and, by extension, the appropriate valuation approach to adopt. 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.

**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.



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**5.5** For Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be:

5.5.1 the Projected Unit method of valuation; and

5.5.2 assumptions such that, if the Fund had reached the Solvency Target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 22 years.

This then defines the Solvency Target.

**5.6** For Admission Bodies and other bodies whose liabilities are expected to be orphaned following cessation, 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 an appropriate portfolio of Government index linked and fixed interest bonds after cessation.

### Probability of Funding Success

**5.7** 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 the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

**5.8** The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is just under a 70% chance that the Fund would reach or exceed its Solvency Target after 22 years.

### 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 the future service costs and any adjustment for the surplus or deficiency set the level of contributions payable, then dictate the chance of achieving the Solvency Target at the end of the Trajectory Period

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(defined below). The key assumptions used for assessing the Funding Target are summarised in Appendix 1

**5.10** Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible, contribution rates 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 as a whole and for employers who continue to admit new members. This means that the 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 and Admission Bodies with a subsumption commitment from a Scheme Employer of sound covenant, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets.

**5.13** For Admission Bodies and other bodies whose liabilities are expected to be orphaned on cessation, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such cessation, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of cessation (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

**5.14** The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target.

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### Recovery Periods

**5.15** Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, the 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. Further, this is based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term

**5.16** If the assets of the scheme relating to an employer are less than the funding target at the date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall. 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 deficiency relative to the Funding Target for that employer or group of employers is payable.

**5.17** Additional contributions 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 lower increase rate is agreed between the employer and Administering Authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits:-

5.17.1 scheduled, designating and admission bodies with subsumption guarantees - 22 years

5.17.2 admission bodies with a fixed or known term of participation - remaining period of participation

5.17.3 other admission bodies - future working life of members

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

5.18.1 the type/group of the employer

5.18.2 the size of the funding shortfall;

5.18.3 the business plans of the employer;

5.18.4 the assessment of the financial covenant of the employer;

5.18.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.



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**5.19** The strategic aim of the Fund is to operate within a Funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of ‘high covenant’ employers it is anticipated that their contribution rates will remain stable. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

**5.20** In determining the above principles the Administering Authority has had regard to:

5.20.1 the responses to the consultation on the FSS principles;

5.20.2 relevant guidance issued by the CIPFA Pensions Panel;

5.20.3 the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose;

5.20.4 the Administering Authority’s views on the strength of the participating employers’ covenants in achieving the objective.

### 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. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience, between the various employers in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted.

**5.22** In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions are set out in Appendix 1. For the purpose of the 2013 valuation the Fund Actuary has calculated the normal cost based on the new career average benefit structure expected to be in place from 1 April 2014.

**5.23** The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

5.23.1 a maximum deficit 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. A shorter period may be

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applied in respect of particular employers where the Administering Authority considers this to be warranted (see below).

5.23.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps.

5.23.3 on the cessation of an employing authority's participation in the Scheme, the Fund Actuary will be asked to complete a termination valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the separate Admission Bodies Policy document at Appendix 2.

**5.24** 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 retirement the experience will be spread across all employers.

**5.25** Two key principles making up the funding strategy adopted for the 2013 actuarial valuation are to:

5.25.1 provide stability in employer contribution rates as far as is possible, thereby avoiding wide fluctuations year on year in those rates. To achieve this stability and ensure gradual movements in employers' contribution rates, the practice of phasing any increases or decreases in employers' rates up to 6 years from 1 April 2014 was adopted where appropriate and required;

5.25.2 retain a maximum 22 year recovery period for meeting a deficit as adopted at the 2010 Valuation.

**5.26** With regard to the two principles outlined in paragraph 5.25 above, every Scheme Employer (i.e. those identified in paragraph 5.17.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contribution rates or phase any increase over a shorter period than 6 years.

**5.27** 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 5.17.2 and 5.17.3, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring

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in these two 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.

- 5.28** In adopting the 22 year deficit recovery period for the 2013 Valuation, the Administering Authority has had regard to the need to balance the short-term reduced cash requirement which the 22 year recovery period would deliver against the desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range.

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

- 5.29** 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 full funding may precipitate failure of the body in question, leading to costs for other participating employers.

- 5.30** The renewed Compact is an agreement between the Coalition Government, and their associated Non-Departmental Public Bodies, Arms Length Bodies and Executive Agencies, and civil society organisations (which for the purpose of the Compact include charities, social enterprises, voluntary and community groups). The agreement aims to ensure that the Government and civil society organisations work effectively in partnership to achieve common goals and outcomes for the benefit of communities and citizens.

- 5.31** Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, taking account of its responsibilities under the Compact, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

- 5.32** The implication of this is that, during the period of relaxation, contribution rates for admission bodies can be 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. As a minimum, such bodies

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should pay contributions equal to the cost of benefits accruing for their members calculated on the Funding Target method and assumptions adopted for scheduled bodies and those with a subsumption guarantee.

### Notional sub-funds

**5.33** 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.

**5.34** 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.

**5.35** The notional sub fund allocated to each employer is tracked between valuations by rolling it forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income allocated as set out below. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. Further adjustments are made for:

5.35.1 A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.

5.35.2 Allowance for any known material internal transfers within the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.

5.35.3 Allowance for death in service and other benefits shared across all employers in the Fund (see above).

5.35.4 An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

**5.36** In some cases information available will not allow for such cashflow calculations. In such a circumstance:



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5.36.1 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is not material, estimated cashflows will be used.

5.36.2 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary will instead use an analysis of gains and losses to roll forward the notional sub fund. Analysis of gains and losses methods are less precise than use of cashflows. They involve calculation of gains and losses to the surplus or deficit at the previous valuation and then compare the surplus or deficit calculated at the valuation with the liabilities evaluated at this valuation to determine the employer's implied notional asset holding.

**5.37** The distribution of the investment portfolio between asset classes, and the allocation of investment performance, will be exactly the same for every employer in the Fund. The Fund has one investment portfolio, and employers' shares of the portfolio will be pro-rata to their participating share of the Fund. The Fund's Investment Advisory Panel approves the distribution of the investment portfolio between the various asset classes, and no separate or different notional distribution will be applied to any employer.

### Former Participating Bodies

**5.38** Where an employer ceases to participate in the Fund, the Administering Authority will obtain a cessation valuation from the actuary which will determine a cessation contribution on the assumption that, unless a subsumption arrangement is in place, the assets will assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. This approach minimises the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund.

## 6 Link to investment policy set out in the Statement of Investment Principles (SIP)

**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 SIP.

**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



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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 SIP, 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 SIP 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 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:

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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, permitting investment 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 interest rates, pay and price inflation, changing retirement patterns and other demographic risks.

**7.7** The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

**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

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far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.

**7.9** If significant liability changes become apparent between valuations, the Administering Authority will notify all 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.

### 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. 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 higher member contributions in particular may lead to increased opt-outs;
- 7.10.5 a high take-up of the 50/50 option 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 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. The Government is also carrying out a review of the structure of the LGPS.

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**7.13** The Administering Authority will keep abreast of all the changes to the LGPS 2014. 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

**7.14** 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.

**7.15** 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.

### Governance risk

**7.16** 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, or an admission body closing the scheme to new entrants.

**7.17** 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.

**7.18** 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.

**7.19** The Fund will monitor employers with a declining membership, and may introduce a more conservative Funding strategy for such employers.

## 8. Monitoring and Review

## SECTION 15 – FUNDING STRATEGY STATEMENT

**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 Scheme.

### A. APPENDIX 1

#### B. Actuarial Valuation as at 31 March 2013

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

The actuarial method to be used is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

#### Principal assumptions

##### Investment return (discount rate)

The discount rate for the 2013 valuation is 5.6% p.a. for the periods pre and post retirement with the exception of Admission Bodies which will ultimately give rise to Orphan liabilities where the

## SECTION 15 – FUNDING STRATEGY STATEMENT

discount rate is 5.2% 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 3.6% (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 0.4% in light of the increase in gilt yields since the valuation date.

The asset out-performance assumptions represent the allowance made for the long-term additional investment performance on the assets of the Fund relative to the Bank of England Bond Curve as at the valuation date.

### **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 0.9%.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 1.5% 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).

### **Mortality** **Post-retirement Mortality**

## SECTION 15 – FUNDING STRATEGY STATEMENT

### Base Rates

Normal Health: Standard SAPS Normal Health tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS Ill-health tables, year of birth base rates adjusted by a scaling factor.

### Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health) 105%

Females (normal health) 100%

Males (ill-health) 110%

Females (ill-health) 120%

### Future improvement to base rates

An allowance for improvements in line with the CMI 2012, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

### Pre-retirement mortality

Males: As for normal health retirements but with a 75% scaling factor

Females: As for normal health retirements but with a 75% scaling factor

### Early retirements

Members who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits. Members joining on or after 1 October 2006 are assumed to retire at age 65.

### Withdrawals

## SECTION 15 – FUNDING STRATEGY STATEMENT

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

### Retirement due to ill health

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier) 75%

Tier 2 (middle tier) 10%

Tier 3 (lower tier) 15%

### Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

90% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.

90% of pensioners are assumed to be married / cohabitating at age 65.

### Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

### Take up of 50/50 scheme

10% of staff earning less than £21,000 are assumed to join the 50/50 scheme.

### Promotional salary increases

Allowance is made for age-related promotional increases.

### Expenses



## SECTION 15 – FUNDING STRATEGY STATEMENT

0.3% of Pensionable Pay added to the cost of future benefit accrual.

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

The cost of future accrual (normal cost) 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 the salary increases assumed for each member are projected 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 “normal cost”) for the 2013 actuarial valuation

Discount rate (pre-retirement)	5.6% for Scheduled, Resolution and Bodies with subsumption guarantees 5.2% (Orphan Admission Bodies in service 3.6% (Orphan Admission Bodies left service)
Discount rate (post-retirement)	5.6% Scheduled, Resolution and Bodies with subsumption guarantees 3.6% (Orphan Admission Bodies)

## SECTION 15 – FUNDING STRATEGY STATEMENT

Rate of general pay increases	3.9%
Rate of price inflation (RPI)	3.3%
Rate of price inflation (CPI)	2.4%
Rate of pension increases (on benefits in excess of GMPs)	2.4%
Rate of pension increases on post-88 GMPs	2.0%
Rate of deferred pension increases	2.4%
Rate of GMP increases in deferment	3.6%

## APPENDIX 2

### Policy on Admission Bodies and Cessation Valuations

#### 1. Background

**1.1** Under the Local Government Pension Scheme Regulations 2013, certain employers are allowed to participate in the Fund if they satisfy the relevant criteria set out in the Regulations. These are known as admission bodies.

**1.2** There are a number of types of employer which participate in the Fund. Certain employers, such as local authorities are categorised as “Scheme Employers”. The employees of Scheme Employers have a statutory right to participate in the Fund.

## SECTION 15 – FUNDING STRATEGY STATEMENT

**1.3** An admission body is an employer which satisfies certain criteria and applies to participate in the Fund. It is required to have an “admission agreement” with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

**1.4** Regulation 64 of the LGPS Regulations 2013 requires that where a Scheme employer (including an admission body participating in the Scheme) ceases to be a Scheme employer or no longer has any active members the appropriate administering authority must obtain -

**(a)** an actuarial valuation, as at the exit date, of the liabilities of the fund in respect of the exiting employer’s current and former employees; and

**(b)** a revised rates and adjustment certificate showing the exit payment due from the exiting employer in respect of those benefits.

## 2. Types of Admission Body

**2.1** The following bodies are admission bodies with whom an administering authority may make an admission agreement-

- (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-

## SECTION 15 – FUNDING STRATEGY STATEMENT

- (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.

### 3. Risks and responsibilities

**3.1 Admission bodies under paragraph 1(d) 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 on premature termination of the contract. 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. However, as agreed with the 5 main Councils in the Fund (which are the Scheme employers for most of the new admissions under paragraph 1(d)), 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. Where, for any reason, it is not desirable for a 1(d) 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.

**3.2 Other admission bodies** are now required to carry out an assessment of the level of risk on premature termination of the contract. 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,

## SECTION 15 – FUNDING STRATEGY STATEMENT

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. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or body the admission body must secure a guarantee from:

a) a person who funds the admission body in whole or in part;

b) a person who-

(i) owns, or

(ii) controls the exercise of the functions of,

the admission body; or

• c) the Secretary of State in the case of an admission body-

(i) which is established by or under any enactment, and

(ii) where that enactment enables the Secretary of State to make financial provision for that admission body; or

(iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

**3.3** When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

**3.4** 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

## SECTION 15 – FUNDING STRATEGY STATEMENT

fall on the employers pro-rata to their liabilities in the Fund. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

### 4 Reducing or mitigating risks

**4.1** Faced with the potential risks identified above, the administering authority has adopted a variety of policies in entering into admission agreements but the key one is that for other admission bodies WYPF will only consider admission if the body is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme Employer of the Fund and the body has a sound financial standing. The Fund'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 such a commitment is not available, an orphan funding target will be adopted, to protect the Fund as set out in paragraph 5.3 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. For paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the WYPF must admit to the Scheme the eligible employees of that body.

### 5. 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 this will mean assuming continued investment in more risky investments than Government bonds.

### 6. Orphan liabilities

## SECTION 15 – FUNDING STRATEGY STATEMENT

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 cessation 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 fixed interest and index linked bonds.

To the extent that the administering authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

### 7. Cessation of participation

Where an employing authority ceases participation, a cessation valuation will be carried out in accordance with Administration 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.

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 in the exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

## SECTION 15 – FUNDING STRATEGY STATEMENT

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in 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.

**29 January 2015**



### Governance Compliance Statement

#### 1.Introduction

**1.1** The Governance Compliance Statement has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment)(No.3) Regulations 2007.

**1.2** City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for the 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. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day to day responsibility for the management of the Fund. The Director of Finance at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts.

#### 2. Governance and Audit Committee

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

#### Quorum

The quorum of the Committee shall be 3 members.

#### Roles and Functions

**2.2** The functions of the Committee affecting the West Yorkshire Pension Fund are to:

1. approve the Statement of Accounts and related documents in accordance with the Accounts and Audit Regulations 2011;
2. receive matters of a financial nature that External Audit request be considered by a member body, including any that may concern the Council's governance arrangements;

## SECTION 16 – GOVERNANCE COMPLIANCE STATEMENT

3. consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;
4. seek assurances that action is being taken on risk related issues determined by auditors and inspectors;
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;
6. discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions 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; and
7. review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary
8. Consider the reports of External Audit and inspection agencies

**2.3** The minutes of meetings of the Investment Advisory Panel and Joint Advisory Group are submitted to the Committee.

### 3. WYPF Investment Advisory Panel

**3.1** The WYPF Investment Advisory Panel (hereinafter referred to as 'the Panel') comprises nineteen representatives. WYPF covers the geographical areas of five metropolitan authorities, namely the West Yorkshire District Councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire District Councils has two councillor representatives on the Panel.

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

**3.3** All representatives on the Panel have equal voting rights.

**3.4** For each municipal year a Chair of the Panel is nominated by the two Bradford Council councillor representatives on the Panel, and a Deputy Chair is elected from other members on

## SECTION 16 – GOVERNANCE COMPLIANCE STATEMENT

the Panel. A Bradford councillor on the Panel will also be a member of the Governance and Audit Committee.

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

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

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

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

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

**3.10** Decisions are taken on how the new money available for investment is to be allocated to major asset classes on the portfolio. However, the Panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

**3.11** The external investment advisers on the Panel will be able to guide other members of the Panel in their investment adjudication.

**3.12** In the event of conflict of opinions arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

## SECTION 16 – GOVERNANCE COMPLIANCE STATEMENT

**3.13** The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director- West Yorkshire Pension Fund or his/her nominee, and one external investment adviser.

**3.14** The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Panel if, in its opinion, the decision is not in the best interests of the WYPF.

### 4. WYPF Joint Advisory Group

**4.1** The WYPF Joint Advisory Group (hereinafter referred to as ‘the Group’) comprises twenty representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trades Union representatives, and two Scheme members. All representatives on the Group have equal voting rights.

**4.2** There is no set pattern for meetings of the Group, and the Group will meet on such days as they may determine.

**4.3** For each municipal year, a Chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members of the group.

**4.4** The Group has overall responsibility for overseeing and monitoring the WYPF’s Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group will approve the budget estimates for the Pensions Administration and Investment Management functions of WYPF, and also receive the WYPF’s Annual Report and Accounts.

**4.5** The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent Councils.

**4.6** The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Group if, in its opinion, the decision is not in the best interests of the WYPF.

### 5. Annual General Meetings

**5.1** Each year, usually in October, WYPF holds an Employers’ Annual General Meeting and a separate Scheme Members’ Annual General Meeting.

## SECTION 16 – GOVERNANCE COMPLIANCE STATEMENT

**5.2** At each Annual General Meeting a keynote address is given by a ‘guest speaker’ on a related pensions topic. The Director – West Yorkshire Pension Fund will provide an up-date 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.

### **6. Training/Expenses/Facility Time**

**6.1** A bespoke training seminar is held each year for members of the Investment Advisory Panel and Joint Advisory Group. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee’s “Trustee Training Fundamentals’ event, which is a 3-day training course for pension fund trustees.

**6.2** All members of the Investment Advisory Panel are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work on the Panel, and members can opt to attend any that they feel will be of benefit to them.

**6.3** No member or representative on the Investment Advisory Panel and/or the Joint Advisory shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Investment Advisory Panel and Joint Advisory Group, and in attending training events, are re-imbursed to all members of both the Investment Advisory Panel and Joint Advisory Group, and the cost is met by the Fund.

**6.4** The Trades Unions and active member representatives on the Investment Advisory Panel and Joint Advisory Group should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel and Joint Advisory Group.

### **7. Register of Interests**

**7.1** All voting members of the Investment Advisory Panel and Joint Advisory Group must complete a Declaration of Acceptance of Office Form, and a Register of Members Interests Form.

**August 2013**

### Communications Policy

#### Introduction

Our communications policy has been prepared to meet our objectives about how we communicate with our key stakeholders. We currently administer the Local Government Pension Scheme (LGPS) for 387 employers and have around 90,000 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 April 2014 and will be reviewed annually, no later than March 2015.

#### Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- Members
- Representatives of members
- Prospective members
- Employing authorities

#### Key objectives

To communicate the scheme regulations and procedures in a clear and easy to understand style

- To use plain English for all our communications with stakeholders
- To identify and use the most appropriate communication method taking account of differing stakeholders needs
- To use technologies to provide up to date and timely information to stakeholders
- To 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

## SECTION 17 – COMMUNICATIONS POLICY

- Monitoring compliments and complaints
- Customer surveys

To ensure continuous development we plan to:

- Implement member self service in September 2014
- develop and publish a series of webinars and e-learning
- improve the web provision for firefighters
- increase the information we give to employing authorities when they join the scheme or change main contacts

### Communications events 2014–2015 Local

#### Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	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/drop ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail

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Communication	Format	Frequency	Method of distribution
LGPS deferred members (including representatives of deferred members)	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
LGPS pensioner members (including representatives of retired members)	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Social media	Constant	Web
	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
LGPS pensioner members (including representatives of retired members)	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web



## SECTION 17 – COMMUNICATIONS POLICY

### Communications events - 2014–2015 Fire fighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Scheme booklet	Constant	Web
Communication	Format	Frequency	Method of distribution
Firefighter deferred members (including representatives of deferred members)	Annual Benefit Statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web

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	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
Communication	Format	Frequency	Method of distribution
Firefighter – pensioner members (including representatives of pensioner members)	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

## SECTION 17 – COMMUNICATIONS POLICY

### Communications events 2014–2015 Councillors

Communication	Format	Frequency	Method of distribution
Councillor active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	e-mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	e-mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	Ad hoc meetings	As and when required	Meeting/Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Social media	Constant	Web

### Communications events - 2014–2015 Employing authorities

## SECTION 17 – COMMUNICATIONS POLICY

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 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
	Pension Matters and Xtra	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

### Contacts us

### Members

#### WYPF contact centre

**Tel:** (01274) 434999

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

**Address:** WYPF, PO Box 67, Bradford, BD1 1UP

## SECTION 17 – COMMUNICATIONS POLICY

### Employers

Jenny Gregory (Team Manager – Business Relations): 01274 437588

### Pension Fund Representatives

David Parrington: 01274 433840

Sheryl Clapham: 01274 432541

Lisa Darvill: 01274 432540

### 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

### Statement of Investment Principles

#### 1. Introduction

1.1 The Statement of Investment Principles has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

1.2 City of Bradford Metropolitan District Council became the administering authority of the 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. Types of Investments To Be Held

3.1 The 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. The Fund's investments in properties is held through pooled Funds.

3.3 The Fund will invest in Hedge Funds, Private Equity Funds, Infrastructure Funds and Currency Funds which, together with Property, will be classed as Alternative Investments.

3.4 The Fund will not invest directly in unquoted companies, as the Fund's private equity investment will be undertaken via a portfolio of funds.

## SECTION 18 – STATEMENT OF INVESTMENT PRINCIPLES

3.5 Stock lending will be actively pursued up to the 35% limit as permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

### 4. Balance Between Different 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 2014/15 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>
<b>UK Fixed Interest Gilts</b>	<b>2 - 8</b>
<b>UK Index Linked Gilts</b>	<b>2 - 8</b>
<b>Corporate Bonds</b>	<b>1 - 7</b>
<b>Global Bonds</b>	<b>1 - 5</b>
<b>Equities - Total</b>	<b>57.5 - 72.5</b>
<b>UK Equities</b>	<b>30 - 40</b>
<b>Overseas Equities</b>	<b>25 - 35</b>

## SECTION 18 – STATEMENT OF INVESTMENT PRINCIPLES

	Range %
Property Unit Trusts	3 - 7
Private Equity	3 - 7
Private Equity Infrastructure	0 - 4
Hedge Funds	1 - 5
Listed Alternatives UK	0 - 2
Listed Alternatives OS	0 - 2
Cash	0 - 2

### 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. Mercer Investment Consulting completed an 'Investment Strategy Review' for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

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

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

5.5 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.



## SECTION 18 – STATEMENT OF INVESTMENT PRINCIPLES

### 6. Expected Return on Investments

6.1 The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be such as 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 the WM Company.

### 7. Realisation of Investments

7.1 The majority of investments to be held will be in fixed interest securities and equities that are quoted on recognised stock markets, and may be easily realised if required. The liquidity in other asset classes varies enormously.

### 8. Transaction Costs

8.1 The in-house team of investment managers utilise a core 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. There are no soft commissions or commission recapture programmes.

8.2 Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking services.

### 9. Socially Responsible Investment

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 voting policy of the West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The Fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The Fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.3 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 50 local authority pension funds with combined assets of £120 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.

9.4 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest

## SECTION 18 – STATEMENT OF INVESTMENT PRINCIPLES

to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.5 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

### 10. Exercise of Rights Attached to Investments

10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity is published on the Fund's website.

10.2 Special resolutions at UK companies are voted on by agreement with the Investment Advisory Panel based upon guidance from the LAPFF and PIRC. 10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

### 11. Myners' Report

11.1 In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Fund. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making; clear objectives; risk and liabilities; performance assessment; responsible ownership; and transparency and reporting.

11.2 The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

### 12 Effective Decision-Making

12.1 The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to ensure continuity and a build up of experience. An annual business plan for the Panel is produced.

## SECTION 18 – STATEMENT OF INVESTMENT PRINCIPLES

### 13. Clear Objectives

13.1 Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Statement of Investment Principles and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

### 14. Risk and Liabilities

14.1 Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. The Investment Panel has commissioned independent asset and liability studies from time to time to provide comment on the current asset policy and associated risks. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

### 15. Performance Assessment

15.1 The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Specific performance and volatility targets are given to the Hedge Funds managers in which WYPF invests. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

### 16. Responsible Ownership

16.1 The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

### 17. Transparency and Reporting

17.1 The Statement of Investment Principles is regularly updated and is available on the Fund's website. Details of the Fund's voting policy and voting activity is also published on the website.

### WYPF Risk Management Report

## SECTION 19 – RISK MANAGEMENT REPORT

### Introduction

WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

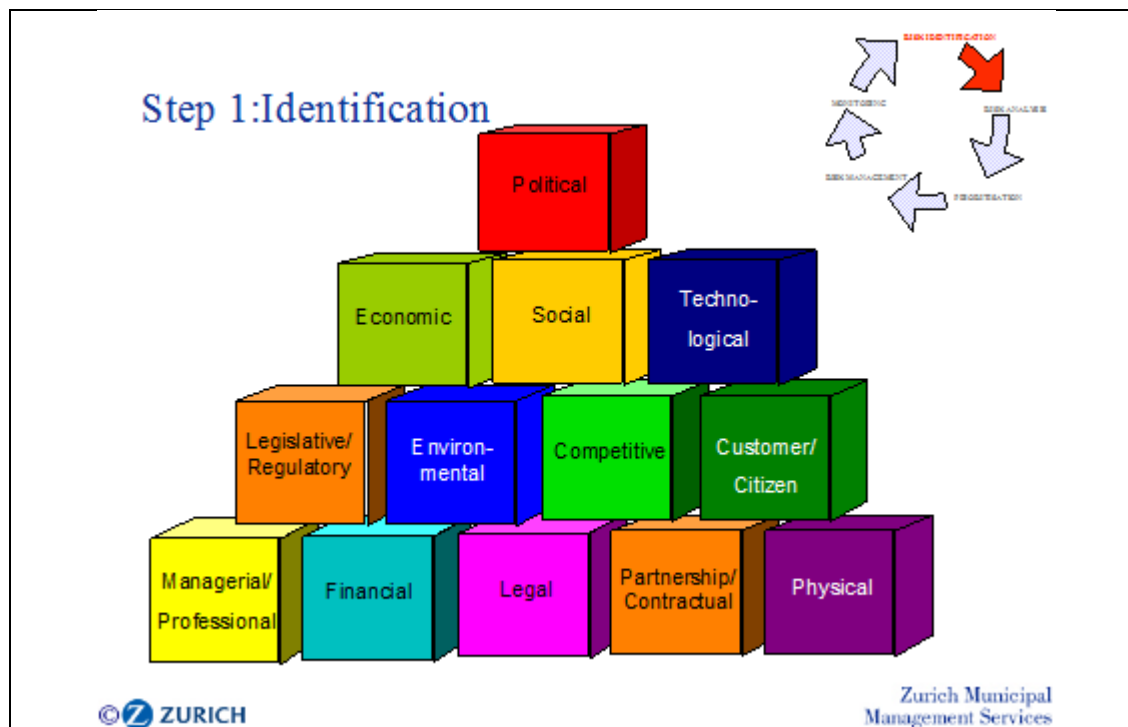
WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

## SECTION 19 – RISK MANAGEMENT REPORT

### 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.



## SECTION 19 – RISK MANAGEMENT REPORT

### Identified risks

#### Economic

Scenario	Short name
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

#### Political

Scenario	Short name
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
54	Introduction of LGPS 2014
55	Impact of Central Government Spending Review

## SECTION 19 – RISK MANAGEMENT REPORT

### Technological

Scenario	Short name
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

### Legislative/Regulatory

Scenario	Short name
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS

### Managerial/Professional

Scenario	Short name
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff



## SECTION 19 – RISK MANAGEMENT REPORT

Scenario	Short name
49	Key staff on long term absence

### Finance

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
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
56	Monthly Contribution Returns

### Physical

Scenario	Short name
26	Lack of security in building
52	Relocation to new Offices

### Competitive

Scenario	Short name
27	Lack of PI's and overall performance management framework

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Lincolnshire Pension Fund Shared Service

## SECTION 19 – RISK MANAGEMENT REPORT

### Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

### Social

Scenario	Short name
4	Reduction in proportion of active members

### Partnership / Contractual

Scenario	Short name
20	Partnership with South Yorkshire Fire and Humberside Fire
38	Firefighters Pension Scheme
53	South Yorkshire Fire, Humberside Fire and North Yorkshire Fire

### 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.

## SECTION 19 – RISK MANAGEMENT REPORT

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
26	Lack of security in some buildings
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

## SECTION 19 – RISK MANAGEMENT REPORT

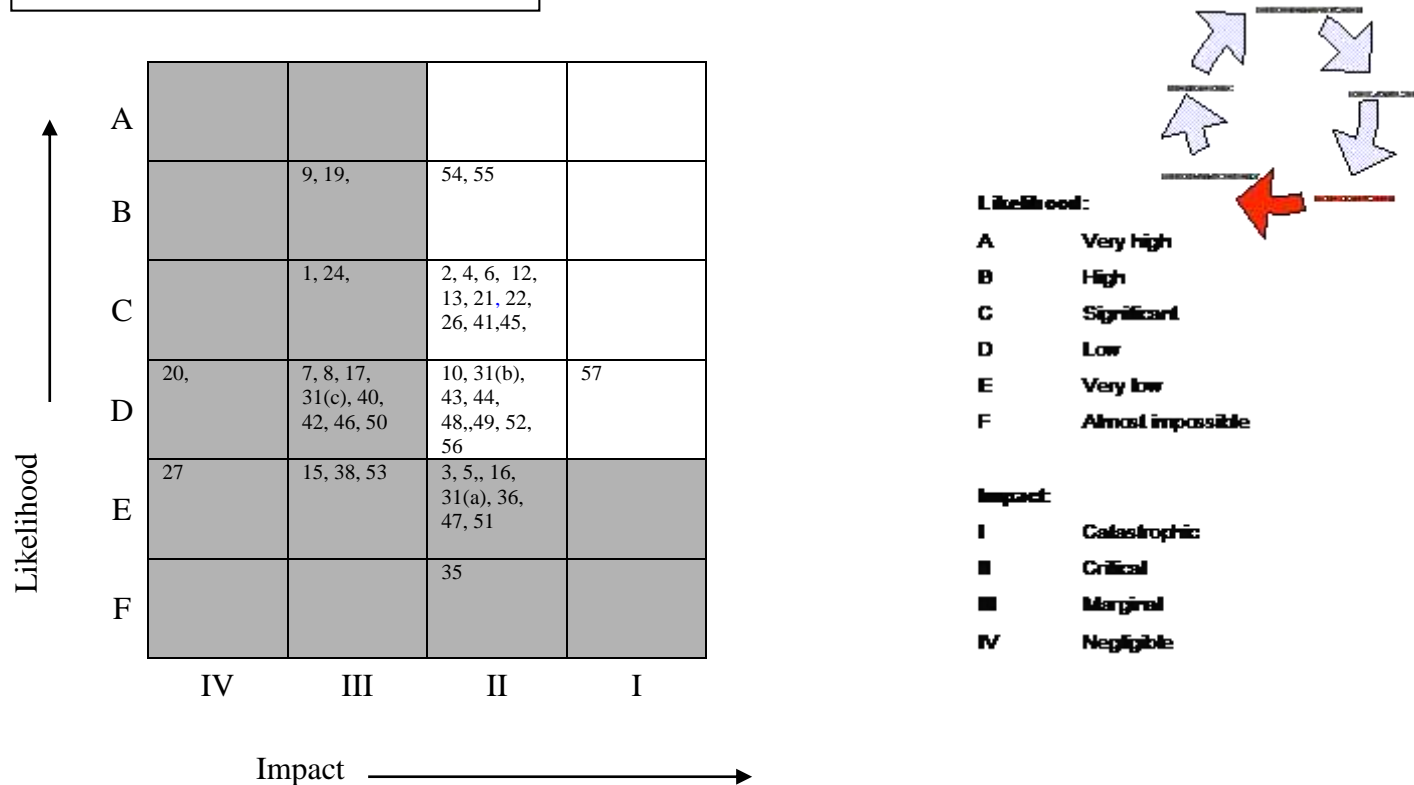
Scenario	Short name
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Spending Review
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund Shared Service

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.

## SECTION 19 – RISK MANAGEMENT REPORT

As part of a regular review, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 21 of these above their acceptable tolerance level, 25 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – July 2014



## SECTION 19 – RISK MANAGEMENT REPORT

### Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
2	C2	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)	<ul style="list-style-type: none"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>• Political impact</li> </ul> Customer complaints about 'pension pay-offs'	Annually	Ongoing

## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
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 200+ 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 SIP become out of date</li> </ul> Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing
6	C2	Council elections could bring about a change to Investment Panel and JAG members  Equal levels of support given to all major political groups	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	
10	D2	Change of 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: <ul style="list-style-type: none"> <li>Civica user group</li> <li>EDM user group</li> <li>LGPS group</li> <li>Payroll user group</li> </ul>	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 David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available.  Develop product that meets WYPF requirements	Quarterly	Ongoing



## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
12	C2	Lack of Information sharing with employers  Too much information is supplied by employers on paper medium	Enhancements to UPM2 are progressing.	Develop employers web site Encourage automatic transmission of starter, amendment and leaver data. The Fund operates an 'Pensions Administration Strategy' document which sets out the action required by Employing Authorities and WYPF.	David Robertson / Yunus Gajra	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing
13	C2	Disaster recovery	Disaster recovery plan in place with ICM for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required.  Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing
21	C2	Greater level of support required/expected by some employers	Turn down requests for support, treat it as low priority or to charge for the additional work	Monitor number and type of requests for support	Management Review	Reduce the number of non standard requests	Monthly	Ongoing
22	C2	Recruitment and retention of experienced staff in Pensions Administration, particularly in relation to single status not recognising market forces.	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff.	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
26	C2	Lack of security in building	Not consistent	Concerns raised at higher management level	Man. Rev.	Staff confident in their own personal safety  Hardware, software and data secure	ongoing	

## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
31(b)	D2	<p>External Fraud</p> <p>Participation in NFI.</p> <p>Life Certificates to high risk pensioners annually.</p> <p>Life certificates to low risk categories sent out every 7 years as a minimum.</p> <p>Returned payments or pay advices, records are immediately suspended.</p> <p>Close working relationship with Internal Audit.</p>	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	<p>No cases of fraud or earlier discovery</p> <p>Establish tighter controls in system for production of data for NFI exercise</p>	Annual	
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	<p>Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits.</p> <p>Asset and liability study being done.</p>	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing	

## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
43	D2	<p>Customer satisfaction drops below acceptable levels</p> <p>Newsletters to current members issued three times a year, pensioners and deferred members once a year, councillor members once a year</p> <p>Monthly info. update to employers</p> <p>ABS's to current and deferred members</p> <p>Member Annual meeting</p> <p>Employer Annual meeting</p> <p>Large employer group meeting</p> <p>Seminars for employers</p> <p>Leaver questionnaires</p> <p>Employer satisfaction questionnaires</p> <p>Complaints procedures</p> <p>Web site</p> <p>Published SIP</p> <p>Published FSS</p> <p>Contact Centre</p> <p>Member of Plain English Campaign</p> <p>'Pensions Administration Strategy' document issued to each employing authority participating in the Fund.</p> <p>Governance policy statement and</p> <p>Communications policy published.</p>	Adequate	<p>Revise SIP each year</p> <p>Produce a Pensions Administration Strategy,</p> <p>Governance reviewed, Compliance statement produced.</p>	Yunus Gajra JAG	<p>Reduction in complaints</p> <p>Reduction in IDRP cases.</p> <p>Attract new bodies to the Fund</p> <p>More timely info from employers, Improved employer satisfaction</p> <p>KPI 8</p>	Annual	March nn

## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
44	D2	Payroll failure  Payroll contingency plan in place Disaster Recovery plan in place	Adequate	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review
45	C2	Industrial Action  Contingency plans in place	Adequate	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required	
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	
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
50	D3	Access to sensitive/personal data by staff	Only authorised staff have access to WYPF records	DBS checks are carried out for all new staff	Yunus Gajra	Prevent unauthorised access	As required	
52	D2	Relocation to new Offices	Project Group set up to look at acquiring new offices	Regular updates to Management Review and report to JAG	Yunus Gajra	No loss of service with minimal disruption during the move	As required	Ongoing
54	B2	Introduction of LGPS 2014 from 1 April 2014	Respond to Govt consultation/draft legislation	Regular communication to Members/Employers/Staff	Management Review	Maintain membership levels	As required	B2
55	B2	Impact of Central Government Spending Review	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing

## SECTION 19 – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
56	D2	Introduction of monthly contribution returns	Briefings and requirements specified to Employers. Pilot project set up with Big 5 Employers, Internal resources allocated to project.	Monitor returns from Employer and chase up missing ones	Ola Ajala	Receipt of monthly returns which get posted to members records	Monthly	Monthly
57	D1	Lincolnshire Pension Fund Shared Service	Project Team set up to oversee project	Produce a project plan	Yunus Gajra	Smooth transition from Mouchel to WYPF and service effective from 1.4.15.	Monthly	See Project Plan

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

### Glossary of Terms

#### A

**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.

#### B

**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

## SECTION 20 – GLOSSARY OF TERMS

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.

## **C**

### **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.

## **D**

### **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.

## SECTION 20 – GLOSSARY OF TERMS

### **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.

### **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**

This is 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 are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. 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.

## **E**

### **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.

## **F**



## SECTION 20 – GLOSSARY OF TERMS

### **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.

### **Fund of funds (FoF)**

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

## **G**

### **Guaranteed minimum pension (GMP)**

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

### **General partners**

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

## **I**

### **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.

## **L**

### **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.

## **M**

### **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

## SECTION 20 – GLOSSARY OF TERMS

- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting.

### O

#### **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.

### P

#### **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.

### Q

#### **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.

## SECTION 20 – GLOSSARY OF TERMS

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.

## **R**

### **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 1st 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.

## **S**

### **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.

## SECTION 20 – GLOSSARY OF TERMS

### **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.

## **T**

### **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.

## SECTION 20 – GLOSSARY OF TERMS

### **Treasury management**

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

### **V**

### **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)**