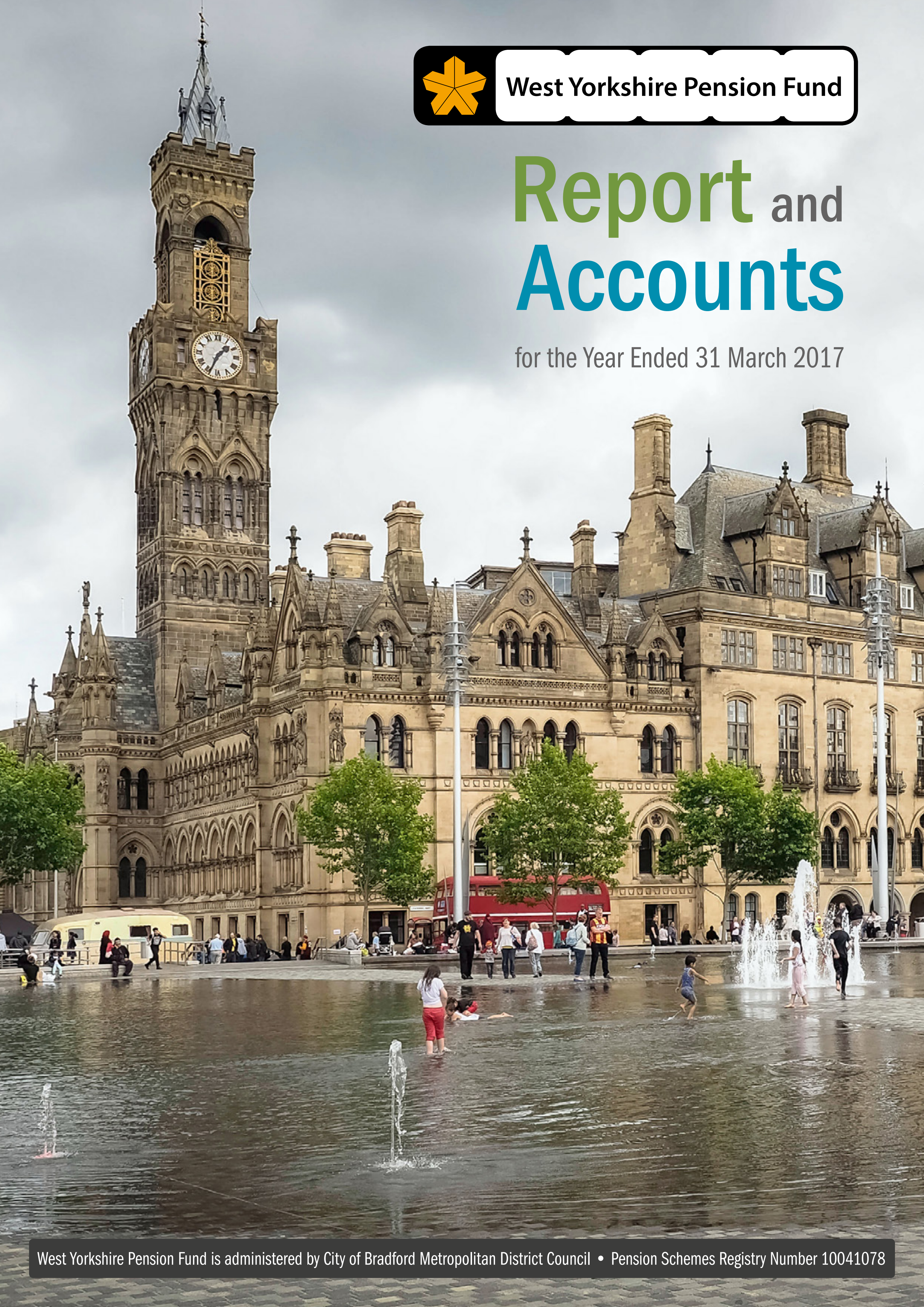

West Yorkshire Pension Fund

Report and Accounts

for the Year Ended 31 March 2017

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

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Section 1
Foreword

Foreword

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2017 we had 284,820 members and 422 employers across the UK. Our largest employers are the five West Yorkshire councils – Bradford, Calderdale, Kirklees, Leeds and Wakefield.

2016/17 proved to be a volatile year for investment, with the Brexit vote and US elections confounding the polls once again. However, the fund ended the year with a value of £13.6 billion, an increase of over 22%. While markets were generally higher at the end of the year, a major contributor to this was weaker sterling following the Brexit vote. As a significant owner of overseas assets (much of the UK stock market consists of companies with substantial overseas assets) the fund has benefitted from this weakness, and will continue to do so, offsetting the weaker environment in the UK.

The fund received the result of the actuarial valuation at 31 March 2016, which, after setting even more conservative assumptions for future expected returns, shows a funding level of 94%, a reduction of just 2%. This will demonstrate the consistent success of the long-term investment strategy adopted by the fund, which will have one of the highest funding levels within the LGPS.

The government requires LGPS funds to pool their assets in order to achieve cost efficiencies on investments. Having the lowest cost of investments of all the LGPS funds, we concur with the objectives, although we will benefit less than the average fund from the process. We are working with our pooling partners, two other large, efficient metropolitan funds, Greater Manchester and Merseyside, to develop the Northern Pool. The Northern Pool has met all the deadlines set by the government, and in respect of investing in infrastructure, one of the pooling criteria, we are well ahead of the pack, having an operational programme with £1.4 billion to invest.

On pensions administration we continue to improve our systems, and our dedicated staff deliver a high-quality service at a very low cost. As part of our desire to share this low cost with others we have a joint service arrangement which includes Lincolnshire Pension Fund and seven fire and rescue authorities across the country. We have also been appointed to the National Framework for the provision of administration services to the LGPS, which enables other schemes to share in our low-cost, high-quality service provision.

The quality of both the investment and administration teams is clearly demonstrated in what I have covered above, so it gives me great pleasure to thank them on behalf of the Joint Advisory Group and Investment Advisory Panel for all they do for scheme members and employers.

During the year the Investment Advisory Panel lost two of its members, Councillors Graham Stokes and Les Shaw from Wakefield. Les had a relatively short period on the fund having been appointed in 2011, but Graham was appointed in 2003, and gained significant knowledge and experience over those years, contributing to the investment strategy debates and playing a full part in the success of the fund.

I trust you will find the Report and Accounts interesting and informative, as it demonstrates that the fund remains financially sound, and will provide financial security in retirement for its 250,000 members.

Councillor Andrew Thornton

Chair

Joint Advisory Group and Investment Advisory Panel

Section 2
Management Structure

Members of the WYPF Joint Advisory Group

Bradford Council

Councillor A Thornton **Chair**	Councillor G Miller **Deputy Chair**	Councillor S Lal

Calderdale Council

Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn

Kirklees Council

Councillor E Firth	Councillor F Fadia	Councillor H Richards

Leeds Council

Councillor P Davey	Councillor P Harrand	Councillor N Dawson

Wakefield Council

Councillor D Jones	Councillor J Speight	Councillor R Forster

Trade union representatives

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

Scheme member representatives

Kenneth Sutcliffe	Wendy Robinson

Representative from the councils of West Yorkshire

Stuart McKinnon-Evans
Strategic Director – Corporate Services – BMDC

Members of the WYPF Investment Advisory Panel

Bradford Council

Councillor A Thornton **Chair**	Councillor G Miller	

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 Ms J Speight	Councillor M Morley	

Trade union representatives

I Greenwood OBE – UNISON **Deputy Chairman**	Tristan Chard – GMB	Liz Bailey – UNISON

West Yorkshire Pension Fund

Rodney Barton – Director

External advisers

Noel Mills	Mark Stevens	

Representative from the councils of West Yorkshire

Doug Meeson
Director of Resources and City Development – Leeds City Council

Scheme member representatives

Stuart Imeson	Gerald Hey	

Members of the WYPF Local Pension Board

Employer representatives

Councillor M Slater **Chairman**	Councillor M Isherwood	John Morrison
	Councillor G Hyde	

Member representatives

Gary Nesbitt – GMB	Colin Sykes – UNISON	Mark Morris – Unite
Mick Binks – UNISON		

Appointed service providers and advisers

Actuarial services	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
AVC providers	Equitable Life Assurance Society PO Box 177 Walton Street Aylesbury Buckinghamshire HP21 7YH Prudential Lancing BN15 8GB Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU

Auditors	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN
Banking and custodial services	HSBC 8 Canada Square Canary Wharf London E14 5HQ
Legal adviser	Parveen Akhtar City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
Pensions computer services	Civica UK Limited Vanguard House Dewsbury Road Leeds LS11 5DD

Internal dispute resolution advisers

Appointed persons for stage 1 internal dispute resolution procedure (IDRP)	Rodney Barton – Director, WYPF City of Bradford Metropolitan District Council WYPF Ground Floor Aldermanbury House 4 Godwin Street Bradford BD1 2ST
Appointed persons for stage 2 internal dispute resolution procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY

IDRP medical adviser	Santia Occupational Health Santia House Parc Nantgarw Cardiff CF15 7QX

Section 3
Local Pension Board Annual Report

West Yorkshire Pension Fund Pension Board Annual Report

Foreword

West Yorkshire Pension Fund's Local Pension Board was established in April 2015 as required by section 5 of the Pension Act 2013.

During the 2016 calendar year the board has met in March 2016 and November 2016. Board members have attended numerous training events, seminars, conferences and activities on issues relating to local government pension schemes and overriding legislation in order to broaden their depth of knowledge.

The Local Pension Board was set up in such a way to ensure knowledge and understanding of the board is maintained at all times by appointing half of the members for an initial two-year period instead of the usual four years. This approach will ensure board members are replaced on a rolling programme and therefore new members of the board will have access to a wealth of knowledge from the experienced board members.

We have had a busy first two years and as there are a number of significant issues affecting the Local Government Pension Scheme on the horizon, I expect the work of the board to be busy going forward.

Councillor Malcolm Slater

Chair of WYPF Pension Board

Pension Boards

Overview of WYPF Pension Board

In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under regulation 106 of the Local Government Pension Scheme Regulations 2013, West Yorkshire Pension Fund Local Pension Board was established on 1 April 2015. The act required each administering authority to set up a local pension board to assist the council in ensuring effective and efficient governance and administration of the Local Government Pension Scheme. The pension board is separate from West Yorkshire Pension Fund's (WYPF) Investment Advisory Panel and Joint Advisory Group.

The purpose of the board is to work closely in partnership and assist the administering authority with the following.

- Securing compliance with the scheme regulations and any other legislation relating to the governance and administration of the scheme.
- Securing compliance with the requirements imposed by the Pensions Regulator (tPR) in relation to the scheme.
- Ensuring any breach of duty is considered and followed under the scheme procedure for reporting to tPR and to the scheme manager City of Bradford Metropolitan District Council – Governance and Audit Committee.
- Assisting the scheme manager in ensuring effective and efficient governance and administration of the scheme
- Such other matters as the scheme regulations may specify.

Detailed information on the board's function is set out in the terms of reference which can be found on the WYPF website at **www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_TermsOfReference.aspx**

Constitution and membership

West Yorkshire Pension Fund's Local Pension Board comprises of eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils and one employer representative nominated from all the employers in the fund, with exception of the five large council employers – Bradford, Calderdale, Leeds, Kirklees and Wakefield). These representatives are on the board to represent both the members of the fund and the employers whose members participate in the fund.

The membership of the board during the year was as follows.

Four employer representatives

- Councillor Malcolm Slater (chair)
- Councillor Graham Hyde*
- Councillor Margaret Isherwood*
- John Morrison

* Councillor Hyde and Councillor Isherwood only joined the Pension Board part way through the year.

Four member representatives

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

Meetings, training and attendance

The WYPF Pension Board usually meets every six months. Due to timings, meetings were held in March 2016 and November 2016. The November meeting was attended by six of the eight representatives.

In accordance with the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with the rules of the Local Government Pension Scheme (LGPS), in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and any documents recording policy about the administration of the fund which is for the time being adopted in relation to the fund.

Board members should also have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

As a result Board members have been very active in undertaking training activities in the past 12 months. Members have attended training events such as:

- Local Government Association – Fundamentals training
- Pension Board Members Training – Aon and Evershed
- Local Government Association – Training for Local Pension Board members
- actuarial valuation and Funding Strategy training – Aon
- Local Government Association – Understanding Retirement Benefits
- LGPS – Trustees Conference
- CIPFA and Barnett Waddingham – Local Pension Board One Year On
- Local Government Association – Death and Survivor Benefits
- PLSA - Pension Board Information Seminar
- CIPFA – Local Pension Update
- tPR Trustees toolkit training

All new members of the Pension Board are encouraged to attend a three-day LGA Trustee Training - Fundamentals course and complete the Pension Regulator's toolkit. These provide a basic introduction to the LGPS investment management and governance.

Records of Pension Board members' training are kept to demonstrate their knowledge and understanding and also identify areas for development.

Further in-house training events will be delivered in 2017/18 on issues and areas identified by members of the board. Including:

- IDRP process
- Overseas pensioners
- Risk management.

Work of the WYPF Pension Board during 2016/17

At the November 2016 meeting the following issues were reviewed.

- Investment reform criteria and guidance – Investment pooling
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- Minutes from the Joint Advisory Group and Investment Advisory Panel meetings held during the year
- Actuarial valuation 2016
- Review of the Breaches of Law register
- GMP reconciliation exercise
- Training conferences and seminars

Work plan for the next 12 months

The initial work plan for the next 12 months includes the following.

- Review of the outcome of the 2016 valuation
- The fund's adherence to the Pension Regulator's code of practice
- The Breaches of Law Register
- Guaranteed Minimum Pension reconciliation exercise
- The work of the Joint Advisory Group and Investment Advisory Panel
- The development of the Northern Pool
- Five year Internal Audit Plan

Details of the board's activities including papers, agendas, and minutes of board meetings can be found at **www. wypf.org.uk/Member/Pension Board/WYPF/Pension Board_WYPF_Index**

Section 4
Pensions Administration Review

Overview and legal status of West Yorkshire Pension Fund

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

Administering authority

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

HMRC registration

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

Key activities during the year

Annual meetings

WYPF held its 15th annual meeting for scheme members at John Smith Stadium Huddersfield on 4 November 2016. The guest speaker this year was a representative from West Yorkshire Trading Standards who gave a presentation on 'Scams and Frauds'.

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. There were presentations from Rodney Barton, WYPF's director, and from the fund's external investment advisers Noel Mills and Mark Stevens. Our employer annual meeting was held in Bradford on 3 November. Topics covered were 2017 pension fund valuation, and updates on the fund including its investments, administration and the general economic and financial market climate. The presentations were well received by those present.

Employer workshops

The workshop sessions for employers proved very popular again this year. Due to the increased demand we added two additional dates in September and November. Five different types of workshops were provided for employers:

- Secure administration
- Complete guide to administration
- Pensionable pay
- Employer responsibilities
- Ill health

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

Planning for a positive retirement workshop

The partnership with Affinity Connect launched last year to support and guide members who are considering what retirement might mean to them has proved very successful with positive feedback from members.

The new service is a workshop that raises awareness of the key issues to consider and the decisions that members need to make as they approach this new stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they are not yet sure when they want to retire. Further sessions are planned for next year.

Pensions increase

Each year, WYPF pensioners receive an annual adjustment in accordance with pension increase legislation, linked to movements in the Consumer Price Index (CPI). Deferred members' benefits are also adjusted by CPI. For the 2016/17 year CPI fell by 0.1%, so the adjustment was negative – the first time this has ever happened.

Pension administration and cost

As in previous years, the workload of the pension administration section continued to increase, and employer and member numbers continue to rise despite the reductions in public service budgets. Research shows that the increase in numbers is largely due to auto enrolment of employees in to pension funds.

WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation – ISO 9001:2008. Our quality management systems ensure that we are committed to providing the best possible service to members, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £14.45, this is the 9th lowest cost amongst 89 LGPS funds and well below national average of £27.11.

Shared service

Our shared service partnership with Lincolnshire Pension Fund and seven fire authorities continues to flourish and has provided major cost savings for us and all our partners.

National LGPS Framework

A multi-provider framework agreement for the provision of third-party administration services was issued by Norfolk CC (on behalf of a number of authorities). We were successful in our submission to the framework which puts us in a strong position to bid for other contracts. This will allow other administering authorities to share in our current low-cost, high-quality service, and future savings.

Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions. Over 80,000 calls were received and 91% were answered within 20 seconds.

Over 92% of annual benefit statements were issued to active members by the new shortened deadline of 31 August imposed by the Pensions Regulator. Deferred benefits statements were issued to deferred members by 31 May. As of 31 March 2017 we have issued 99.27% of all pension statements. Those not issued were due to lack of information from employers.

Regular newsletters are provided to our members to keep them informed of important pensions news.

Pension Scheme of the year awards – *Professional Pensions*

WYPF won the **Best use of IT and Technology** award at the Pension Scheme of the Year awards, announced on 14 July in London. The awards were hosted by the Professional Pensions Journal. This is the second year running that WYPF has won this award.

WYPF was also shortlisted in the following categories.

- Public Sector Scheme of the Year
- DB Communications (public sector)
- Best DB Scheme Innovation

- Trustee Development Awards

WYPF won the **Large LGPS Fund of the Year** awarded by the Local authority Pensions Fund (LAPF).

LGC Investment awards

WYPF received a high commendation in the **Best Collaboration** category at this year's LGC awards held on 9 November 2016 in London, and was a significant contributor to 'Project Pool', which was the winner of this award.

WYPF was also shortlisted in five other categories.

Pension Age Awards

Pension Age Awards also shortlisted WYPF under the following categories:

- DB Pension Scheme of the Year
- Pension Scheme Communications Award
- Pension Administration Award

Staff training and development

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

- Chartered Institute of Payroll Professionals (CIPP) 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)
- Investment Management Certificate (IMC)
- Chartered Financial Analyst (CFA)

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
- LGPS Trustees Conference
- Pensions and Lifetime Savings Association (PLSA) Local authority Conference
- LGC Investment Summit

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 uses Bradford Council's dedicated disaster recovery (DR) datacentre, which is located separately from the WYPF 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 datacentres are live on the council's network. The equipment within 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 over the primary datacentre and the DR datacentre sites. WYPF's data from the primary datacentre is backed up to the DR datacentre and in addition an encrypted backup tape is sent to a dedicated offsite storage facility every week.

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

LGPS consultations

On 27 May 2016 Department for Community and Local Government issued a consultation and draft regulations; these provide for:

- the implementation of the reformed Fair Deal for Staff Pension Provisions in to the Local Government Pension Scheme Regulations
- the introduction of additional ways in which a scheme member can access their Additional Voluntary Contribution 'pots' as part of the government's 'Freedom and Choice in Pensions' policy, and
- technical amendments to provide clarifications that have been requested by practioners and to improve the operation of the regulations.

Currently, the Department for Community and Local Government is working on formal responses to the consultations.

Social media

WYPF's Facebook and Twitter accounts managed to encourage members of all ages to engage with the fund.

Twitter **www.twitter.com/wypf_lgps**

Facebook **www.facebook.com/westyorkshirepensionfund**

Section 5
Financial Management and Performance

Financial performance – analytical review

The following tables identify movements in the fund account based on expenditure between 31 March 2016 and 31 March 2017 and provides reasons for variances. The full financial statements are within the Accounts section of this document (page 86).

Statutory accounts financial performance – table A

	31 March 2017	31 March 2016 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Dealings with members, employers and others directly involved in the fund				
Contributions receivable	382,610	372,724	9,886	Increased contributions due to increased number of members and employers
Transfers in	22,632	20,371	2,261	Increased number of new members transferring their existing pensions to WYPF
Non-statutory pensions and pensions increases recharged	22,667	23,475	-808	Reduction in the value of unfunded pension recharges to employers
Benefits payable	-472,524	-456,101	-16,423	Increased number of members in receipt of pension benefits
Non-statutory pensions and pensions increase	-22,667	-23,475	808	Payment of unfunded pensions recharged to employers
Payments to and on account of leavers	-20,129	-20,733	604	Reduction in values paid to leavers in 2016/17 is reflective of number of members leaving the fund.
Management expenses	-10,278	-9,389	-889	Management costs now include Investment transaction costs, therefore 2015/16 figure has been restated

Statutory accounts financial performance – table B

	31 March 2017	31 March 2016 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Returns on investments				
Investment income	341,464	314,619	26,845	Increased cashflow mainly from private equities
Taxes on income	-6,399	-3,538	-2,862	The increase in taxes on income is due to a reduction in withholding taxes repaid by overseas countries
Profit and loss on disposal of and changes in value of investments	2,180,570	-329,255	2,509,825	Restated 2015/16 due to transaction costs
Stock lending	3,404	3,008	396	Increased stock lending activities
Underwriting commission	0	49	-49	Commissions generated from new stock placement underwriting opportunities in 2015/16 n/a to 2016/17.
Net return on investments	**2,519,039**	**-15,117**		
Net (-) decrease / (+) increase in the net assets available for benefits during the year	**2,421,350**	**-108,245**		
Opening net assets of the fund	**11,210,980**	**11,319,225**		
Closing Net assets of the fund	**13,632,330**	**11,210,980**	**2,377,007**	

Five-year forecasts

The table below shows a five-year budget estimate and 2016/17 outturn figures for the fund account.

Fund account – estimates and actuals	2019/20 Estimate	2018/19 Revised estimate	2017/18 Revised estimate	2016/17 Estimate	2016/17 Outturn	2015/16 Outturn
	£000	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund						
Contributions receivable	385,000	381,000	378,000	375,000	382,610	372,724
Transfers in	20,000	16,000	16,000	16,000	22,632	20,371
Other income	0	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	20,000	22,000	22,500	23,000	22,667	23,475
Total income from members and employers	**425,000**	**419,000**	**416,500**	**414,000**	**427,909**	**416,570**
Benefits payable	-520,000	-515,000	-495,000	-475,000	-472,524	-456,101
Non-statutory pensions and pensions increase	-20,000	-22,000	-22,500	-23,000	-22,667	-23,475
Payments to and on account of leavers	-22,000	-20,500	-20,500	-20,500	-20,129	-20,733
Total payments to members	**-562,000**	**-557,500**	**-538,000**	**-518,500**	**-515,320**	**-500,309**
Management expenses	**-11,700**	**-11,500**	**-11,150**	**-8,185**	**-10,278**	**-9,389**
Returns on investments						
Investment income	385,000	365,000	345,000	325,000	341,464	314,619
Taxes on income	-3,500	-3,600	-3,500	-3,000	-6,399	-3,538
Profit and losses on disposal of and changes in value of investments	275,000	261,000	261,000	261,000	2,180,570	-329,255
Stock lending	3,000	3,000	3,000	3,000	3,404	3,008
Underwriting commission	0	0	0	0	0	49
Net return on investments	**659,500**	**625,400**	**605,500**	**586,000**	**2,519,039**	**-15,117**
Net increase in the net assets available for benefits during the year	**510,800**	**475,400**	**472,850**	**473,315**	**2,421,350**	**-108,245**
Opening net assets of the fund	**14,535,737**	**14,060,337**	**13,587,987**	**11,210,980**	**11,210,980**	**11,319,225**
Closing net assets of the fund	**15,046,537**	**14,535,737**	**14,060,837**	**11,684,295**	**13,632,330**	**11,210,980**
% increase in net assets	**3.51%**	**3.38%**	**3.48%**	**4.22%**	**21.59%**	**-0.96%**

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.

Management expenses forecast and outturn report

The table below gives the management cost forecast 2017/ 18 to 2019/20 and outturn figures for the year ending 31 March 2017.

	2019/20 Estimate	2018/19 Revised Estimate	2017/18 Estimate	2016/17 Revised estimate	2016/17 Full year outturn	2016/17 Variance outturn
	£	£	£	£	£	£
Expenditure						
Accommodation	310,000	304,000	291,000	287,000	291,388	4,388
Actuarial costs	300,000	200,000	200,000	300,000	290,710	-9,290
Computer costs	870,000	855,000	818,000	607,447	794,349	186,902
Employee costs	7,000,000	6,890,000	6,584,000	6,173,789	5,857,135	-316,654
Internal recharges from Bradford Council	360,000	360,000	350,000	396,890	347,130	-49,760
Printing and postage	405,000	400,000	381,200	376,200	365,526	-10,674
Other running costs	1,660,000	1,640,000	1,570,300	1,458,781	1,186,517	-272,264
Transaction costs	2,500,000	2,500,000	2,500,000	0	2,502,673	2,502,673
Shared service income	-1,550,000	-1,510,000	-1,448,000	-1,333,681	-1,191,309	142,372
Other income	-150,000	-129,900	-120,600	-82,298	-166,291	-83,993
	11,705,000	**11,509,100**	**11,125,900**	**8,184,128**	**10,277,828**	**2,093,700**

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

The variance between the revised estimate 2016/17 and the outturn for 2016/17 is mainly as a result of the following.

- Employee costs are underspent against budget, which is due mainly to systems and process improvements and continuous improvement programmes, which has resulted in a managed reduction in staffing costs.
- Computer costs overspent as a result of reclassification of some investment cost from other running cost to ICT; additionally system improvements have incurred more ICT cost.
- Internal recharges from Bradford Council to West Yorkshire Pension Fund is underspent as a result of savings and efficiencies within the council.
- Other running cost is mostly due to a reclassification of some Investment cost to ICT cost.
- Other income into the fund is generated through work carried out by the fund for IDRP work, pension sharing calculations and also some fee income.
- Transaction cost relates to costs incurred through the purchasing and selling of assets within the West Yorkshire Pension Fund asset portfolio.

Participating employers

Analysis of employers summarised by type

There were 422 active employers at the end of the financial year. A total of 34 employers ceased their membership of the fund during the year, or they ceased membership as a school and subsequently converted to academy status or joined multi-academy trusts

Employers	Active	Ceased	Total
Admitted body	158	13	171
Scheduled body	264	21	285
Total	**422**	**34**	**456**

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 422 employers every month with a total monthly value in excess of £32m. Contributions are due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

	Total	Received on time	Received on time	Received late	Received late
	£000	**£000**	**%**	**£000**	**%**
Employer contributions	271,661	271,112	99.8	549	0.2
Employee contributions	110,949	110,689	99.8	260	0.2
	382,610	381,801	99.8	809	0.2

Data governance and monthly returns

Since April 2014 all employers who participate in the fund have been required to submit a detailed monthly return to WYPF for staff who are active members in the fund. The information collected each month includes members' data and contribution payments made to the fund. The data is used to update members' records on the pension administration system and also as a means of reconciling contribution income received on a monthly basis. This has improved efficiency and removed the need for the year-end reconciliation process. The process has improved our data governance significantly.

Monthly Returns Performance Data	2016/17	%	2015/16	%
Number of returns expected in the year from all employers	5,549	100.00	5,002	100.00
Number of returns received by 19 April	5,549	100.00	5,002	100.00
Number of returns not received by 31 May	0	0.00	0	0.00
Returns processed within 10 working days	4,773	86.02	4,121	82.39
Number of records on return	1,194,762	100.00	1,132,356	100.00
Number of new member records set up using monthly return	**17,852**	**1.49**	**17,375**	**1.53**
Number of leaver notifications processed using monthly returns	**11,036**	**0.92**	**8,514**	**0.75**

Employers who made contributions to the fund during 2016/17

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Bradford Council	14.2	13,784	0	32,488,846	14,209,954
Leeds Council	13.6	21,132	3,938,432	59,763,945	25,376,309
Calderdale MBC	14.4	5,473	1,550,000	11,647,871	5,223,825
Kirklees Council	13.8	12,706	0	29,572,883	12,503,606
Wakefield MDC	14.0	7,257	4,500,000	19,246,354	8,621,710
Abbey Grange CE Academy	12.4	199	12,700	307,955	144,965
Abbey Park Primary Academy	12.8	39	0	36,134	16,197
Absolutely Catering Ltd (BGS)	21.3	3	0	6,473	1,734
Accord Multi Academy Trust (Horbury)	11.8	155	0	75,723	46,576
Accord Multi Academy Trust (Ossett)	11.8	92	0	90,482	46,079
Ackworth Parish Council	18.2	3	0	11,880	3,991
Action For Children (Bradford Council)	20.6	19	0	34,861	10,026
Active Cleaning Ltd (Crofton Academy)	23.7	8	0	4,982	1,156
Addingham Parish Council	20.0	2	0	2,619	720
Affinity Trust	NIL	11	0	0	18,784
Aireborough Learning Partnership Trust	13.6	356	32,820	454,707	198,752
Airedale Academy	14.0	223	0	318,808	151,589
All Saints CE Jnr School	14.4	36	0	27,914	10,942
Alwoodley Parish Council	19.6	1	0	1,482	416
Amey Community Ltd (BFD BSF Phase 1 FM Services)	7.5	8	0	8,060	6,295
Amey Community Ltd Bradford BSF Phase 2 Fm Services	14.2	18	0	32,017	13,742
Amey Community Ltd Phase 2 ICT Services	NIL	0	0	16,100	0
Amey Infrastructure Services Ltd (Wakefield)	4.2	8	0	49,261	17,316
Amey LG Ltd (Calderdale)	2.4	13	0	9,417	25,150
Appleton Academy	13.6	76	0	162,792	73,246
Aramark Ltd	23.9	10	0	30,912	5,423
Arcadis (UK) Ltd	21.0	28	0	66,687	21,273
Arts Council England	25.6	9	1,054,400	98,144	29,309
Aspens Services Ltd	12.6	6	0	8,397	3,922
Aspens Services Ltd (Appleton Academy)	22.8	11	0	5,538	1,347
Aspens Services Ltd (Leeds East Academy)	21.4	2	0	8,999	2,420
Aspens Services Ltd (Leeds West Academy)	19.2	6	0	9,395	2,733
Aspire Community Benefit Society Ltd	16.9	623	0	2,164,120	780,058
Aspire-I	21.1	15	68,500	133,868	57,485
B B G Academy	13.7	28	0	65,451	25,079
Bardsey Primary Foundation School	13.6	18	1,654	21,425	9,008
Barkerend Academy	18.2	46	4,900	66,961	22,954
Barnardos (Askham Grange Prison)	15.3	5	0	9,325	3,996
Barnardos (Bradford Childrens Centre BD5)	18.5	9	0	17,283	5,688

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Barnardo's (Leeds Portage)	12.0	1	0	2,536	1,436
Batley Girls Academy	12.8	130	2,100	214,136	101,277
Batley Grammar School	15.6	34	0	49,843	19,384
Beech Hill School	13.4	70	4,700	108,137	48,027
Beeston Primary Trust	13.6	62	6,415	83,087	34,769
Bell Lane Academy	20.3	30	3,600	50,668	14,360
Belle Isle Tennant Management	14.5	32	0	124,883	57,898
Belle Vue Girls Academy	14.4	5	46,200	70,107	29,338
Bid Services	13.7	1	0	3,156	1,497
Bingley Grammar School	14.2	63	0	159,647	79,690
Birstall Primary Academy	14.3	32	5,000	40,918	16,256
Bishop Wheeler Catholic Academy Trust	15.6	229	76,700	377,450	160,583
Blessed Christopher Wharton Academy Trust	20.1	117	7,100	113,393	32,117
Blessed Peter Snow CA Trust (Kirklees)	15.7	84	0	150,214	57,254
Blessed Peter Snow Catholic Academy Trust (Calderdale)	15.7	74	0	88,808	31,781
Bolton Brow Primary Academy	14.2	35	0	31,930	12,520
Boothroyd Primary Academy	13.6	70	0	102,686	42,862
Boston Spa School	13.6	62	9,505	336,649	67,830
Bradford Academy	13.3	164	0	298,407	143,734
Bradford Birth To 19 Trust	15.6	112	550	36,597	13,273
Bradford College	13.3	617	0	1,190,436	600,505
Bradford College Education Trust	3.4	1	0	1,394	2,787
Bradford Councillors	14.2	1	0	5,119	26,408
Bradford Diocesan academies Trust	14.6	470	0	689,035	284,901
Bradford District Care Trust	NIL	0	0	543	974
Bradford District Credit Union	25.1	9	4,800	45,936	11,326
Bradford Studio School	8.9	0	0	592	385
Bradford University	17.0	618	0	2,391,957	817,008
Bradshaw Primary School	12.6	54	10,400	41,280	18,178
Bramley St Peter's C of E School	13.6	51	3,877	50,212	22,492
Brighouse Academy	13.9	90	7,600	170,173	86,713
Brighter Futures Academy Trust	14.5	86	10,900	98,627	38,756
Brigshaw Learning Partnership	18.6	231	9,100	244,077	77,215
British Gas Social Housing Ltd	20.0	1	0	4,057	1,408
Bronte Academy Trust (Haworth Primary School)	16.9	44	2,300	42,191	13,859
Bronte Academy Trust (Lees Primary School)	19.6	26	2,000	33,941	9,874
Bronte Academy Trust (Oakworth Primary School)	20.3	62	5,000	88,317	24,621
Brooksbank School Sports College	15.1	125	38,100	210,813	95,613
Bullough Contract Services (Bingley Grammar School)	24.6	3	800	3,301	496

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Bulloughs Contract Services (Leeds College Of Art)	24.5	4	0	6,377	1,331
Bulloughs Contract Services Ltd	15.8	3	0	1,980	578
Bulloughs Contract Services Ltd (Brighouse Academy)	14.8	5	0	3,168	1,177
Burnley Road Academy	15.9	35	1,700	36,550	12,987
Buttershaw Business & Enterprise College	14.2	15	0	61,560	22,548
Cafcass	15.8	1,578	3,583,600	9,130,965	4,305,486
Calderdale & Kirklees Careers	15.2	125	139,400	463,607	213,691
Calderdale College	12.7	325	50,700	611,609	318,810
Calverley C of E Primary School	13.6	39	2,660	34,458	14,444
Care Quality Commission	28.7	5	80,000	59,733	31,295
Carillion	16.3	9	2,400	19,111	7,002
Caroll Cleaning Company Ltd (Calderdale)	16.2	1	0	532	197
Caroll Cleaning Company Ltd (Wakefield)	19.2	1	0	923	292
Caroll Cleaning Company Ltd (Whetley)	14.1	4	0	1,813	776
Carroll Cleaning Co Ltd (Birkenshaw Primary School)	12.9	1	0	943	254
Carroll Cleaning Co Ltd (Bolton Brow Academy)	23.8	1	0	1,233	286
Carroll Cleaning Co Ltd (Holy Trinity Primary)	9.3	1	0	1,387	420
Carroll Cleaning Co Ltd (Lapage Primary School)	24.1	3	0	3,715	904
Carroll Cleaning Co Ltd (Lee Mount Primary School)	18.8	1	0	544	172
Carroll Cleaning Co Ltd (St Joseph's Bradford)	12.3	2	0	728	291
Carroll Cleaning Company Limited (Frizinghall)	18.0	4	0	1,672	612
Carroll Cleaning Company Limited (Thornbury)	21.9	3	0	1,834	492
Castle Hall Academy	13.9	56	13,220	93,260	46,735
Castle Hill Academy Trust	20.0	107	3,900	143,930	40,912
Castleford Academy	12.7	290	11,200	328,310	164,263
Cater Link Ltd (Crigglestone St James Primary Academy)	13.2	3	0	4,288	1,830
Catering Academy	21.3	2	0	882	336
Caterlink (Grove Lea Primary School)	22.22	3	0	3,437	491
Catholic Care	31.0	1	0	3,227	573
CBRE Managed Services Ltd	23.9	7	8,400	18,096	4,419
Chief Constable For West Yorkshire	11.0	4,006	0	11,451,983	6,849,568
Christchurch CE Academy	14.1	32	8,200	47,430	19,880
Churchill Contract Services (Bradford College Security)	21.0	0	0	1,902	525
Churchill Contract Services (Bradford College)	21.7	19	4,400	22,483	5,698

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Churhcill Contract Services (BBG Academy)	22.9	2	0	2,152	517
Clayton Parish Council	8.4	1	0	908	595
Coalfields Regeneration	16.1	9	0	57,931	29,056
Cockburn School Academy	16.5	94	16,600	291,508	90,633
Colne Valley High Academy	16.4	48	1,390	129,411	46,232
Community Accord	5.0	3	0	906	1,014
Compass (Radillion) Leeds PFI Schools	8.1	18	0	14,181	9,485
Compass Contract (Buttershaw School)	NIL	2	0	0	509
Compass Contract Services (Green Lane)	27.5	1	0	2,105	619
Compass Contract Services (SPTA)	21.3	6	0	11,571	3,013
Compass Contract Services (Uk) Ltd	17.0	8	0	17,054	6,078
Compass Contract Services (UK) Ltd (Chartwells)	17.6	2	0	2,809	912
Compass Contract Services (UK) Ltd (Minsthorpe Acad)	19.7	0	0	4,299	1,230
Compass Contract Services Ltd (Manor Croft)	20.8	8	0	12,454	3,332
Consultant Cleaners Ltd (WY Fire)	20.8	3	0	4,007	1,060
Co-Operative Academy of Leeds	11.7	237	0	361,212	180,165
Cottingley Primary Academy	17.3	21	5,400	48,437	16,691
Craft Centre & Design Gallery Ltd	6.4	4	0	4,259	4,122
Crawshaw Academy (Red Kite Learning Trust)	16.8	0	0	7,063	3,477
Creative Support Limited	NIL	10	0	0	16,828
Crescent Further Education Limited	3.5	16	0	16,605	33,068
Crigglestone St James CE Primary Academy	14.7	30	0	39,633	15,396
Crofton High Academy	15.2	70	0	95,005	36,510
Darrington C of E Primary School	15.6	20	0	52,781	6,034
David Young Community Academy	12.0	57	0	137,317	75,650
Deighton Gates Primary Foundation School	13.6	20	1,797	23,276	9,900
Denby Dale Parish Council	6.9	2	2,200	2,151	1,513
Diamond Wood Community Academy	13.4	45	1,100	70,955	30,959
Dixons academies Charitable Trust	15.0	368	0	757,427	307,946
Ebor Gardens Primary Academy	14.3	51	4,000	76,575	30,388
Education Leeds Ltd	NIL	0	0	0	24,189
Elite Cleaning & Environmental Services Ltd	5.1	9	0	2,177	2,666
Engie Services Ltd	20.9	371	0	354,569	106,291
English Basketball	25.2	1	10,600	8,652	2,405
Exceed academies Trust	12.8	145	0	75,549	34,151
Featherstone Academy	16.4	26	15,100	51,349	18,996
Featherstone All Saints C of E Academy	16.5	24	0	6,641	2,091
Feversham College Academy	12.2	111	3,900	122,728	62,343
Feversham Primaryacademy	8.1	35	0	21,021	14,780
Fieldhead Junior Infant & Nursery Academy	8.9	29	9,000	26,274	16,951


WESTGATE ARCADE
Shortys
Newsagents
No 28
Westgate Arcade
Stitch-Express
No 1
Westgate Arcade
WESTERN UNION
MONEY TRANSFER

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
First West Yorkshire	27.9	317	3,300,000	2,694,455	672,131
Fleet Factors (Limited)	4.0	1	0	900	2,421
Foxhill Primary School	14.2	33	0	45,191	18,165
Gawthorpe Community Academy	12.3	4	17,200	13,888	6,594
Golcar Junior Infants & Nursery School	13.8	41	0	11,602	0
Greenhead College	15.8	87	6,900	188,468	77,196
Greenvale Homes Ltd	NIL	0	0	0	20,504
Greetland Academy	13.6	65	0	57,918	30,041
Groundwork Wakefield	13.1	8	0	34,780	17,067
Halifax High	13.7	61	0	125,641	56,876
Halifax Opportunities	NIL	0	0	1,285	5,459
Halifax Opportunities Trust (Calderdale)	17.1	41	0	132,783	46,619
Hanson School	14.2	91	0	175,101	70,835
Harden Primary School	13.6	20	0	27,608	11,689
Havercroft Academy	16.1	26	0	41,791	14,735
Heath View Academy	13.5	45	1,720	51,451	21,542
Hebden Royd Town Council	10.2	18	7,000	19,390	11,454
Heckmondwike Grammar School Academy	15.5	87	0	172,080	76,997
Hemsworth Academy	14.7	102	0	191,465	77,491
Hemsworth Town Council	13.3	19	7,700	41,286	19,423
Hepworth Gallery Trust	15.0	2	0	14,455	8,690
High Crags Academy	17.0	43	6,100	75,088	27,068
Hill Top First School	14.2	33	0	37,423	14,997
Hipperholme & Lighcliffe High School Academy	NIL	7	0	-677	-285
Hollingwood Primary School	14.2	58	0	80,068	33,399
Hollybank Trust	25.7	15	3,600	96,747	25,231
Holme Valley Parish Council	14.8	1	0	4,458	1,958
Holy Trinity Academy	13.4	64	0	83,407	28,446
Home Farm Trust	NIL	13	0	0	16,673
Honley High School	13.8	68	0	0	0
Horbury Academy	14.6	7	22,600	70,168	31,435
Horbury Bridge CE J & I School	11.3	20	4,000	18,019	9,214
Horsforth School Academy	14.8	75	37,900	166,958	70,714
Horsforth Town Council	19.1	2	0	6,508	1,459
Horton Housing Association (Bradford)	17.2	4	0	9,907	3,648
Horton Housing Association (CSL)	13.8	8	0	20,113	9,867
Horton Housing Association (OPHRS)	7.9	1	0	1,628	1,204
Huddersfield New College	14.5	100	0	218,130	84,519
Huddersfield University	11.5	2,635	842,500	3,407,234	2,030,360
Hugh Gaitskell Primary School Trust	13.6	65	6,030	78,097	32,223
I S S Facilities Services Ltd	19.4	10	0	14,525	5,512
I S S Mediclean Ltd	22.5	289	0	216,713	63,144

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Igen	23.9	13	203,800	87,489	23,705
Igen Ltd	NIL	0	0	17,089	1,167
Ilkley Grammar School Academy	15.1	90	3,100	203,625	67,707
Ilkley Parish Council	10.6	4	2,900	3,859	2,055
Incommunities	13.1	937	0	4,440,359	1,597,850
Initial Catering Services	15.0	10	0	13,737	5,130
Initial Facilities Management Ltd	11.3	6	0	9,764	5,167
Inspire Partnership Multi Academy Trust	12.3	60	0	53,502	25,398
Interserve (Facilities Management) Ltd	15.8	35	0	53,524	19,161
Interserve (FM) Ltd (P.C.C For West Yorkshire)	21.8	8	3,200	23,264	5,972
Interserve academies Trust Ltd (Crawshaw Academy)	12.4	44	42,000	86,930	54,197
Interserve Project Services Ltd	9.5	17	0	22,399	14,241
Iqra Academy	10.9	51	0	61,081	25,812
Jerry Clay Lane Academy	16.3	28	0	39,285	13,624
John Smeaton Academy	12.3	41	0	80,719	41,538
Joseph Norton Academy	20.0	35	1,200	80,755	20,731
Keelham Primary School	14.2	21	0	22,050	8,817
Keepmoat Property Services Ltd	15.4	3	0	8,427	3,174
Keighley Town Council	13.5	5	5,300	10,772	4,018
Khalsa Science Academy	6.2	11	0	3,893	3,544
KIDS	24.9	1	0	4,708	1,229
Killinghall Primary School	14.2	72	0	101,892	40,957
King James School	12.4	52	30,100	84,758	41,424
Kirkburton Parish Council	16.3	2	0	4,477	1,756
Kirklees Active Leisure	7.5	747	0	439,492	348,911
Kirklees College	12.9	588	0	1,181,637	563,511
Kirklees Councillors	13.8	2	0	1,996	793
Kirklees Neighbourhood Housing	9.7	892	0	1,662,532	1,118,757
Knottingley St Botolphs C of E Academy	15.4	43	0	50,487	18,722
Lady Elizabeth Hastings	13.6	15	1,199	15,536	6,477
Laisterdyke Leadership Academy	17.9	59	8,900	143,758	47,195
Lane End Primary Trust	13.6	25	2,337	30,275	12,670
Learning Accord Multi Academy Trust	20.0	0	0	5,649	2,418
Leeds Beckett University	11.8	1,646	654,500	4,588,817	2,705,547
Leeds Cc Councillors	13.6	0	370	4,787	22,209
Leeds Centre For Integrated Living	13.9	22	0	53,075	34,114
Leeds Citizens Advice Bureau	15.4	45	12,900	137,749	57,156
Leeds City Academy	18.4	31	2,200	89,676	29,630
Leeds City College	13.2	648	27,900	1,647,370	719,288
Leeds College of Art & Design	11.9	114	0	287,959	167,351
Leeds College of Building	12.6	207	0	415,783	207,054
Leeds College of Music	10.7	251	44,600	476,618	362,012

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Leeds East Primary Partnership Trust	13.6	175	13,995	181,216	75,437
Leeds East-North East Homes	NIL	1	0	117,896	5,288
Leeds Grande Theatre & Opera House	15.5	124	0	246,516	98,552
Leeds Groundwork Trust	15.1	1	3,900	12,425	6,810
Leeds Housing Concern	NIL	8	0	0	11,318
Leeds Institute for the Blind	5.7	5	0	6,035	6,621
Leeds Jewish Free School	20.0	1	0	1,994	482
Leeds Metropolitan University	NIL	8	-1,000	0	0
Leeds Mind	14.7	19	8,000	64,483	29,599
Leeds North West Education Partnership	13.6	202	25,152	336,371	143,929
Leeds Racial Equality	NIL	0	-8,600	707	0
Leeds Trinity University College	15.7	311	0	1,017,799	433,553
Leeds West-North West Homes	NIL	2	0	66,208	0
Leodis academies Trust	15.6	231	0	389,654	147,786
Liberty Gas Group Ltd	1.3	0	0	173	864
Lidget Green Community Co-Operative Learning Trust	14.2	70	0	99,428	40,114
Lightcliffe CE J&I School	14.4	49	0	48,307	18,982
Lighthouse School	8.1	32	4,300	31,815	22,345
Lindley C E Infant Academy	18.0	39	0	53,407	17,062
Lindley Junior School Academy	15.2	37	0	44,992	16,847
Locala	19.4	5	0	12,884	10,780
Longroyde Junior School	14.4	72	0	59,974	23,730
Lpm Cleaning Ltd	13.9	2	0	2,933	1,314
Luddendenfoot Academy	NIL	1	0	-28	-10
Making Space	NIL	3	0	0	3,934
Manston St James Academy	15.2	30	10,700	45,872	17,066
Mast Academy Trust	17.9	91	0	49,989	15,211
Mears Facilities Services (South)	12.8	35	0	144,730	73,422
Mears Facilities Services (West)	14.6	15	0	70,088	31,179
Mears Ltd	16.5	5	44,200	21,273	8,091
Mellors Catering Services (Southfield Grange)	16.5	4	0	9,760	3,322
Meltham Town Council	10.2	1	0	1,050	597
Menston Parish Council	19.0	1	0	837	242
Merlin Top Primary Academy	16.9	34	0	57,917	19,585
Micklefield Parish Council	9.2	1	0	1,402	884
Middleton Primary School Trust	13.6	71	8,395	108,730	47,612
Minsthorpe Academy Trust	12.7	124	16,200	236,394	112,334
Mirfield Free Grammar Academy	12.7	114	19,900	244,494	103,492
Mitie (PFI Ltd)	14.6	8	0	14,399	6,015
Mitie Pest Control	23.7	1	0	3,994	1,157
Moor End Academy Trust	12.9	112	0	174,313	77,837

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Morley Town Council	NIL	1	0	0	1,072
Mount Pellon Primary Academy	13.5	83	0	79,360	33,048
Myrtle Park Primary School	14.2	24	0	38,988	15,875
N I C Services Group Ltd (Cookridge Holy Trinity School)	17.8	1	0	844	237
National Assembly For Wales	36.4	1	0	23,141	4,485
National Coal Mining Museum	15.8	81	0	206,478	103,769
New College Pontefract	13.8	72	24,700	170,639	75,149
Nic Services Group Ltd	28.4	1	0	1,639	317
Normanton Town Council	6.4	5	0	4,429	4,352
North Halifax Grammar Academy	15.0	64	0	122,830	58,962
North Halifax Partnership Ltd	15.6	39	0	109,236	40,650
North Huddersfield Trust School	13.8	68	0	0	0
North Kirklees CAB	10.7	6	0	12,864	7,523
Northern School Of Contemporary Dance	8.3	32	0	35,499	43,035
Northorpe Hall Trust	13.9	3	0	10,143	4,559
Notre Dame 6th Form College	11.8	53	0	121,186	66,623
Nps (NE)	2.3	2	0	7,034	24,679
Nps Leeds Limited	6.8	16	0	43,125	46,798
Oakbank School	14.2	9	0	92,958	39,662
Oakworth First School	14.2	1	0	19,245	7,667
Oasis Academy Lister Park	11.8	67	0	183,720	50,345
Ofsted	20.3	1	0	7,848	2,629
Old Earth Academy	13.5	77	7,600	75,366	32,155
One In A Million Free School	12.3	19	0	32,586	15,481
Open College Network YHR	30.1	3	0	30,188	7,441
Ossett Academy & 6th Form College	11.8	20	46,600	66,388	32,239
Ossett Pension (Trust)	14.0	95	0	147,377	62,277
Otley Town Council	13.5	6	8,100	15,045	7,137
Our Lady Of Victories Catholic Primary Academy	15.9	34	1,800	64,087	25,692
Outwood Grange Academy	12.5	206	39,500	373,883	190,029
Outwood Primary Academy Kirkhamgate	15.6	34	0	32,771	12,215
Outwood Primary Academy Ledger Lane	12.2	41	0	36,935	17,030
Outwood Primary Academy Lofthouse Gate	15.4	50	0	49,697	18,170
Overthorpe C of E Academy	13.2	56	10,100	67,807	28,522
Park Lane Learning Trust	14.4	37	0	75,990	31,744
Pennine Housing 2000 Limited	NIL	4	0	0	2,292
Pinnacle Business Services (Leeds)	16.3	17	0	26,308	9,334
Pinnacle Ltd (Kirklees)	9.8	3	0	3,144	2,001
Pontefract academies Trust	15.4	473	0	623,567	236,376
Pontefract Education Trust	14.0	47	0	52,229	21,153
Pool Parish Council	16.7	1	0	1,665	548


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Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Priesthorpe School Trust	13.6	108	15,943	210,186	90,922
Priestley Academy Trust	20.0	146	0	69,117	22,431
Primrose Lane Primary Foundation School	13.6	37	2,634	34,111	14,512
Prince Henrys Grammar	13.3	73	23,300	143,893	64,490
Prospect Services	NIL	3	0	0	3,244
Prospects Services (Bradford 3)	24.4	2	0	4,895	1,577
Prospects Services Ltd 2012 (Bradford)	18.3	2	14,400	130,322	12,631
Prov Compass Contract Services (Spta)	22.6	3	0	7,348	1,783
Prov Kinsley Academy	18.8	40	7,000	61,836	15,292
Prov TNS Catering (SPTA)	22.8	9	0	20,069	4,932
Prov TNS Catering Man Ltd (St Botolphs)	18.4	3	0	3,682	1,101
Pudsey Grangefield Trust	13.6	55	8,005	103,683	46,019
Rainbow Primary Free School	8.9	27	1,700	14,981	10,071
Rastrick High School Academy Trust	12.4	83	0	150,274	73,902
Rawdon Parish Council	13.2	1	0	1,413	589
Reevy Hill Primary School	17.5	23	800	20,753	6,987
Ridge Crest Cleaning Ltd	21.0	1	0	1,062	280
Ripon Diocesan C of E Council for Social Aid - Cardigan House	20.5	8	7,000	38,058	12,573
Ripon House	17.3	8	0	39,181	10,038
Rm Education Plc	4.2	2	0	1,581	2,016
Rodillian Academy	14.4	38	25,900	130,248	61,720
Rooks Nest Academy	15.4	63	5,300	79,037	29,643
Rothwell Church Of England Primary Academy	20.1	11	470	31,877	9,098
Royds Community Association	28.6	2	0	41,520	7,521
Royds Hall Trust School	13.8	130	0	0	0
Royds Learning Trust	13.6	48	8,741	115,075	51,754
Russell Hall First School	14.2	30	0	32,914	14,503
Ryburn Valley Academy	14.3	82	6,500	145,410	60,569
Ryecroft Primary Academy	15.0	28	3,200	50,356	18,733
Ryhill Parish Council	11.2	1	0	736	361
Salendine Nook Academy Trust	12.2	60	0	110,564	54,592
Salterlee Academy Tust	10.2	22	2,400	10,290	5,552
Samuel Lister Academy	15.3	61	45,300	130,268	51,567
Sandal Magna Community Academy	13.1	38	0	41,500	18,355
School Partnership Trust academies	12.3	647	0	905,299	444,636
Schools Lettings Solutions (Freeston Academy)	8.8	1	0	760	466
Scout Road Academy	14.6	25	600	23,044	9,540
Sea Fish Industry	18.7	39	0	271,495	112,205
Servest BBG Academy	22.9	5	0	9,617	2,929
Shanks Waste Management Ltd	14.4	17	0	56,555	26,037

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Share Multi academies Trust	14.5	178	16,400	311,502	128,938
Shibden Head Primary Academy	13.8	39	9,600	41,677	16,940
Shipley College	13.3	200	15,900	308,161	157,382
Shirley Manor Primary Academy	12.5	30	950	34,251	13,831
Sita UK Ltd	6.7	0	0	12,310	6,404
Sitlington Parish Council	20.0	3	0	5,040	1,444
Skills For Care	17.9	67	1,000,000	503,622	226,550
South Elmsall Town Council	9.4	2	3,300	5,778	3,998
South Hiendley Parish Council	8.9	1	0	639	468
South Kirby & Moorthorpe Town Council	15.0	26	0	55,985	22,030
South Leeds Academy	12.4	4	0	0	0
South Osset Infants	17.8	20	3,100	24,594	7,925
Southern Electric	15.5	15	12,600	71,551	31,056
Southfield Grange Trust	14.1	238	0	457,693	198,486
Southmere Primary Academy	12.6	53	1,320	73,349	32,796
Southway at the Rodillian Academy Ltd	15.3	8	930	25,577	10,096
Spen Valley Foundation Trust	13.8	253	0	0	0
Spie Ltd	6.0	21	0	13,221	12,774
Springwell Academy Leeds	18.3	66	4,100	150,145	48,329
St Annes Catholic Primary Academy	18.1	35	2,000	62,942	23,686
St Annes Community Services	17.8	365	253,000	1,330,454	465,316
St Annes Community Services (Bradford)	NIL	10	0	0	17,346
St Chads C of E Primary School	14.4	41	0	33,273	13,094
St Giles Church of England Academy	12.7	35	0	37,931	16,743
St Helens CE Primary Academy	13.9	27	0	31,642	13,198
St John’s (CE) Primary Academy Trust	14.0	38	7,000	40,595	16,667
St Johns CE Primary School	14.2	73	0	84,829	34,549
St Johns Hostel	18.9	18	21,000	86,567	27,902
St Johns Primary Academy Rishworth	16.3	11	2,600	19,792	6,972
St Michael & All Angels School	14.4	42	0	42,654	16,645
St Michaels CE Academy	16.5	58	0	92,500	32,446
Suez Recycling And Recovery UK Limited	22.4	13	0	14,097	13,535
Swallow Hill Community College Academy	13.2	34	0	79,173	33,935
Taylor Shaw	7.8	5	0	3,810	2,731
Taylor Shaw Ltd (Batley Girls High School)	15.6	6	0	5,936	2,093
Taylor Shaw Ltd (Fieldhead Grimes Manston)	19.5	5	0	8,132	2,294
Taylor Shaw Ltd (Parklands Primary)	13.4	3	0	2,571	1,055
Taylorshaw Ltd (Cookridge Holy Trinity School)	23.1	3	0	6,477	1,594
Taylorshaw Ltd (Crossgates Beechwood Whitelaith)	17.7	7	0	5,549	1,785
Taylorshaw Ltd (Interserve Crawshaw)	20.3	5	0	11,652	3,373
Taylorshaw Ltd (Swarcliffe Primary School)	20.2	4	0	5,782	1,574

Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Temple Learning Academy	20.0	13	0	22,772	7,014
The Anah Project	8.1	1	0	4,288	2,700
The Beckfoot & Hazelbeck Academy Trust	13.9	489	0	702,199	299,269
The Bishop Konstant Catholic Trust	14.0	535	46,400	619,350	259,981
The Cathedral C of E	10.7	61	0	101,304	59,634
The Crossley Heath Academy Trust	13.8	87	15,800	120,955	53,149
The Freeston Academy	14.5	58	9,100	106,567	44,558
The Gorse academies Trust	12.9	616	0	749,602	348,806
The John Curwen Co-Operative Primary Academy	18.1	26	3,800	69,208	22,861
The Lantern Learning Trust	13.6	217	21,126	273,613	114,356
The Maltings Learning Trust	10.1	0	0	3,356	2,018
The Police & Crime Commissioner For West Yorkshire	11.0	92	0	316,460	213,897
Thornbury Academy	14.9	55	3,900	89,439	35,107
Thornhill Community Academy	12.3	72	28,800	132,810	65,669
Thornhill Junior and Infant School	19.7	43	1,100	45,460	13,166
Thornton Grammar School	14.2	18	0	86,219	35,655
Thornton Primary School	20.0	48	0	14,532	4,778
Todmorden Town Council	17.9	2	0	8,050	3,960
Together Housing Association Ltd (Greenvale)	15.1	96	7,300	382,243	161,061
Together Housing Association Ltd (Pennine)	14.0	445	89,800	1,472,452	705,526
Tong High School	14.2	15	0	304,681	82,568
Tong Leadership Academy	14.4	96	0	83,253	33,658
Trinity Academy Halifax	11.4	221	24,600	267,280	143,281
Turning Point	NIL	3	0	0	3,084
Turning Point (Wakefield)	14.8	1	0	6,416	2,948
United Response	NIL	9	0	0	12,047
University Academy Keighley	14.2	80	0	131,821	55,522
University Technical College Leeds	20.0	8	0	15,423	4,861
UPP Residential Services	10.5	0	0	197	85
Victoria Primary Academy	17.8	76	7,500	94,616	30,250
Wakefield & District Housing	13.1	1,392	0	4,801,838	2,462,384
Wakefield City Academy	15.0	56	0	219,149	105,827
Wakefield College	12.9	416	0	722,354	360,831
Wakefield Councillors	14.0	0	0	4,361	1,869
Waterton Academy Trust	19.0	253	1,900	347,309	106,270
West End Academy	12.4	33	0	34,562	15,513
West Vale Primary School	14.4	26	0	32,586	12,865
West Yorkshire Combined authority	13.5	459	1,086,600	1,720,503	982,106
West Yorkshire Police	NIL	0	0	0	5,192
Westborough High School	13.8	63	0	2,374	0


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Employer name	Employer rate	Number of active members	Contribution to reduce deficit	Employer contributions	Employee contributions
	%		£	£	£
Westwood Primary School Trust	13.6	29	2,972	38,490	15,972
Wetherby Town Council	17.8	7	0	18,564	15,052
Whitehill Community Academy	14.9	121	3,700	127,184	50,797
William Henry Smith School	20.8	79	33,900	281,475	85,152
Wilsden Primary School	20.0	50	0	10,085	3,554
Wolseley UK Ltd	22.9	1	0	6,904	1,960
Woodhouse Grove School	29.1	2	43,000	21,603	4,643
Woodkirk Academy	NIL	1	3,400	0	0
Woodside Academy	11.9	91	8,100	81,198	40,230
Worth Valley Primary School	16.8	38	700	19,666	6,748
WRAT - Leeds East Academy	14.1	47	7,900	93,339	40,162
WRAT - Leeds West Academy	12.2	80	8,300	165,587	86,529
WY Fire & Rescue	14.1	316	74,300	1,044,940	511,300
WY Magistrates Court Service	NIL	0	0	0	4,988
Yorkshire Housing Ltd	14.9	2	0	7,008	2,323
Yorkshire Museums	NIL	0	0	0	2,647
YPO	11.9	495	0	1,475,501	823,384
Total		**101,881**	**24,061,308**	**247,599,831**	**110,948,717**

Benefits paid

West Yorkshire Pension Fund pays almost 111,900 pensioners and beneficiaries with a gross pension payroll in excess of £45m each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

Shared service provision

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

- Lincolnshire Pension Fund
- Lincolnshire Fire & Rescue
- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire Authority
- South Yorkshire Fire & Rescue Authority (the fund provides the administration function only)
- Royal Berkshire Fire Authority
- Buckinghamshire & Milton Keynes Fire Authority

The combined shared service membership for the 2016/17 financial year is shown in the following table.

	Active	Pensioners	Beneficiaries	Deferred	Undecided	Frozen	Total
WYPF	101,881	74,630	11,704	83,763	5,768	7,074	284,820
Lincolnshire LGPS	24,852	16,795	2,417	26,907	3,271	1,970	76,212
Lincolnshire Fire	660	273	60	351	54	27	1,425
West Yorkshire Fire	1,095	1,995	319	198	5	3	3,615
North Yorkshire Fire	631	473	83	180	33	–	1,400
Humberside Fire	744	838	126	172	7	2	1,889
South Yorkshire Fire	594	1,097	174	84	3	13	1,965
Royal Berks Fire	452	418	47	133	6	1	1,057
Bucks and MK Fire	439	360	62	221	5	4	1,091
Total	**131,348**	**96,879**	**14,992**	**112,009**	**9,152**	**9,094**	**373,474**

	Active	Pensioners	Beneficiaries	Deferred	Undecided	Frozen	Total
LGPS (WYPF and LPF)	126,733	91,425	14,121	110,670	9,039	9,044	361,032
Fire	4,615	5,454	871	1,339	113	50	12,442
Total	**131,348**	**96,879**	**14,992**	**112,009**	**9,152**	**9,094**	**373,474**

Pension overpayment

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

Overpayments	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000
Annual payroll	370,147	357,890	342,087	327,405
Overpayments	315	320	237	67
Overpayments written off	17	4	17	11
Overpayments recovered	217	102	96	59

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

	2016/17		2015/16		2014/15		2013/14	
Analysis of overpayments	Number of payments	%	Number of payments	%	Number of payments	%	Number of payments	%
Number of pensions paid during reporting period	1,036,008		995,592		985,776		949,128	
Number of cases overpaid	479	0.05	355	0.04	333	0.03	198	0.02
Number of cases written off	18	0.00	7	0.00	27	0.00	18	0.00
Number of cases recovered	332	0.03	177	0.02	201	0.02	173	0.02

Fraud prevention – National Fraud Initiative

West Yorkshire Pension Fund takes part twice a year in the National Fraud Initiative (NFI). The data that is submitted by the fund includes pensioner, beneficiary 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	Number of records sent	Number of mismatches		Overpayments identified		Possible frauds	Mismatches carried forward at 31 March
2016/17	224,122	1,425	0.64%	5	0.00%	4	5
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1,456	0.94%	82	0.05%	3	8

Internal audits completed during 2016/ 17

The internal audit function for West Yorkshire Pension Fund is carried out by Bradford Council. Each year a number of audits are performed on financial systems and procedures across the organisation as agreed in advance with West Yorkshire Pension Fund management. Listed below is a summary of reviews that were carried out during the financial year 2016/17.

Annual benefit statements

All active members of West Yorkshire Pension Fund receive an annual benefit statement. This provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.

Local government scheme contributions

This audit 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 expected with two suggested actions for improvement provided.

Transfers in

This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of a good standard; however, a recommendation was made to improve the accuracy of the relevant transfer-in dates and the quality control checking process.

Review of the West Yorkshire Pension Fund 2015/16 accounts

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

Purchase of additional pension

Active members of West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum amount of £6,755 over a flexible number of years. The standard of control of risks in this process was found to be good; however, a recommendation was made as a result of an error identified which should ensure future accuracy of the process.

New pensions and lump sums – death benefits

This audit examined the calculation of death benefits following the death of an active/deferred member or pensioner. The control environment for this process was found to be excellent.

Fund of hedge funds

At the time of the audit, the fund of hedge funds made up approximately 2% of the investment portfolio. The control of risks in this process was largely as expected and therefore of a good standard.

UK and foreign private equity funds

Control of this asset class was found to be satisfactory, however, a recommendation was made to improve control over electronic communication and the independent verification of cashflow statements to WYPF records. This audit looks to ensure that investments are made in compliance with the decisions of the Investment Advisory Panel and in accordance with

WYPF policies. No issues were identified with this process which was therefore deemed to be excellent.

Equities

These investments are held under the custody of the HSBC and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio. The audit review found the process to be well controlled.

Treasury management

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

Direct property

The investment in direct property was examined for the first time, as this is a relatively new asset class in the WYPF investment portfolio. The control environment was deemed to be of a good standard with a suggested action being provided for future improvement.

Follow-up audit – reimbursement of agency payments

A follow up of the reimbursement of agency payments audit, carried out in 2015, was undertaken to determine the level of implementation of outstanding agreed High Priority recommendations. The result of this process was deemed to be excellent with high priority recommendations from the original audit found to have been fully implemented.

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 the Local Government Pension Scheme regulations and the Firefighters' Pension Scheme order.

WYPF quality policy

We will provide an efficient and effective service to all our scheme members by responding quickly to requests for information and advice.

We will provide an efficient and effective service to all beneficiaries, i.e. current pensioners, dependants and deferred members, and receivers of early-leaver benefits by paying correct benefits on time.

We will provide an efficient and effective service to all employers whose employees participate towards pension schemes administered by WYPF, responding quickly to requests for information, advice and training as well as providing 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 continuously 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, and
- holding regular service review meetings to review service performance and quality issues.

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 our administrative structure, processes and systems were reviewed.

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

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI
Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,036,008	Due days	1,036,008	100	100.00
Transfer-in quote	618	35	596	85	96.44
Transfer-in payment received	372	35	328	85	88.17
Divorce quote	670	35	644	85	96.12
Refund quote	2,690	35	2,418	85	89.89
Refund payment	2,020	10	1,999	95	98.96
Transfer-out quote	775	35	714	85	92.13
Transfer out payment	167	35	153	85	91.62
Pension estimate	7,961	10	6,623	75	83.19
Retirement actual	3,482	3	3,282	90	94.26
Deferred benefits into payment actual	2,582	5	2,402	90	93.03
Death grant single payment	852	5	844	90	99.06
Change of address	13,096	5	12,787	85	97.64
Life certificate received	20,995	20	20,675	85	98.48
Payroll changes	3,634	5	3,553	90	97.77
Change to bank details	1,903	5	1,855	90	97.48
Death in retirement	2,750	5	2,555	85	92.91
Retirement quote	3,706	10	3,497	85	94.36

Cost per member

The latest published data (2015/16) for all LGPS funds' administration costs shows that WYPF pensions administration cost per member is £14.45, the 9th lowest cost amongst 89 LGPS funds and well below the national average of £27.11.

WYPF has the lowest total cost per member (administration, investment, oversight and governance) at £28.38; the national average for LGPS in 2015/16 is £217.52.

The 2016/17 annual cost of administering West Yorkshire Pension Fund per member is £13.70, investment management cost per member is £10.74, oversight and governance cost per member £2.94 and the total management cost per member is

£27.38. These figures compares favourably with the average cost for authorities in the DCLG – SF3 results for 2015/16 as shown in the table below:

Cost per member 2015/16	Position	West Yorkshire Pension Fund	LGPS average	LGPS lowest	LGPS highest
Administration	9th	£14.45	£27.11	£7.27	£59.84
Investment	1st	£11.49	£177.86	£11.49	£536.46
Oversight and governance	13th	£2.58	£12.55	£0.55	£82.02
Total cost per member	1st	£28.38	£217.52	£28.38	£591.65

*LGPS figures are from DCLG SF3 2015/16 data set.

Staff numbers and trends

	2012/13 FTE	2013/14 FTE	change %	2014/15 FTE	change %	2015/16 FTE	change %	2016/17 FTE	change %
Service centre staff	71.2	54.3	-23.7	56	3.1	64.8	15.7	61.4	-5.2
Payroll	11.2	15.1	34.8	14.6	-3.3	16.6	13.7	15.6	-6.0
ICT/UPM staff	4.2	7.6	81.0	7.7	1.3	7.8	1.3	7.8	0.0
Finance staff	3	7.2	140.0	7.7	6.9	8.4	9.1	8.0	-4.8
Business support staff	10.7	10.8	0.9	9.2	-14.8	9.2	0.0	12.7	38.0
Technical	3	3.9	30.0	4	2.6	4	0.0	4.3	7.5
Total	**103.3**	**98.9**	**-4.3**	**99.2**	**0.3**	**110.8**	**11.7**	**109.8**	**-0.9**

Membership trends over a five-year period

Membership in the fund continues to grow, with a total membership including undecided leavers and frozen refunds of 284,820 as at 31 March 2017. Active members are employed by 422 separate organisations. The number of active members continues to increase as a result of auto enrolment.

Membership category (at 31 March each year)	2016/17	% change	2015/16	% change	2014/15	% change	2013/14	% change	2012/13
Active Members	101,881	0.9	100,927	3.5	97,548	3.7	94,056	3.3	91,072
Pensioners	74,630	4.1	71,675	0.7	71,189	4.1	68,358	4.9	65,177
Beneficiaries	11,704	3.7	11,291	3.0	10,959	2.1	10,736	2.2	10,504
Deferred pensioners	83,763	2.0	82,154	5.6	77,780	3.0	75,522	7.1	70,493
Undecided leavers	5,768	-15.4	6,817	13.8	5,988	125.5	2,655	-20.4	3,337
Frozen refunds	7,074	16.2	6,087	14.5	5,316	1.6	5,234	6.0	4,936
Total	**284,820**	**2.1**	**278,951**	**3.8**	**268,780**	**4.8**	**256,561**	**4.5**	**245,519**

Admissions to the fund

Employees joining the fund were as follows.

	As at 31 Mar 2017	As at 31 Mar 2016
Employees joining with no previous service	19,366	23,161
Employees with transfers from:		
other local government funds	26	3
other pension schemes	143	110
Total	**19,535**	**23,274**

Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	As at 31 Mar 2017	As at 31 Mar 2016
Members awarded immediate retirement benefits	2,897	2,882
Benefits awarded on death in service	105	98
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,206	6,366
Total	**9,208**	**9,346**

Section 6
Investment Report

Investment Advisory Panel – operational review

This is a review of the activities of the WYPF Investment Advisory Panel for the financial year 2016/2017. This report provides a summary of the investment market conditions that formed the backdrop to the panel's operations and highlight some of the investment decisions made. The report will cover other aspects of the panel's work, including the appraisal of submissions on pooling assets prepared for government. The report also covers the review meetings with external investment managers running assets on behalf of the scheme and other governance related activities carried out during the period.

Panel meeting April 2016 – market review

The previous financial year ended with turbulent and volatile asset markets. Global equities fell by over 10% from the beginning of the year until mid-February. Once again fears over the Chinese economy, the path of monetary tightening in the US and renewed weakness in oil prices were the proximate drivers of increased risk aversion and nervousness amongst investors. Terrorist attacks on mainland Europe and a deteriorating situation in Syria added geo-political concerns to the economic ones. Oil prices had fallen extremely sharply and although stabilised had not shown any significant recovery. The uncertainty over the upcoming UK Brexit referendum was now affecting both sentiment and sterling-based assets prices. It was against this backdrop that the panel considered the allocation of new cashflow into the scheme when meeting for the first time in the new financial year.

After hearing detailed reports on the major equity and bond markets and noting the transactions carried out in the previous quarter by members of the internal investment team, the panel reviewed recommendations for investing new cashflow over the coming quarter. All decisions are based on input from the individual internal investment teams and external advisers. The economic and geopolitical conditions affecting investment markets are considered, as is the current positioning of the portfolio against its strategic customised benchmark. At the time of the April meeting all sterling assets were being affected by the upcoming referendum on the UK's membership of the European Union. In particular pre-Brexit nerves disproportionally affected UK equities. Elsewhere markets remained nervous, Japan had moved towards negative interest rates in an attempt to weaken the yen and boost exports; however, this policy had failed to deliver the desired result putting in jeopardy the planned sales tax rise and other economic reforms. In Europe concerns over Greece re-emerged and political developments in Austria and Spain caused increased nervousness. Markets needed further ECB quantitative easing before staging a muted recovery, which was helped by the US Federal Reserve postponing the much anticipated rate rise. Given this uncertain background it was decided that a proportion of the new cashflow coming into the fund would be left unallocated until such time that the visibility on the many investment risks become clearer. However it was acknowledged that specific UK equity opportunities were emerging as a result of often indiscriminate Brexit concerns affecting company share prices unlikely to be impacted negatively whatever the referendum outcome. A proportion of the new cashflow was directed into these equities. The remaining new cashflow was set aside to meet expected net outflows to private equity investments.

Stock lending, governance and custodian review

It is normal practice for the panel receive a report on the operational controls of HSBC Securities Services, who act as custodian to the scheme's assets during the April meeting. 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. A governance report on the operations of the Investment Advisory Panel during the previous financial year, prepared by one of the scheme's independent investment advisers, was reviewed and noted.

A report on the stock lending activities was also reviewed. All stock lending is now conducted on behalf of WYPF by HSBC on an agency basis. The report covered income received and the amount of stock currently on loan split by asset type. The panel agreed to continue a policy permitting the maximum level of 35% of the total portfolio allowable under the regulations for stock lending. An additional type of stock lending activity was also reviewed. "Evergreen" stock lending involves lending high quality stocks or bonds for fixed periods of time; this differs from traditional stock lending which is callable at any time. 'Evergreen' lending consequently attracts higher fees. The panel agreed to allow HSBC to draft the legal framework for such lending with a final review to be undertaken before commencement.

Investment pooling

A significant agenda item of the April meeting was a report detailing WYPF's response to the government's decision to work with LGPS administering authorities to ensure the future pooling of assets. The government's stated aim is one of reducing costs while maintaining overall investment performance. *Investment Reform Criteria and Guidance – Investment pooling* was issued in November detailing the government's criteria for pooling. An initial proposal was required from LGPS administering authorities by February 2016. The panel reviewed the February pooling submission for WYPF. Together with Greater Manchester Pension Fund and Merseyside Pension Fund a joint submission was made detailing how these three funds would meet the government criteria as set out in the investment pooling guidance. In terms of scale the three schemes exceed the stated size criteria of £25bn asset pools; the very high levels of governance that already exist at the individual scheme level would continue into the pooled governance structure. The criteria concerning an improved capacity for infrastructure investment was addressed within the pooling submission with a bold proposal for WYPF to invest into a joint venture vehicle developed by GMPF and LPFA (London Pension Fund authority) which was already operational and would allow cooperation in infrastructure investment ahead of formal pooling being completed. The panel also considered at length the final stated criteria for pooling, that of reduced costs and value for money. Given the extremely low cost nature of the current WYPF scheme this area presented the panel with the greatest level of concern. The proposal under review explored a number of asset pooling arrangements, none of which offered any certainty of cost savings and some increased existing costs substantially even taking into consideration benefits of scale, achieved via the pooling with two other large schemes. The panel noted both the initial pooling submission and the initial response from the minister for Communities and Local Government (DCLG), approving in principle the main aspects of the proposal with encouragement to develop further the proposal for final submission in July. Scrutinising the complex and detailed planning involved in the creation of such a substantial investment pool would be a feature of every meeting of the ISC for the remainder of the financial year.

Panel meeting July 2016

The first item on a busy July agenda was to elect a chair and deputy chair. Councillor Andrew Thornton and Ian Greenwood were duly elected. The second panel meeting of the financial year was the first since the Brexit referendum and took place a week after the delivery to the minister at DCLG of the detailed proposal for pooling. The panel papers contained the ministerial response to the initial submission in February, which was broadly supportive of the proposal. The proposal focused on cost efficiency, performance and infrastructure. The final details of the ambitious direct infrastructure investment joint venture with Greater Manchester and the London Pension Funds authority (GLIL) were presented and examined by the panel. The proposal was approved and authorisation given to commit £250m over time into the GLIL investment vehicle.

Most global markets were positioned for a 'remain' result in the UK referendum. Given the 'leave' result, equity markets particularly in Europe and the UK fell sharply in the immediate aftermath. However, these falls proved short lived and most markets were recovering within a week of the result. The most significant affect for sterling investors was the sharp fall in the currency, which had started prior to the vote and accelerated subsequently. Sterling weakness had the beneficial affect for un-hedged sterling investors of turning lacklustre global returns in local currency into strong sterling returns. Even Japanese equities, which had a torrid time over the quarter as the economy remained sluggish and consumption fell, delivered a sterling return of 8.0% on the back of the yen's near 30% rise against sterling over the quarter. Given the uncertain direction of markets in the short term and the evolving Brexit situation, new cash was not directed into either equity or bond markets at this time.

It was anticipated that a substantial £25m investment into the Green Investment Bank Offshore Wind Fund, previously authorised, would be drawn during the quarter. Existing private equity commitments would be likely to draw an additional £10m over the same period. After taking this into consideration the remaining cashflow was directed into cash reserves, because better opportunities were expected to emerge in the short term and storing up 'dry powder' was considered the best use of the funds.

During the July meeting the panel also received a report on the AGM of the Institutional Investment Group on Climate change (IIGCC). WYPF is a member of the IIGCC, which is a forum for collaboration on climate change specifically for investors. The forum focuses public policy scrutiny on the long-term risks to investment and investment opportunities in industries related to combating climate change. The panel noted the report and agreed to continue the collaboration given the importance of climate change to long-term investors.

Investment performance review

Investment performance of the fund has been independently measured by WM Performance Services for many years. However, this service has now been stopped by State Street, the parent company. Therefore, as the panel considered the final WM performance report, a search for a replacement provider of performance measurement services was requested. As has been noted in previous governance reports the investment approach adopted by the panel is genuinely long-term and consistent with the long-term nature of the liabilities of the fund. That said, it is still relevant and good governance to monitor investment performance over the short term as well. The panel reviewed performance over the previous financial year to March 2016. The fund returned -0.3%, which compares with -0.1% for the scheme specific benchmark. The fund remains in line with this benchmark over three- and five-year periods, while over over ten- and twenty-year periods the fund is ahead of benchmark. Against a universe of other local authority funds WYPF was marginally behind the average over the last calendar year and over the medium term. However, over the longer period of ten, twenty and twenty-five years the scheme remains ahead of this peer group comparison.

Alternative investment working group

A meeting of the alternative investment working group was convened in London during September for face-to-face meetings with a broad selection of external managers running the fund of hedge fund, private equity and Infrastructure investments for the scheme. These face-to-face meetings held over two days review the performance and strategy of the various investments and allow for a detailed look at the investment environment the managers are operating in. Receiving a number of presentations in a such a short period of time allows the panel members a good overview of both market trends and how the various managers are responding to the opportunities and challenges arising given the tumultuous events of 2016; this was particularly informative.

Panel meeting November 2016

The November meeting arrived after a very strong third quarter for both bond and equity markets. Markets continued to perform remarkably strongly, seemingly brushing aside concerns over sluggish global growth and the now mainstream acceptance that the ultra-loose monetary policies of central banks are no longer an effective shot in the arm for asset markets. Despite these headwinds the ongoing uncertainties over Brexit, continuing geopolitical instability emanating from Syria outwards, and even the upcoming US presidential election, investors – particularly un-hedged sterling-based investors – had enjoyed returns of over 30% from global equity over the past year. Once again weak sterling was a principal driver, delivering two thirds of these returns. The effects of sterling weakness were also seen in the index-linked gilts market where fears of future imported inflation drove the market up by almost a quarter. It was noted by the panel that even without the large currency translation gains, most major markets had enjoyed a remarkable 12 months, delivering double-digit returns even in local currency.

Against this background of near record index levels and 'windfall' gains in overseas assets, the panel were faced with much of the overseas portion of the portfolio hitting the upper control limits of the benchmark. As a governance measure each asset class in the fund has both an upper and lower band around the central target weighting which is determined by the customised benchmark. Under 'normal' market conditions these bounds are rarely troubled, but in many ways the November panel faced 'abnormal' markets as viewed from a UK investment standpoint. The panel decided that although forced selling of overseas assets hitting upper bounds was not considered prudent, neither was allocating new cash into these markets. The UK equity and bond markets also were experiencing a greater than usual level of opacity given the almost total absence of tangible evidence of how Brexit would play out. Terms such as hard and soft Brexit, absent from the referendum debates, were now common parlance. Although establishing firm definitions of either was often a thankless task.

Practically speaking the panel could not allocate to any overseas asset class and there was no appetite to increase UK assets. It was noted however that the level of switching opportunities within the UK equity market exacerbated by Brexit uncertainty was fertile ground for the internal managers to add value. This overall environment coupled with the significant cash withdrawal expected imminently for GLIL (the infrastructure joint venture) determined that once again new cashflow was allocated into cash reserves.

A verbal report was received from chair Andrew Thornton which detailed the attendance of several members of the panel and officers at the Corporate Overview and Scrutiny committee of City of Bradford Metropolitan District Council. The committee had been requested to review investment in the fossil fuel sector and its implications for WYPF. The committee reviewed a report prepared by the director of the fund detailing the financial, risk and governance aspects of the fossil fuel investments of the fund. Combined with a legal appraisal of the fiduciary duty of the Investment Advisory Panel in overseeing the various investments of the scheme. Contributions were heard from members of the public including pressure groups, officers, advisers and the chair of the IAP. The committee noted the work of the IAP in this area and fully endorsed the corporate-engagement focused approach to the issue of fossil fuel investment.

The panel also received an updated report on property strategy where the ongoing development of a direct property portfolio continues with a number of initiatives actively under consideration. An update was also given on the latest iteration of the proposed pooling structure that will be created between WYPF, GMPF and MPF. In response to informal indications from the minister of the desirability of an FCA regulated entity within the pooling structure the decision had been taken to set up an AIFM (Alternative Investment Fund Manager) to take operational responsibility for investments. The panel noted this development and expressed concern at the potential costs to be incurred.

Member and employer annual meetings

Communication with both employers and members is an important aspect of the panel's activities. Immediately following the November panel meeting the annual meetings for both the employers and pensioners took place in Bradford Town Hall and the following day in Huddersfield. These annual events are both informative and popular; they continue to be well attended. The meetings provide an opportunity for employers and members to hear about administration aspects of the fund, any changes that have taken place for members or employers, as well as the customer service levels being achieved. It is the administration function of the scheme that is the main day-to-day point of contact for members and pensioners. Consequently the updates and information given at these annual meetings always proves of interest to the attendees.

In addition to the information on the functioning of the scheme provided by the director, these annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations. Each meeting has a guest speaker who provides an informative talk of interest to the specific audience. The Huddersfield meeting enjoyed an extremely informative and thought provoking presentation from a member of West Yorkshire Trading Standards on the various forms of scam and fraud that are particularly targeted at vulnerable pensioners. The meeting concluded with member questions answered by the relevant scheme representative for the benefit of the whole meeting.

Panel meeting January 2017

The final full panel meeting of the financial year was held in January. It was the first meeting after the unexpected victory of Donald Trump in the US presidential election. Despite the unexpected result markets barely paused for breath before once again moving higher. US equities in particular rallied strongly on promises of infrastructure spending and corporate tax cuts. Other markets responded in kind and many cyclical stocks performed strongly on hopes of faster growth and more fiscally driven government policy. Even the less economically helpful aspects of Trump's election rhetoric, including the spectre of increased protectionism, were sidelined in the market's new-found confidence. As the panel considered the investment options for the portfolio it was noted that a number of major investments had been drawn over the last quarter of the calendar year. These included a substantial first instalment into GLIL and a final commitment to the Green Investment Bank Offshore Wind Fund. Given these outflows, cash balances in the fund were lower than in the recent past. The panel decided it was prudent to specifically ring-fence money for the quarter for listed infrastructure opportunities. The internal investment team has built up this relatively new asset class for the fund over the last year. It consists of investment in quoted funds exposed to a number of infrastructure and private markets opportunities. The internal team conducts extensive due diligence before committing to a selection of opportunities that meet the demanding total return and risk targets agreed with the investment panel. Although there are a large variety of these listed infrastructure funds they all possess significantly greater liquidity than the more traditional infrastructure investment the WYPF holds. These are normally in the form of non-quoted closed ended vehicles with WYPF participating by way of limited partnership.

The latest developments on pooling were reviewed and discussed by the investment panel. It seems likely, given the enormity of the task, that issues surrounding pooling will continue to feature prominently on every investment panel agenda over the medium term. The latest ministerial letter was reviewed and it was noted that it was confirmed that the July submission had been approved and that permission had been given to proceed on the basis laid out in that submission. The minister gave particular praise for the substantial funds committed to the GLIL infrastructure partnership.

The agenda also covered a review of the advisory panel business plan for the financial year 2017/18 and the newly formulated Investment Strategy Statement (ISS), which supersedes the previous Statement of Investment Principles (SIP) as a consequence of the 2016 LGPS (Management and Investment of Funds) Regulations 2016. The panel approved both reports. The new ISS introduces a requirement for limits and ranges for assets held within the fund. As WYPF already uses limits for assets classes these are now included within the ISS.

Fund specific benchmark

During the January panel meeting consideration was given to the fund specific benchmark. This benchmark is reviewed annually with due regard to the fund's SIP, now superseded by the Investment Strategy Statement (ISS), and the funding Strategy Statement. The January meeting is the normal time for the benchmark to be reviewed to determine if any changes would be beneficial for the fund. It was decided that because the results of the 2016 tri-annual actuarial valuation of the scheme are imminent, the panel would defer reviewing the benchmark until the results are known. This review is now expected to take place at the first meeting of the new financial year.

Special panel meeting February 2017

The final meeting of the financial year was held during February. The Alternative Investments Working Group met in Bradford and received presentations from a number of private equity managers and one private debt manager, where the fund has current commitments. Most of these funds would be classified as UK lower mid-market private equity in terms of geography and target market. As with the London meeting of the working group, these face-to-face presentations provide members with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. A distinctive feature of this annual February meeting is that a number of the investments are specifically targeted at local business investment.

Training for panel members

Developing a high level of investment understanding within the Investment Advisory Panel is important in maintaining good levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events. These investment and training seminars are for the benefit of new panel members and existing members alike.

The aim is to keep 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, the SPS Northern Pension Funds Conference and LGPS Trustee Conference. The panel continues to support the work of LAPFF and a number of committee members were present at the December LAPFF conference in Bournemouth. The event focuses on the importance of positive corporate engagement by the LGPS. In addition for attendance at the annual conference panel members are kept regularly informed about the work of LAPFF at the quarterly panel meeting where the LAPFF Quarterly Engagement report is included in the panel papers for discussion.

Voting rights

In terms of responsible ownership the fund continues to exercise its shareholder voting rights in full. As highlighted in previous governance reports the panel adopts the PIRC shareholder voting guidelines for this purpose making use of the full-extended service. As a consequence the fund is able to vote on every company represented in its investment portfolio anywhere in the world. Details of voting undertaken by WYPF at company AGMs and EGMs is available on the WYPF website. The fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. This engagement is conducted through the LAPFF where deputy chairman, Ian Greenwood, and Director of WYPF, Rodney Barton, continue as active members.

New panel members

The experience of the investment panel remains a significant benefit to the fund and ensures that investment decisions are reviewed and monitored to the highest standards, and the scheme continues to operate with high standards of governance. 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 we welcomed Councillor Ms Jacquie Speight and Councillor Matthew Morley, both representing Wakefield. All the members are encouraged to participate in the wide range of industry events including training seminars in order to be able to fully participate in the work of the panel.

Conclusion

The financial year 2016/17 proved one of the most eventful since the great financial crisis of 2008. With the result of the Brexit referendum and the resulting changes to both prime minister and chancellor, politics was never far from investors' minds when assessing the prospects for the UK economy. The unexpected result in the US presidential election further added to the new political landscape in which investment decisions needed to be made. Despite many predictions of a sharp slowdown for the UK economy, most economic data to date has surprised to the upside with consumers in particular showing no obvious signs of a Brexit slowdown. The sharp fall in the value of sterling has benefitted sterling-based investors holding overseas assets. The FTSE100 index has also enjoyed a strong run with many of the companies gaining translation benefits from significant overseas earnings. The strength of overseas markets in particular has both benefited the performance of the fund and influenced decisions on the investment of new cashflow.

The very uncertain investment environment, which persisted throughout most of the period, was reflected in the cautious stance the investment panel adopted. The main focus throughout the period was to continue to diversify the portfolio and to introduce more investments that offered the fund long-term stable returns, were less sensitive to economic cycles, were both income-generating and where possible offered some inflation linkage. The panel has operated in a difficult, politically influenced investment environment while still maintaining high levels of governance and strategic thinking. The coming financial year is expected to be no less challenging as the main aspects of investment uncertainty remain in place and the journey towards pooling will be significantly further ahead by the end of the period. Given the experience of members and leadership and advice available to the panel, the investment governance of the WYPF remains extremely strong and fit for purpose.

Section 7
Investment Management and Strategy

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 are agreed at quarterly meetings of the Investment Panel. There are thirteen professional investment managers and seven administration settlement staff in the in-house investment team.

The in-house investment management costs continue to be the lowest of all local authority pension funds. In 2016/17, the fund's in-house investment management costs were £10.74 per scheme member, the lowest for all LGPS funds, compared with the national average for all local authority pension funds of £177.86.

The panel has a fund-specific benchmark, which is reviewed and revised annually. Details of the benchmark 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 Advisory Panel with opportunities to allocate investment into equities, bonds, private equity, listed alternative investments and cash during the year. The investment in hedge and currency funds was further reduced during the year. The fund holds 1.3% 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 is 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

In 2016/17 our investments made a positive return of 22.9%, which ranked us in the 19th percentile. The fund has a very different asset strategy to that of the average LGPS fund: the key difference is our relatively high commitment to equities and the commensurate underweighting of other assets. During the past reporting period of 2016/17 this would have had a positive impact on the fund's performance relative to its peers as equities were the best performing asset class.

Section 8
Investment Markets

UK Equities

The UK equity portfolio valued at £4,380m continues to be the largest single asset class representing 32.4% 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 and income required to meet the fund's rising liabilities. To demonstrate this, over the last five years the UK equity portfolio averaged an annual return of 9.6% which is made up partly by market appreciation of the portfolio and partly by dividend yield. The UK equity portfolio generated dividend income in excess of £149m over the year (a 3.4% dividend yield) which was predominantly used to pay pension liabilities and reinvest in other asset classes.

Corporate actions

In addition to dividend income WYPF also received cash proceeds from corporate actions on the holdings in the UK equity portfolio. The two biggest corporate actions over the year were the all cash takeovers of SAB Miller by AB InBev, and ARM Holdings by Softbank. WYPF received £54m in cash in respect of the holding in SAB Miller, and £36m in respect of the holding in ARM. Over the 12 months the total cash received by way of takeover proceeds from the UK equity portfolio amounted to £90m.

Eventful year for the UK and the EU referendum

The last 12 months have been eventful for the UK both politically and economically. The February 2016 announcement of a referendum on remaining within the EU had an immediate negative effect on the UK currency and financial markets which continued throughout the lead up to the referendum in June.

The outcome of the vote was fairly close overall but demonstrated polarity of views in specific regions. London, Scotland and Northern Ireland were firmly in the 'remain' camp, but elsewhere the vote was clearly in favour of leaving. The overall vote to leave the EU therefore came as a shock to the City of London and markets reacted accordingly.

In the wake of the Brexit vote the prime minister and chancellor of the exchequer both resigned and leadership contests emerged across political parties. The Bank of England lowered base rates to a new historic low of 0.25% and increased bank liquidity in an attempt to bring stability into the markets. Theresa May became the new prime minister and appointed Philip Hammond as her chancellor.

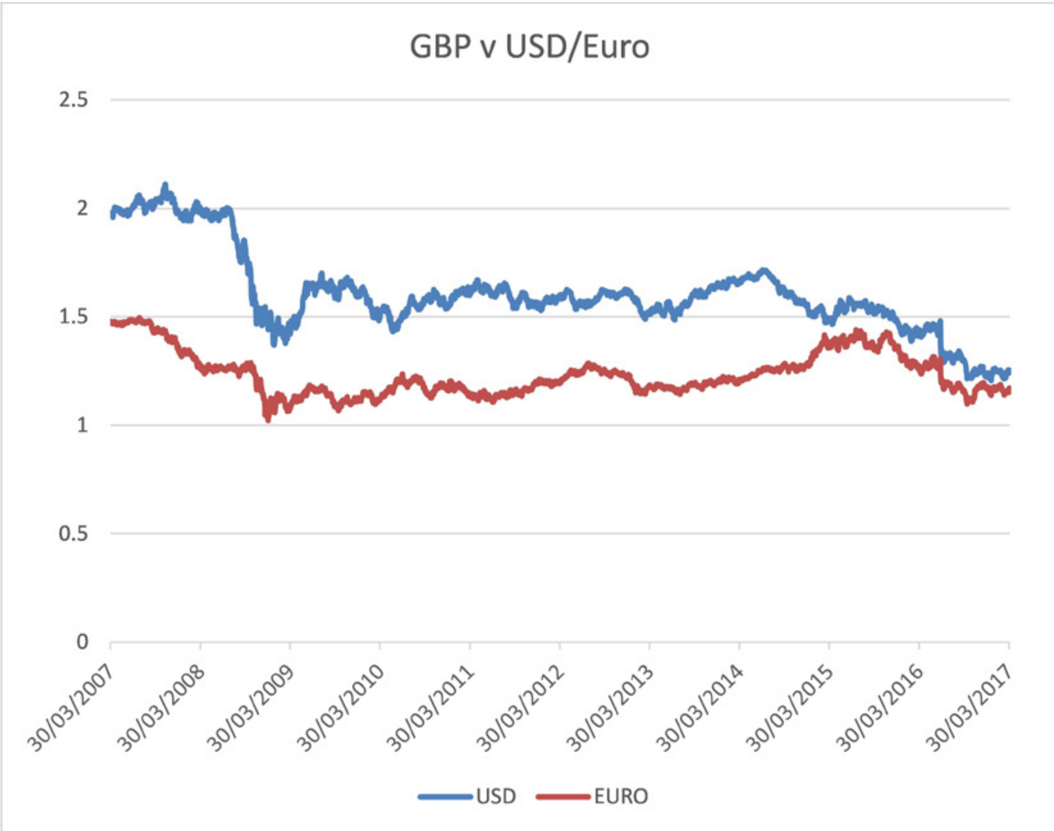
UK politics has been dominated by the approach to, and implications of, Brexit this year. Debates in the Houses of Commons and Lords plus court cases determining the legal standing of the referendum decision have continued right until the Prime Minister triggered the process to leave the EU. The process was triggered on 29 March 2017 by delivery of a letter to the Chair of the EU invoking Article 50 of the Lisbon Treaty.

It remains to be seen how smoothly negotiations will unfold in the three particularly sensitive implications of the UK's departure from the EU. These are the treatment of EU and UK citizens who currently live and work in each other's territories, trade agreements with EU countries, and the outstanding budget contribution or exit fee that is proposed. The Great Repeal Bill enacting the formal adoption or revocation of each piece of EU legislation will be drawn up to come into effect on Brexit Day.

UK currency continues to fall

The value of sterling has continued to fall against both the euro and US dollar partly in response to the uncertainties surrounding Brexit. The devaluation against the dollar is the continuation of a long-term trend but this is not the case with the euro, against which the pound was previously lower than it is currently in the years following the 2008 financial crisis.

£ against US dollar and euro 31 March 2007 to 31 March 2017



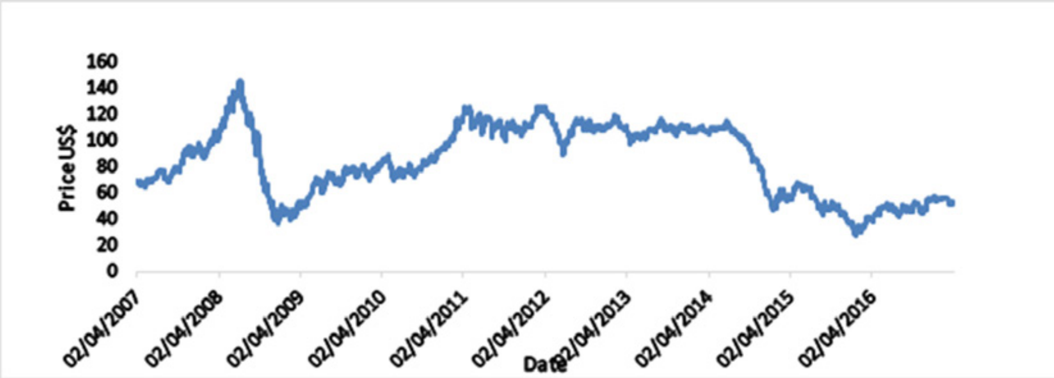
Recovery in oil prices

Following a tumultuous 2015/16, the oil price recovered gradually during the course of the year. OPEC countries agreed to lower oil production in order to reduce the oversupply in the market, and although these cuts did not come into effect until January 2017, they were larger than expected, which helped the oil price recover from the very low levels seen in early 2016.

Other factors affecting oil prices and sentiment during the year were the continuing, and indeed worsening trouble in the Middle East along with surprising election results in the USA, all of which made the situation more confused. Despite the uncertainty, the price of Brent oil rose from $39.60 to $52.83 during the course of the year, continuing the recovery from the lowest point of $27.88 in January 2016.

The oil sector still has the highest dividend yield in the UK index; this is essential income to West Yorkshire Pension Fund whilst interest rates remain very low.

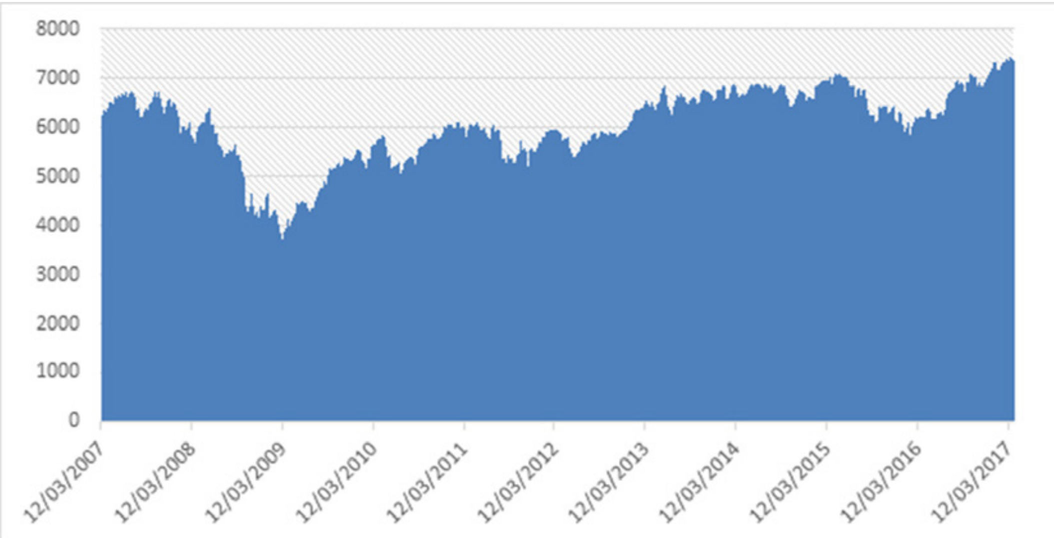
Brent oil price 1 April 2007 to 31 March 2017



UK equity market performance

The immediate impact of the Brexit vote was an 8% fall in the value of the market. However, after the initial shock the UK equity market quickly recovered all of this loss and achieved an exceptionally strong return of 22% over the full year. The weakness in sterling created an immediate currency opportunity in those companies whose earnings are denominated in foreign currencies, predominantly FTSE100 companies. The UK equity portfolio is heavily exposed to these companies. The in-house UK team added further exposure in the days following the referendum when the market was significantly weaker. Over £20m was invested over the five days following the vote.

FTSE 100 index 1 April 2007 to 31 March 2017



Such has been the strength of the UK equity market that new all-time highs were reached on both the FTSE All Share Index and the FTSE 100 Index on 20 March 2017. The FTSE100 index of the biggest UK listed companies ended the 12 months at 7323.

UK economy resilient despite Brexit

Like the UK equity market, the UK economy has been similarly resilient despite the uncertainty surrounding the departure from the EU. Over the 12 months GDP grew a further 2.1%, unemployment is lower than before the 2008 crisis at 4.7%, and house prices have continued to grow, albeit at a less frantic pace.

Household spending drives 60% of UK economic activity, as industrial production is a weaker driver of growth. The UK consumer is therefore a crucial factor in continued growth. The low level of unemployment has been a positive factor as has the re-emergence of real wage growth. Following the 2008 crisis real wages fell significantly. This has taken several years to reverse as illustrated below. However, despite nominal wage growth running at over 2% per annum, inflation has also been accelerating as the weak currency and oil prices have taken effect. The real wage growth, which has been enjoyed since 2015, has therefore fallen to zero. This will be a drag on growth going forward.

Real Average earnings, annual growth rates, seasonally adjusted

Source: Office for national Statistics, Monthly Wages and Salaries Survey.

Commitment to alternative energy and green technology

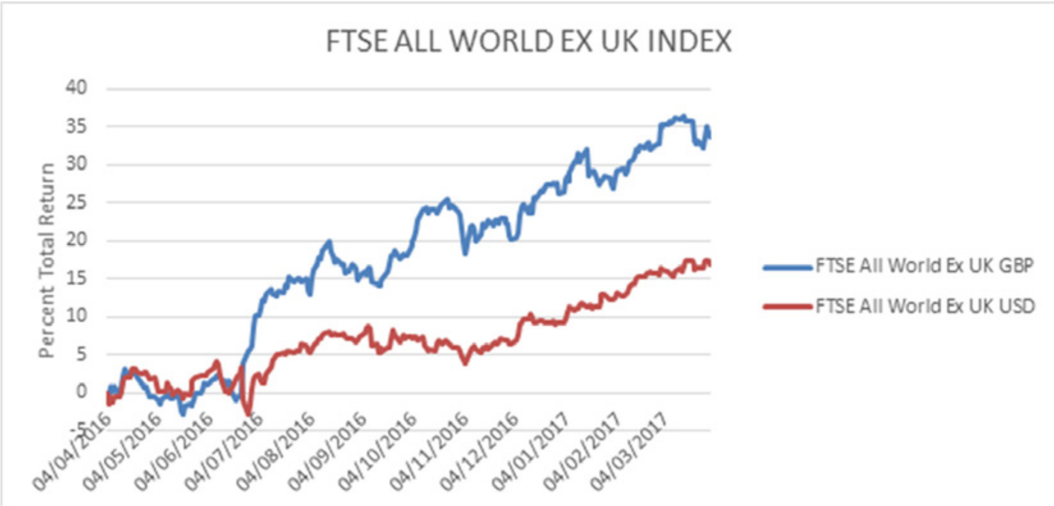
WYPF continues to support investment in alternative energy and green technology within the UK equity portfolio. This is a small sector in which particular effort to gain exposure has been made over the last seven years. The portfolio of green investments includes biomass boilers used in schools and town halls, long-term battery storage of solar- and wind-produced energy, and hydrogen refuelling stations that are being rolled out (slowly) across the UK. One very interesting investment is in tidal turbines, which have been successfully deployed and are currently generating energy into the national grid. This is based in the Pentland Firth in the north of Scotland. Such is the interest in this successful technology that the company in question is involved in partnership agreements to roll out the technology in France and Indonesia.

Investments in this sector are relatively speculative and the exposure is limited by the small market capitalisation of these companies and by the limited number of investment opportunities. It is hoped that the fund can gain exposure at this early stage to investments that will be highly beneficial in the future both financially for the fund and highly rewarding to future generations in the development of more sustainable technologies.

International equities investment markets

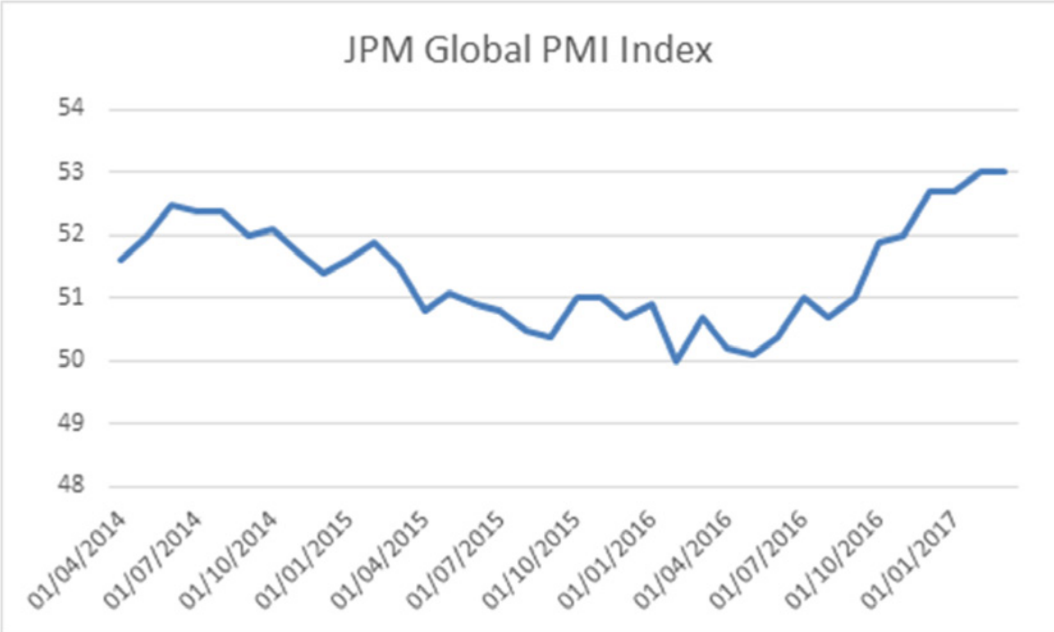
Global equity markets made strong gains over the year, albeit after a slow start. Sluggish growth in advanced economies, stubbornly low commodity prices, and concern over the possible impact of a British withdrawal from the European Union (EU) prompted the World Bank to lower its 2016 GDP growth forecasts to 2.4% from its January prediction of 2.9%. To the surprise of the market, the UK did then vote to leave the EU and this threw the markets into turmoil seeing over $2 trillion dollars wiped off the value of global equities. However, after just three days, the market had recovered its nerve and most of its losses. Whilst the equity markets recovered, the currency markets saw a significant devaluation of the pound, which fell 8.1% against the dollar from $1.48 to the pound before the vote to $1.32 afterwards. Ironically this devaluation in sterling was highly beneficial, boosting the investment returns of overseas earnings to UK companies and the value of overseas assets as a whole.

Overseas equity markets rose significantly over the year as illustrated below. The chart shows the returns of the FTSE All World Ex UK Index in both sterling and US dollars. As can be seen the devaluation of the pound following the UK referendum boosted overseas earnings dramatically, delivering a 34% total return in sterling, against 16% in dollars. Markets generally enjoyed a positive year with double digit returns evident in most regional markets including South America which had struggled in recent years from the weak commodity markets. In local currency terms, the total return for the US S&P 500 was 17%, the European Stoxx 50 was 21%, the Japanese Nikkei rose nearly 15%, and the Brazilian IBOVESPA increased over 29%. The Chinese Shanghia Composite meanwhile, made a more modest 10% return.



Improving economic picture

As the year progressed sentiment began to improve on the back of encouraging economic data. In spite of ongoing fears that the British withdrawal from the European Union would depress economic activity across Europe, improving economic data from developed economies gave encouragement that 2017 would see an improvement to the global economy. The headwinds facing some emerging economies, especially those dependant on exporting commodities, was expected to ease, and continuing policies of monetary stimulus would see an improvement to economic activity in Europe and Japan, whilst Chinese economic growth would continue to slow at a measured rate. The USA meanwhile, was showing signs of quickening growth, and an ever tighter labour market prompted the Federal Open Market Committee (FOMC) to raise interest rates 0.25% in December 2016 and again in March 2017 – the first increases since 2009. June 2016 may prove to be the nadir of both commodity prices and economic sentiment as the chart below shows.The JPM Global Manufacturing Purchasing Managers Index is a measure of manufacturing confidence, and from June 2016 has shown strong positive momentum, ending the year on 53. (A value above 50 indicates positive economic expansion).



Politics

If this financial year is remembered for anything, it will be politics. The British EU referendum result rattled world markets but was only the first of several political events to dominate the news. In November it was the turn of the United States to shock the world by electing the Republican candidate Donald Trump to be President, against expectations, and after a highly divisive election campaign. This event however, was taken positively by the markets because he is expected to pursue a largely Republican Party agenda that includes business-friendly policies to cut taxes, reduce red tape and increase infrastructure spending. However, concern has arisen from his protectionist policies that include withdrawing from the Trans Pacific Partnership Trade Agreement and a desire to re-negotiate the North American Free Trade Agreement. The impact of his protectionist rhetoric has been to heighten fears that global trade will suffer. Elections have also taken place across Europe in Austria, Italy, the Netherlands, and more recently France, where right wing anti-European Union candidates have been receiving strong support. The outcome of the French election and the German election to follow later this year could affect the future of the European Union as we know it.

Bonds – high returns but increasingly volatile

Recent years have seen a decline in bond yields and a lengthening of the age to maturity across the UK bond market, especially to index linked bonds. This has led to a rise in volatility as even small changes to the yield can have a significant impact on the price. Coupon payments have also become very low in some of the index linked bonds.

The price of a bond reflects its yield, and consequently small changes to yields in the wider market have a significant effect on the price of bonds with longer maturities. A key measure of this volatility is duration, which is the number of years an investor needs to hold a bond before the buyer will recoup the value of the original investment through the receipt of coupon payments. For example, since 2008 the duration of the index linked market has risen from around 13 years to 23 years today, a situation worsened by the fact that the Debt Management Office is issuing ultra-long bonds more frequently. In short, current bond markets are delivering more volatile returns than in the past.

Yields on UK corporate bonds also remain at depressed levels although they offer an extra 1.5% yield compared to UK gilts. Indexed linked corporate bonds have also followed the index linked gilt market. Despite offering 1% to 1.5% extra yield the recent escalation in price has resulted in them trading on negative yields. Much of the UK corporate index linked bond portfolio has been sold realising profits approaching 100%; reinvestment has been into conventional corporates with more attractive yields.

Listed alternatives – In search of diversification and yield

Although the UK equity market continues to deliver dividend yield, many of the asset classes which were previously relied upon to deliver both stable income and diversification from equities no longer offer these qualities. This is particularly true of bonds, which have become volatile and low yielding.

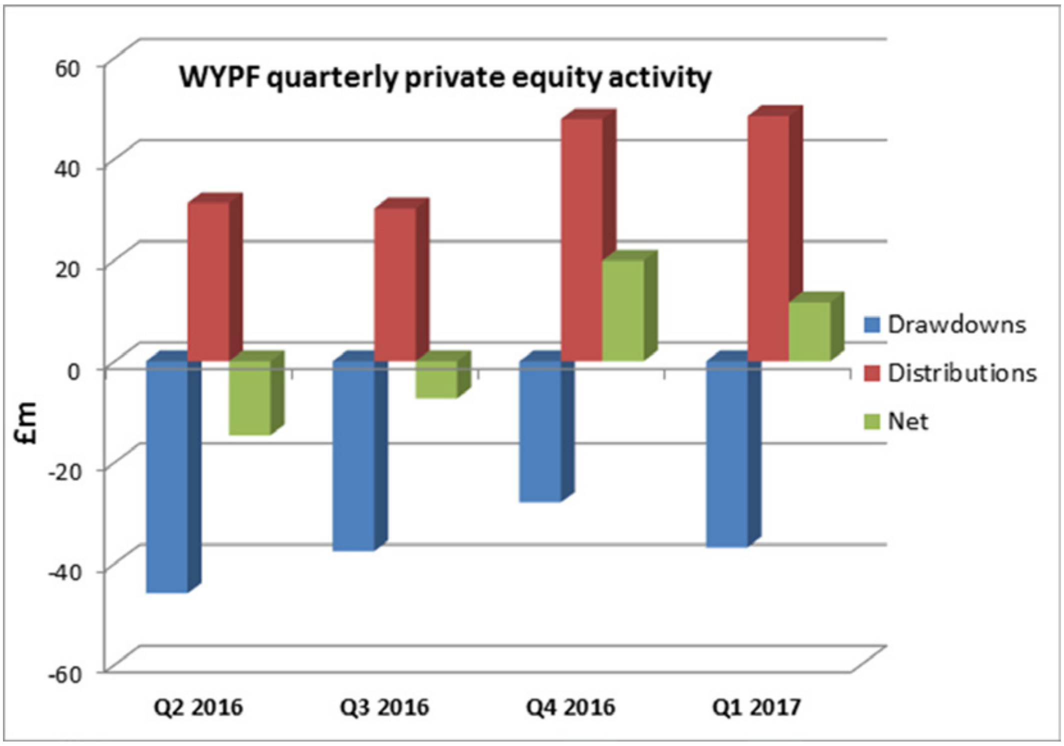
A portfolio of listed alternative stocks has been established with the aim of returning a stable high yield and minimal correlation with either bonds or equities. The majority of the overall 7% target return should be received as income.

The listed alternatives portfolio has been very successful in delivering this. In the three years since being established it has grown to £190m in value with a return of 14.8% last year, 5.1% of which was returned in income and with very little correlation to equity and bond markets. Further investment will be made in this portfolio whenever suitable opportunities arise.

Alternative Investments

Private equity

In the financial year to 31 March 2017, the value of private equity deals decreased by approximately 10% globally on the prior year. However, it was a year of two halves. The first half (1H) saw an increase of 5% on the prior year, whilst the second half (2H) saw deal volume decline by 25%. The WYPF private equity portfolio saw an increase in drawdowns of 51% year-on-year with increased capital calls of 79% (1H) and 26% (2H), respectively. The value of global private equity backed exits for 2016/17 was 14% lower than the previous year: 1H -25%; 2H +6%. WYPF mirrored this with 1H distributions down 24% but 2H distributions up 59%. Overall, the WYPF portfolio saw distributions that were 12% higher year-on-year. Similar to the last two years, WYPF has bucked the trend, partly due to heavy exposure to 2006–07 vintage funds that are now exiting portfolio companies as fund terms near expiry. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow them in some cases. In turn, this has led to another robust year for General Partner (GP) fundraising. Similar to prior years, although the value of funds raised globally increased (6%), the number of funds raised declined (13%). As reported last year, the fund raising market is more competitive than ever with investors favouring established managers with strong track records. This comes at a time when many investors are wanting to streamline their manager relationships. Fund sizes are therefore increasing, whilst committed capital awaiting drawdown remains elevated. This continues to put pressure on GPs to find attractively priced assets, making it a seller's market. GPs continue to capitalise on the availability of leverage and strong exit markets.



For the year to 31 March 2017, net proceeds received from the WYPF's private equity portfolio amounted to £9.5m overall, compared to £43.0m in the prior year. Meanwhile, the portfolio increased by £125m from £535m to £660m. Given good performance relative to other asset classes the weighting of the private equity portfolio increased as a proportion of the fund to 4.9%, from 4.8% the prior 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. European managers called less and distributed more than their proportionate share, suggesting that they found it easier to sell than to buy. The opposite was seen amongst sterling denominated managers who are typically focussed on the lower mid-market (companies with enterprise values less than £100m) and encounter less competition in this space.

Currency denominated funds	% of total net undrawn commitments as at 31 March 2016	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	25.2	28.6	51.9	(23.3)
GBP	19.9	41.9	14.2	27.7
USD	54.9	77.8	91.8	(14.0)
Total	**100.0**	**148.3**	**157.9**	**(9.6)**

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 8.8%, 14.9% and 11.8% in their local currency. In sterling, the overall IRR was 23.3% for the year to 31 March 2017, due to sterling's weakness over the period. The dollar appreciated by nearly 15% against sterling, resulting in dollar funds producing an aggregate IRR of 28.9% in sterling.

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

Private equity fund	WYPF commitment
	£m
BlackRock co-investment mandate	15.0
Colbeck Strategic Lending Fund	29.0
Lexington Middle Market Investors IV	18.8
Dover Street IX AIF LP	18.8
HGGC III	34.7
Genstar Fund VIII	24.3
BV Investment Partners IX	24.3
Total	**164.9**

Net undrawn commitments

At 31 March 2017, undrawn commitments amounted to £437.1m.

Private equity strategy

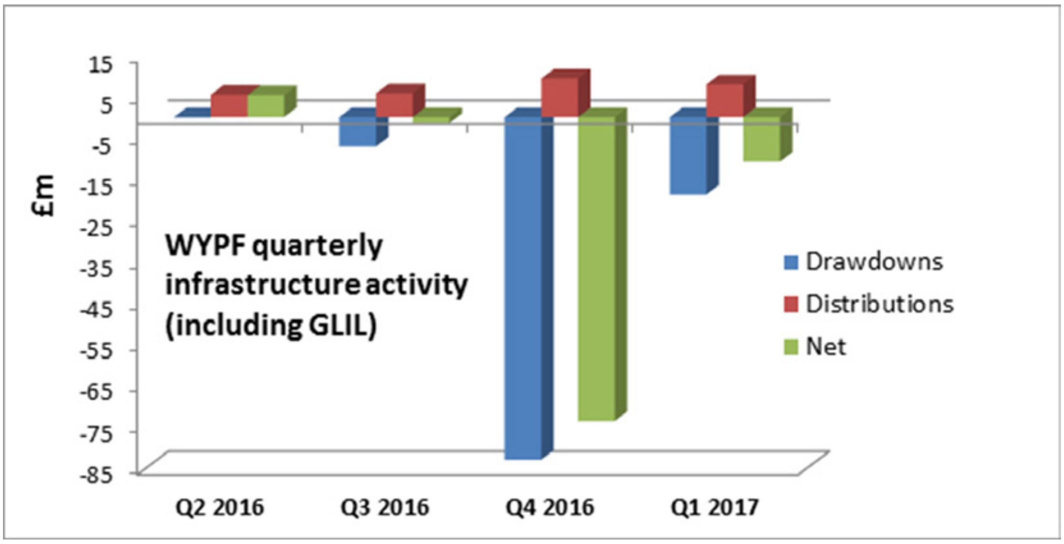
The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity.

Infrastructure

In the financial year to 31 March 2017, the value of infrastructure deals globally was similar to the prior year; however, whilst the number of deals decreased, the average deal size increased. The WYPF infrastructure portfolio experienced a similar level of drawdowns compared to the prior year. However, distributions fell 26%, resulting in a 50% increase in net invested during the year.

In addition to the above, in December 2016, WYPF committed £250m to GLIL, a limited liability partnership focused on investing in direct UK infrastructure. This partnership comprises five local authority pension fund investors.

Including monies drawn down for GLIL results in a near 4x increase in net invested from £20.9m in 2015/16 to £80.6m in 2016/17. Overall, more than half of the capital called during the year was invested in UK renewable wind farms.



As a proportion of the WYPF, the weighting of the infrastructure portfolio was 2.1% (£290m), up from 1.6% (£181m) the previous year.

WYPF's infrastructure portfolio remains well-diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split mainly between sterling and dollar denominated funds, produced IRRs of 10.4% and 7.9% in their local currency. In sterling, the overall IRR was 15.4% for the year to 31 March 2017, benefiting from dollar strength over the period. The dollar appreciated by nearly 15% against sterling, resulting in dollar funds producing an aggregate IRR of 24.5% in sterling.

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

Fund	WYPF commitment (£m)
UK Green Investment Bank Offshore Wind Fund	25.0
Macquarie European Infrastructure Fund 5	17.3
Macquarie European Infrastructure Fund 5 Co-Investment Side Car	15.2
SL Capital Infrastructure I	25.0
Total	**82.5**

Net undrawn commitments

At 31 March 2017, undrawn commitments amounted to £319.4m.

The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversifying between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus is on assets with inflation-linked, long-duration income streams that are less sensitive to the economic cycle. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 2% exposure to infrastructure.

Hedge funds

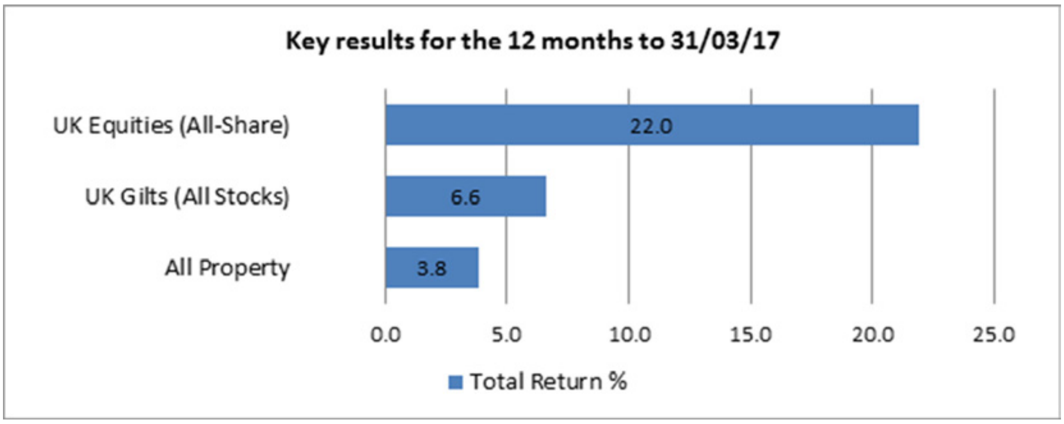
For the twelve months to 31 March 2017, WYPF's allocation to hedge funds returned 11.3% in aggregate. However, this masks varying component returns. The fund of funds (FoF) portfolio returned 6.5%, which outperformed the HFRI FoF Composite Index (USD) of 6.2%. Meanwhile, the single manager hedge fund portfolio returned 7.0% (in dollars), versus 6.2% for the HFRX Global Hedge Fund Index (USD). A near 15% appreciation in the dollar over the period meant that the single manager hedge portfolio returned 22.9% in sterling terms and therefore had a positive impact on overall performance.

WYPF continues to focus on efficient diversification and fee structures in this area, whilst limiting downside risk and allowing strategy flexibility.

Property

For the year to 31 March 2017, total returns for the UK direct All Property benchmark amounted to 3.8%. This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 3.5%.

Relative to other asset classes, the return for UK property versus UK gilts and UK equity returns is detailed in the bar chart below.



Source: Bloomberg

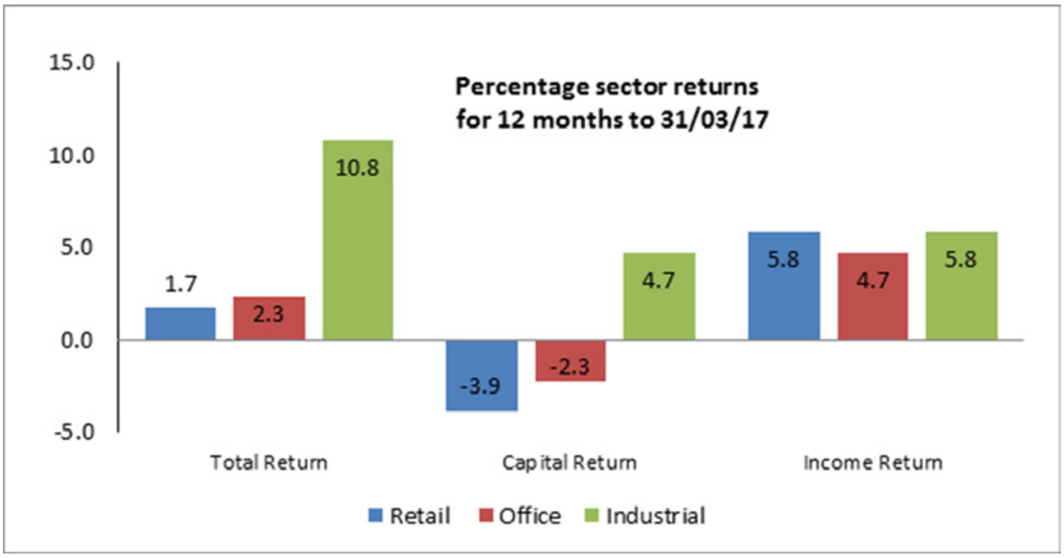
Property capital values declined 1.7% in the year to 31 March 2017, offsetting the 5.6% income return and resulting in a 3.8% total return (Bloomberg). Capital values fell 2.8% in July alone following the EU Referendum. City offices suffered the most, with capital values down approximately 5.8% for the year to 31 March 2017 (CBRE). Shopping centres and retail warehouses were a close second, with values falling 4.6–5.0%. South East Industrials and Other (e.g. student housing and healthcare) were the only sectors with significant positive capital growth during the period, of 4.0–6.0%. WYPF is overweight in industrials located in the South East and underweight in City offices and shopping centres, when compared to the All Pooled Property Funds Index.

Following a sharp decline in Q3 2016, capital values began to stabilise towards the end of the year, buoyed by an increase in transaction volumes. This momentum continued into 2017, but the market expects divergent performance to remain across sub-sectors.

Central London offices have continued to underperform since the summer. The 50bps-yield widening that occurred in prime West End offices in Q3 2016 has since reversed and compressed by 25bps. This has been driven by continued demand, not from UK institutions, but overseas investors at a time when rental growth is softening. Weaker demand from financial services occupiers vulnerable to the UK's loss of EU passporting rights will impose downward pressure on rents.

The industrial property sector, on the other hand, has been performing well. Rents have grown strongly and investor interest is pushing yields down. Strong occupational demand has been driven by the continued evolution of e-tailing. The low supply of space, particularly in the South East, is giving further support to rents.

The retail sector continues to be polarised between 'good' retail, i.e. dominant shopping centres with a leisure offering, and 'bad' retail, i.e. high-street shops in over-supplied second-tier towns.



Source: CBRE

During the twelve months to 31 March 2017, retail was again the worst performing sub-sector (1.7%). WYPF is slightly overweight in retail and regional offices compared to its benchmark. It is anticipated that the overweight position in regional offices will benefit the portfolio when the yield gap narrows between prime London offices and good secondary regional offices.

WYPF made property purchases of £49.5m and sales of £15.7m, giving a net investment of £33.8m over the twelve months to 31 March 2017. The majority of monies were spent on good secondary UK regional office space, UK residential (build-to-rent sector) and non-UK commercial properties.

Net undrawn commitments

At 31 March 2017, undrawn commitments amounted to £100.3m.

Direct property

As reported last year, WYPF continued to invest in a 'fund of one', akin to a segregated account mandate. This fund targets good secondary property assets located in strong regional centres. This investment is intended to expedite exposure to direct property in a way that WYPF can control, whilst awaiting the development of the Northern Pool property management arrangements.

As an interim measure, WYPF is also seeking co-investment opportunities to reduce fees and increase direct UK property exposure, whilst targeting an 80:20 split between UK and non-UK property. The rationale for direct investment is to reduce fees and mitigate third party, investor-led liquidity issues, and the forced sale situations experienced after the global financial crisis by pooled property funds. Following the government's proposals to consolidate LGPS funds into six pools, it is expected that this migration from indirect to direct property will continue over time.

Analysis of investments held at 31 March 2017

		Book cost	Market value	
		£m	£m	%
Quoted				
Bonds	Public sector bonds	622.3	706.0	5.2
	Corporate bonds	454.5	498.4	3.7
Index linked	Public sector	476.1	643.7	4.8
	Corporate	7.0	12.9	0.1
Ordinary & convertible shares (equities)		4,758.9	8,908.0	65.7
Unit trust	Property	417.0	582.3	4.3
	Other	313.9	764.1	5.7
Fund of hedge funds		173.0	254.3	1.8
Unquoted				
Bonds	Corporate bonds	1.3	8.2	0.1
Ordinary & convertible shares (equities)		27.9	24.7	0.2
Private equity		573.9	993.8	7.3
Unit trusts		0.1	0.1	0.0
Direct property		6.4	7.0	0.1
Cash deposits		136.6	136.6	1.0
Total		**7,968.9**	**13,540.1**	**100.0**

UK equity investments by industry at 31 March 2017

	Book cost		Market value		Number of companies
	£m	%	£m	%	
Oil & gas producers	274.0	12.4	464.3	11.1	18
Oil equipment & services	13.5	0.6	15.8	0.4	6
Alternative energy	4.6	0.2	4.8	0.1	7
Chemicals	12.1	0.5	31.5	0.8	7
Forestry & paper	4.3	0.2	13.6	0.3	1
Mining	146.8	6.6	237.6	5.6	19
Construction & materials	39.4	1.8	60.3	1.4	8
Aerospace & defence	33.3	1.5	84.1	2.0	8
General industrials	14.0	0.6	38.4	0.9	4
Electronic & electrical equipment	7.1	0.3	21.4	0.5	9
Industrial engineering	14.9	0.7	47.4	1.1	9
Industrial transportation	13.0	0.6	19.2	0.5	4
Support services	107.7	4.9	212.6	5.1	41
Automobiles & parts	5.6	0.2	17.0	0.4	1
Beverages	10.0	0.4	102.6	2.4	1
Food producers	14.2	0.6	30.3	0.7	8
Household goods & home const	39.9	1.8	153.1	3.6	11
Personal goods	10.4	0.5	110.6	2.6	6
Tobacco	47.1	2.1	254.2	6.0	2
Healthcare equipment & services	16.1	0.7	36.8	0.9	11
Pharmaceuticals & biotechnology	116.7	5.3	340.7	8.1	16
Food & drug retailers	26.2	1.2	44.5	1.1	5
General retailers	22.9	1.0	73.2	1.7	14
Media	92.5	4.2	159.7	3.8	14
Travel & leisure	92.1	4.2	191.7	4.6	22
Fixed line telecommunications	48.0	2.2	57.5	1.4	1
Mobile telecommunications	59.8	2.7	84.7	2.0	2
Electricity	10.9	0.5	29.2	0.7	2
Gas water & multiutilities	52.4	2.4	123.7	2.9	5
Banks	437.6	19.8	417.4	9.9	10
Nonlife insurance	33.4	1.5	42.5	1.0	6
Life insurance	104.2	4.7	202.6	4.8	7
Real estate invest & services	8.4	0.4	12.3	0.3	5
Real estate investment trusts	76.8	3.5	106.5	2.5	16
Financial services	59.5	2.7	102.4	2.4	18
Equity investment instruments	119.1	5.4	224.3	5.3	31
Software & computer services	18.8	0.8	37.4	0.9	11
Technology hardware & equipment	7.4	0.3	6.2	0.2	5
Other equities	0.0	0.0	0.0	0.0	2
Totals	**2,214.7**	**100**	**4,212.1**	**100**	**373**

Analysis of overseas equity investments as at 31 March 2017

Country	Book cost		Market value		No of companies
	£m	%	£m	%	
Australia	136.7	5.1	211.6	4.1	37
Austria	4.1	0.2	7.9	0.2	8
Belgium	9.9	0.4	8.6	0.2	3
Brazil	60.4	2.3	47.1	0.9	37
Canada	47.8	1.8	83.5	1.6	13
Chile	3.9	0.1	3.1	0.1	6
China	128.5	4.8	189.9	3.7	52
Columbia	2.8	0.1	1.5	0.0	2
Denmark	28.5	1.1	67.7	1.3	15
Ireland	14.4	0.5	38.5	0.8	14
Finland	33.5	1.3	52.3	1.0	17
France	103.2	3.9	210.1	4.1	39
Germany	103.3	3.9	204.5	4.0	36
Greece	6.5	0.2	2.0	0.0	12
Hong Kong	73.9	2.8	123.7	2.4	36
India	95.2	3.6	160.0	3.1	2
Indonesia	17.0	0.6	30.8	0.6	11
Italy	68.2	2.5	90.3	1.8	38
Japan	406.4	15.2	718.9	14.0	90
Korea	54.8	2.0	155.8	3.0	25
Malaysia	20.5	0.8	27.5	0.5	16
Mexico	23.9	0.9	36.3	0.7	22
Netherlands	40.2	1.5	93.9	1.8	15
Norway	23.2	0.9	41.8	0.8	25
Peru	4.8	0.2	5.6	0.1	3
Philippines	13.7	0.5	24.6	0.5	8
Portugal	6.7	0.2	8.1	0.2	9
Singapore	40.1	1.5	56.4	1.1	22
South America	6.8	0.2	16.5	0.3	1
Spain	76.8	2.9	137.0	2.7	28
Sweden	56.2	2.1	106.9	2.1	38
Switzerland	53.6	2.0	193.9	3.8	18
Taiwan	46.3	1.7	88.8	1.7	28
Thailand	18.9	0.7	45.8	0.9	19
United States	630.8	23.6	1,374.6	26.8	116
Other Asian	17.2	0.6	44.6	0.9	1
Other Eastern European	30.0	1.1	74.2	1.5	4
Other International	58.2	2.2	118.1	2.3	16
Other Western European	107.5	4.0	225.5	4.4	8
Totals	**2,674.4**	**100.0**	**5,127.9**	**100**	**890**

List of twenty largest holdings at 31 March 2017

	Market value	% of total investment
	£m	%
HSBC	207.1	1.54
British American Tobacco	181.5	1.35
BP	171.4	1.28
Glaxosmithkline	153.8	1.14
Royal Dutch Shell B	144.7	1.08
Royal Dutch Shell A	131.5	0.98
Astrazeneca	118.6	0.88
Diageo	102.6	0.76
Jupiter India Select	100.2	0.75
Quellos	89.0	0.66
Prudential	87.3	0.65
Unilever (UK)	85.8	0.64
Reckitt Benckiser Group	85.4	0.63
Aurum wypf mgd port	82.4	0.61
Aurum Isis Inst	81.9	0.61
Treasury GIL 3.25 2044	80.7	0.6
Treasury IXL 2029	78.1	0.58
Vodafone	76.9	0.57
Lloyds Banking Group	76.4	0.57
Rio Tinto	76.2	0.57
Total	**2,211.5**	**16.45**

Section 9
Actuary's report

Statement of the actuary for the year ended 31 March 2017

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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial position

1. The valuation as at 31 March 2016 showed that the funding ratio of the fund had fallen slightly since the previous valuation with the market value of the fund's assets as at 31 March 2016 (of £11,211.5M) covering 94% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 is:

   16.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

   Plus

   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 2017 (the secondary rate), equivalent to 2.4% of pensionable pay (or £42.5M in 2017/18, and increasing by 3.25% 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 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the fund by the employers.
4. The funding plan adopted in assessing the contributions for each employer is in accordance with the funding Strategy Statement. Different approaches were adopted in the stepping of contribution increases, individual employers' recovery periods and allowance for post-valuation date market conditions as agreed with the administering authority and reflected in the funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body employers*	4.7% p.a.
Orphan employers	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body employers*	4.7% p.a.
Orphan employers	2.5% p.a.
Rate of pay increases	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

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

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The assets were valued at market value.

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

   The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions (CMI_2016_Proposed2015), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.0	25.1
Future pensioners aged 45 at the valuation date	22.9	26.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. 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 2016. 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.

10. The report on the actuarial valuation as at 31 March 2016 is available on the fund's website at the following address.

www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation_WYPF_Index.aspx

Aon Hewitt Limited

April 2017

Section 10
Auditor’s Report

Independent auditor's statement to the members of City Of Bradford Metropolitan District Council on the pension fund financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2017, 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, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of City of Bradford Metropolitan District Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director – Corporate Services and the auditor

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director - Corporate Services is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, 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 2016/17.

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. The other information consists only the Foreword, Management Structure, Local Pension Board Annual Report, Pensions Administration Review, Financial Management and Performance, Investment Report, Investment Management and Strategy, Investment Markets, Actuary's Report and all appendices.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. 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 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Mark Kirkham

For and on behalf of Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN
28 September 2017

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 Strategic Director – Corporate Services.

The Strategic Director – Corporate Services 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 2017 and its income and expenditure for the year ended 31 March 2017.

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

Fund account for the year ended 31 March 2017

	Note	31 March 2017	Restated 31 March 2016
		£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions receivable	4	382,610	372,724
Transfers in	5	22,632	20,371
Non-statutory pensions and pensions increases recharged	6	22,667	23,475
		427,909	**416,570**
Benefits payable	7	-472,524	-456,101
Non-statutory pensions and pensions increase	6	-22,667	-23,475
Payments to and on account of leavers	8	-20,129	-20,733
		-515,320	**-500,309**
Net additions/(withdrawals) from dealing with members		**-87,411**	**-83,739**
Management expenses	11	-10,278	-9,389
Net additions/(withdrawals) including management expenses		**-97,689**	**-93,128**
Returns on investments			
Investment income	13	341,464	314,619
Taxes on income		-6,399	-3,538
Profit and losses on disposal of and changes in value of investments	15	2,180,570	-329,255
Stock lending	15c	3,404	3,008
Underwriting commission		0	49
Net return on investments		**2,519,039**	**-15,117**
Net increase in the net assets available for benefits during the year		**2,421,350**	**-108,245**
Opening net assets of the fund		**11,210,980**	**11,319,225**
Closing net assets of the fund		**13,632,330**	**11,210,980**

Management expenses and profit and loss on disposal of and change in value of investment figures now include transaction costs in line with CIPFA disclosure guidelines. The figures for reporting period 2015-16 have been restated to reflect these costs.

Net assets statement at 31 March 2017

	Note	31 March 2017	31 March 2016
		£000	£000
Investment assets			
Bonds	15	1,212,644	1,129,723
Equities (including convertible shares)	15	9,926,738	7,896,646
Index-linked securities	15	656,523	580,259
Pooled investment vehicles	15	1,600,718	1,389,330
Direct Property	15	7,000	6,500
Cash deposits	15	136,580	126,100
Other investment balances	15	37,934	40,689
Investment liabilities			
Other investment balances	15	-5,873	-5,950
Total net investments		**13,572,264**	**11,163,297**
Current assets			
Debtors	18	47,605	50,345
Cash balances (not forming part of the investment assets)		32,549	8,763
Current liabilities			
Creditors	19	-20,088	-11,425
Net current assets and liabilities		**60,066**	**47,683**
Net assets of the scheme available to fund benefits		**13,632,330**	**11,210,980**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2017. This financial statement shows the net value of assets owned by the fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 10.

Signed:

Stuart McKinnon-Evans

Strategic Director – Corporate Services

City of Bradford Metropolitan District Council

28 September 2017

Notes to the accounts

Note 1. Accounting policies

Basis of preparation

This statement of accounts summarises the fund's transactions for the 2016/17 financial year and its financial position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 10.

Contributions

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

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

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.

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 2013.

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.

Benefits payable

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

Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All WYPF staff are charged directly to the fund. Associated indirect management costs and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the fund.

Oversight and governance costs

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

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees charged by external advisers 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 advisers increase by RPI on an annual basis.

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 10).

Cash and cash equivalents

Cash comprises 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.

Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Investment income

Interest income

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

Property related income

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

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

Taxation

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

Financial assets

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 in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purpose of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Additional voluntary contributions (AVCs)

West Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

The fund has appointed Scottish Widows, Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 9).

Currency translation

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

Foreign currency purchases are translated into sterling at the actual purchase rate, all commissions are charged as expense to management costs.

Proceeds of sales of foreign assets are translated into sterling

If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.

Else the mid-market rate on the date of receipt is used.

Purchase of foreign investments are translated into sterling using the rate at which the foreign currency was purchased or translated to Sterling.

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

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

When currency is sold we use the actual sale rate and commissions are charged to management expense.

Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

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:

- currently has a legally enforceable right to set off the recognised amounts, and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 22 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.

Investment transactions

Investment transactions occurring up to 31 March 2017 but not settled until later are accrued in the accounts.

Note 2. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty

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

Fair value of financial instruments

In accordance with the Code and IFRS13, the fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 19. 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 third parties to perform these valuations and further due diligence is performed by the fund to maintain confidence in the data provided.

Retirement benefit obligations

Under IFRS the fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in note 7 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 7.

Note 3. Events after the balance sheet date

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

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- 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 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 4. Contributions received

	2016/17	2015/16
By category	**£000**	**£000**
Employers	271,661	262,685
Employees	110,949	110,039
Total	**382,610**	**372,724**

By type of employer	**£000**	**£000**
Administering authority	46,699	48,289
Scheduled bodies	291,872	283,909
Admitted bodies	44,039	40,526
Total	**382,610**	**372,724**

By type	**£000**	**£000**
Employees' normal contributions	106,470	105,659
Employees' additional contributions	4,479	4,380
Employers' normal contributions	247,600	242,691
Employers' deficit contributions	24,061	19,994
Total	**382,610**	**372,724**

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 2016/17 the rates start at 5.5% payable by employees with salaries up to £13,600 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Note 5. Transfers in from other pension funds

	2016/17	2015/16
	£000	**£000**
Individual transfers in from other schemes	22,632	20,371
Total transfers in	**22,632**	**20,371**

Note 6. Non-statutory pensions increase and recharges

	2016/17	2015/16
	£000	£000
Pensions	22,667	23,475
Total	**22,667**	**23,475**

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

Note 7. Benefits payable

	2016/17	2015/16
	£000	£000
Pensions		
Funded pensions – retired employees	-341,574	-330,091
Funded pensions – dependants	-28,573	-27,799
Total pensions	**-370,147**	**-357,890**
Lump sums		
Funded lump sums on retirement	-90,006	-87,235
Funded lump sums on death	-12,371	-10,976
Total benefits paid in year	**-472,524**	**-456,101**
Benefits payable by type of employers		
Pensions		
Administering authority	-71,405	-67,904
Scheduled bodies	-337,029	-327,330
Admitted bodies	-58,630	-55,805
Other interested bodies with no pensionable employees	-5,460	-5,062
Total benefits paid in year	**-472,524**	**-456,101**

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

Note 8. Payments to and on account of leavers

	2016/17	2015/16
	£000	£000
Refund of contributions	-1,469	-979
Individual transfers	-17,990	-18,205
Bulk transfers	-670	-1,549
	-20,129	**-20,733**

Note 9. AVC scheme – Equitable Life, Scottish Widows and Prudential

The fund provides an AVC scheme for its contributors, the assets of which are invested separately from the main fund. The scheme providers are 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.

	2016/17	2015/16
	£000	£000
Value of funds at 1 April	**24,212**	**24,282**
Contributions received	5,544	4,604
Transfers and withdrawals	245	43
Internal transfers	67	0
Interest and bonuses/change in market value of assets	3,223	-79
Sale of investments to settle benefits due to members	-5,001	-4,641
Value of funds at 31 March	**28,290**	**24,209**

AVC investments by providers	Active members	Members 2016/17	Members 2015/16	2016/17	2015/16
				£000	£000
Equitable Life	45	565	626	2,547	2,772
Prudential	1,642	1,752	1,585	13,278	9,779
Scottish Widows	335	1,209	1,318	12,465	11,658
Total	**2,022**	**3,526**	**3,529**	**28,290**	**24,209**

Note 10. 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 2014, are based on members' final pensionable pay. On 1 April 2014 the scheme changed from a final salary scheme to a CARE (Career Average Revalued Earnings) scheme and pension benefits are based on a member's pay each scheme year.

The required valuation is carried out by the fund actuary Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (actuarial statement on p78).

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 2016/17 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2016, together with the results as at 31 March 2013, are shown in the table below. The corresponding fair value of fund assets is also shown in order to show the level of surplus or deficit within the fund when the liabilities are valued using IAS 19 assumptions.

	31 March 2016	31 March 2013
	£m	£m
Fair value of net assets	11,211.0	9,940.3
Actuarial present value of the promised retirement benefits	14,085.4	12,259.3
Surplus/(deficit) in the fund as measured for IAS26 purposes	**-2,874.4**	**-2,319.0**

Assumptions

The latest full triennial actuarial valuation of the fund's liabilities was carried out as at 31 March 2016. The principal assumptions used for the purpose of IAS 26 by the fund's independent qualified actuaries were as follows.

	31 March 2016	31 March 2013
	%pa	% p.a.
Discount rate	3.40	4.50
RPI inflation	2.90	3.40
CPI inflation (pension increases)*	1.80	2.40
Rate of general increase in salaries **	3.05	3.90

* 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 the appropriate date.

Principal demographic assumptions

Post retirement mortality	31 March 2016	31 March 2013
Males		
Base table	Standard SAPS S2 All Pensioners (S2PMA	Standard SAPS Normal Health All Amounts
		(S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105% for current male pensioners 115% for future male pensioners	105%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	22.0	22.5
Future lifetime from age 65 (currently aged 45)	22.9	24.7

Post retirement mortality	31 March 2016	31 March 2013
Females		
Base table	Standard SAPS S2 All Pensioners (S2PFA)	Standard SAPS Normal Health All Amounts tables (S1NFA)
Rating to above base table *	0	0
Scaling to above base table rates **	90% for current female pensioners 90% for future female pensioners	100%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	25.1	25.4
Future lifetime from age 65 (currently aged 45)	26.9	27.7

* 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.

	31 March 2016	31 March 2013
Commutation	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 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.

Note 11. Management expenses

	2016/17	Restated 2015/16
	£000	**£000**
Administration costs	-3,879	-3,818
Investment management expenses	-5,562	-4,888
Oversight and governance	-837	-683
Total	**-10,278**	**-9,389**

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 -£19k in respect of performance related fees paid (2015/16 -£32k) and also a statutory audit fee of £48k (2015-16 £48k). No other fees have been paid to the external auditor.

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 12. Investment expenses

	2016/17	Restated 2015/16
	£000	**£000**
Internal management costs	-2,582	-2,573
Transaction costs	-2,503	-1,890
Custody fees	-477	-425
Total	**-5,562**	**-4,888**

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 13. Investment income

	2016/17	2015/16
	£000	**£000**
Income from bonds	42,986	41,343
Dividends from equities	269,985	246,768
Income from index-linked securities	3,653	5,451
Income from pooled funds	23,492	19,408
Income from direct property	416	415
Interest on cash deposits	932	1,234
Total	**341,464**	**314,619**

a. Analysis of Investment income accrued

	2016 UK	2017 UK	2016 Non UK	2017 Non UK	2016 Global	2017 Global	2016 Total	2017 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Bonds	9,703	9,047	1,964	1,953	0	0	11,667	11,000
Equities	24,668	16,784	1,135	239	0	0	25,803	17,023
Index linked securities	245	756	95	77	0	0	340	833
Pooled investment vehicles	0	0	0	0	0	0	0	0
Direct property holdings	311	220	0	0	0	0	311	220
Cash and cash equivalents	396	247	0	0	0	0	396	247
Total	**35,323**	**27,054**	**3,194**	**2,269**	**0**	**0**	**38,517**	**29,323**

Note 14. Direct property holdings

	2016/17	2015/16
	£000	£000
Opening balance	6,500	6,000
Additions		
Purchases	0	25
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase/decrease in market value	500	475
Other changes in fair value	0	0
Total	**7,000**	**6,500**

Note 15. Investments

Movement in the value of investments in 2016/17

	Opening value at 1 April 2016	Purchases cost	Sales proceeds	Change in Market value	Closing value at 31 March 2017
	£000	£000	£000	£000	£000
Bonds	1,129,723	249,506	-236,606	70,021	1,212,644
Equities	7,896,646	660,380	-444,688	1,814,400	9,926,738
Index linked securities	580,259	63,913	-77,003	89,354	656,523
Pooled funds	1,389,330	55,500	-50,407	206,295	1,600,718
Direct property	6,500	0	0	500	7,000
Cash deposits	126,100	10,480	0	0	136,580
Other investment debtors	40,689	0	-2,755	0	37,934
Other investment creditors	(5,950)	77	0	0	-5,873
Totals	**11,163,297**	**1,039,856**	**-811,459**	**2,180,570**	**13,572,264**

Movement in the value of investments in 2015/16

Investments	Opening value at 1 April 2015	Restated purchases cost	Restated sales proceeds	Restated change in market value	Closing value at 31 March 2016
	£000	£000	£000	£000	£000
Bonds	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	705,255	-435,536	-347,085	7,896,646
Index linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled funds	1,354,482	72,799	-65,068	27,117	1,389,330
Direct property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other investment debtors	41,056	0	-367	0	40,689
Other investment creditors	(6,000)	50	0	0	(5,950)
Totals	**11,254,897**	**1,142,967**	**-905,312**	**-329,255**	**11,163,297**

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. Purchases and sales have been restated to reflect the impact of transaction costs which occurred during 2015/16.

15a. Investments analysis by security type

	2016/17	2015/16
	£000	£000
Bonds		
Public sector quoted	706,031	657,199
Other quoted	498,420	453,431
Unquoted	8,193	19,093
Total bonds	**1,212,644**	**1,129,723**
Equities		
Quoted	8,908,077	7,156,337
Unquoted	1,018,661	740,309
Total equities	**9,926,738**	**7,896,646**
Index linked securities		
Public sector quoted	643,661	558,032
UK other quoted	12,862	22,227
Total index linked securities	**656,523**	**580,259**
Managed and unitised funds		
Hedge funds	254,255	228,660
Property	582,292	542,902
Other	764,171	617,768
Total managed funds	**1,600,718**	**1,389,330**
Direct property	**7,000**	**6,500**
Cash deposits	136,580	126,100
Other Investment assets	37,934	40,689
Other Investment liabilities	-5,873	-5,950
Total	**13,572,264**	**11,163,297**

The table shown above is a combination of all West Yorkshire Pension Fund UK and overseas assets.

15b. Concentration of investments

The Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local authority Accounting in the United Kingdom 2016/17 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 exceeds 5% of the value of the scheme.

Those which exceed 5% of a class of security are listed below:

	2016/17	2015/16
	£000	£000
Bonds		
Treasury 3.25% 2044	80,668	56,836
Index linked securities		
Treasury 2022	n/a	35,280
Treasury 2024	38,922	35,367
Treasury 2026	45,783	41,144
Treasury 2029	78,101	93,397
Treasury 2034	67,610	58,241
Treasury 2040	48,027	39,026
Treasury 2044	74,940	38,945
US Treasury 2042	44,166	37,745
Managed and unitised funds		
Aurum ISIS Sterling Fund	81,902	77,644
Aurum WYPF Mgd	82,416	n/a
QIP Ltd	89,032	83,249
Jupiter India Select	100,215	n/a
Direct Property	7,000	6,500

n/a=no investments

15c. Stock lending

	2016/17	2015/16
	£000	£000
UK stock lending		
Income – Bonds	91	52
Income – UK equities	950	1,020
Overseas equities	2,451	1,993
	3,492	**3,065**
Less – costs	**-88**	**-57**
Total	**3,404**	**3,008**

At 31 March 2017, £1.2bn of stock was on loan to market makers, (31 March 2016 £915.0m) and this was covered by collateral totalling £1.3bn, (31 March 2016 £974.0m). The collateral comprised UK & international government bonds £668.3m, (31 March 2016 £362.2m) international equities £344.1m, (31 March 2015, £411.5m), UK equities £257.6m, (31 March 2016 £199.8m), cash £0.0m (31 March 2016 £0.3m) and certificates of deposit £0.0m (31 March 2016, £0.4m). All our securities out on loan are fully indemnified

by HSBC our custodian.

Note 16. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investment – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published – closing single price where single price is published. Valuations for property funds are provided by fund managers and where available closing bid price is used.	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published – closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 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.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	Valued at fair value at the year end by CBRE independent valuers – in accordance with the RICS Valuation – Professional Standards global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ('the Red Book').	Existing lease terms – independent market research – nature of tenancies – estimated growth – assumed vacancy levels – discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31st March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments – hedge funds	10%	254.3	279.7	228.9
Freehold and leasehold properties	10%	7.0	7.7	6.3
Private equity	15%	993.8	1,142.8	844.7

	Assessed valuation range (+/-)	Value at 31 March 2016	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments – hedge funds	10%	228.7	251.5	205.8
Freehold and leasehold properties	10%	6.5	7.2	5.9
Private equity	15%	715.6	822.9	608.3

Financial instruments – valuation

Valuation of financial assets carried at fair value.

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

Level 1

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

Level 2

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

Level 3

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

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

Valuation hierarchy

	Level 1	Level 2	Level 3	Total
31 March 2017	**£m**	**£m**	**£m**	**£m**
Financial assets				
Financial assets at fair value through profit or loss	11,533	590	1,273	13,396
Loans and receivables	175	0	0	175
Total financial assets	**11,708**	**590**	**1,273**	**13,571**
Financial liabilities				
Financial liabilities at amortised cost	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

31 March 2016	**Restated £m**	**Restated £m**	**Restated £m**	**Restated £m**
Financial assets				
Financial assets at fair value through profit or loss	9,465	562	969	10,996
Loans and receivables	166	0	0	166
Total financial assets	**9,631**	**562**	**969**	**11,162**
Financial liabilities				
Financial liabilities at amortised cost	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Note 17. 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 2017	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
	£000	£000	£000	£000
Financial Assets				
Bonds	1,212,644	0	0	1,212,644
Equities	9,926,738	0	0	9,926,738
Index-linked securities	656,523	0	0	656,523
Pooled investment vehicles	1,600,718	0	0	1,600,718
Cash deposits (Investments)	0	136,580	0	136,580
Cash balances (not forming part of the investment assets)	0	32,549	0	32,549
Other investment balances	0	37,934	0	37,934
Debtors	0	47,605	0	47,605
Total financial assets	**13,396,623**	**254,668**	**0**	**13,651,291**
Financial liabilities				
Other investment balances	0	0	-5,873	-5,873
Creditors	0	0	-20,088	-20,088
Total financial liabilities	**0**	**0**	**-25,961**	**-25,961**

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

31 March 2016	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
	£000	£000	£000	£000
Financial assets				
Bonds	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances		40,689	0	40,689
Debtors	0	50,345	0	50,345
Total financial assets	**10,995,958**	**225,897**	**0**	**11,221,855**
Financial liabilities				
Other investment balances	0	0	-5,950	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	**0**	**0**	**-17,375**	**-17,375**

Note 18. Current assets – debtors

Debtors

	2016/17	2015/16
	£000	**£000**
Contributions due from employers	26,158	26,382
Other debtors	21,447	23,963
	47,605	**50,345**
By type of body		
Central government bodies	34	55
Other local authorities	40,080	42,959
NHS bodies	53	55
Public corporations and trading funds	1,177	1,161
bodies external to general government	6,261	6,115
	47,605	**50,345**

Note 19. Current liabilities

Creditors

	2016/17	2015/16
	£000	**£000**
Unpaid benefits	-7,098	-6,206
Other current liabilities	-12,990	-5,219
	-20,088	**-11,425**
By type of body		
Central government bodies	-4,622	-4,247
Other local authorities	-8,000	0
NHS bodies	0	0
Public corporations and trading funds	0	0
bodies external to general government	-7,466	-7,178
	-20,088	**-11,425**

Note 20. Related party transactions

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

Administering body

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

In 2016/17, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £347,130 in respect of support services provided (£438,136 in 2015/16). The support costs for 2016/17 included a full year's support for financial, legal and information technology services and a part-year charge for accommodation

Employers

Employers are related parties in so far as they pay contributions to the fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of the Report and Accounts. Contributions in respect of March 2017 payroll are included within the debtors figure in note 18.

UK Central government bodies

The UK Government is a related party as it provides the statutory framework within which the pension fund operates. Balances outstanding with the central government bodies are included within notes 18 and 19.

Members

The metropolitan councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. Six of these members are in receipt of pension benefits from the fund. There have been no material transactions between any member or their families and the Pension Fund.

Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The fund has identified key management personnel as the Director – West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £119,064 (2015/16 £117,964). Details of the remuneration for these two posts are included in note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

West Yorkshire Pension Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31 March 2017 was valued at £24.67m (£19.2m 31 March 2016) and has an original cost of £4.9m. There has been no investment activity with this fund during 2016/17. 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.

Note 21. Nature and extent of risks arising from financial instruments

Risk and risk management

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

Market risk

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

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

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

The fund's equity holdings are spread across more than 300 UK companies, and 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.

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

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

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

Price risk

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

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

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

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

	2016/17	2015/16
Asset type	Potential market movement +/- (%p.a.)	Potential market movement +/- (%p.a.)
UK equities	9.2	10.4
Overseas equities	8.3	9.6
UK gilts	6.3	6.1
UK corporate bonds	4.7	4.8
UK index-linked	7.5	7.3
Overseas bonds	9.0	9.1
Alternatives (universe)	3.1	4.4
Property	0.7	1.7
Cash	0.3	0.2

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 2017	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	4,740,451	9.2	5,176,572	4,304,330
Overseas equities	5,186,287	8.3	5,616,749	4,755,825
UK gilts	507,332	6.3	539,294	475,370
UK corps	440,171	4.7	460,859	419,483
UK index-linked	592,134	7.5	636,544	547,724
Overseas bonds	329,530	9.0	359,188	299,872
Alternatives (universe)	1,018,426	3.1	1,049,997	986,855
Direct property	7,000	0.7	7,049	6,951
UK properties	503,700	0.7	507,226	500,174
Overseas properties	78,592	0.7	79,142	78,042
Cash	136,580	0.3	136,989	136,170
Other investment assets	37,934	0.0	37,934	37,934
Other investment liabilities	(5,873)	0.0	(5,873)	(5,873)
Total Investment assets	**13,572,264**		**14,601,671**	**12,542,857**

Asset type	Value as at 31 March 2016	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	4,394,978	10.4	4,852,056	3,937,900
Overseas equities	3,501,668	9.6	3,837,828	3,165,508
UK gilts	488,485	6.1	518,283	458,687
UK corporate bonds	402,815	4.8	422,150	383,480
UK index-linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Direct property	6,500	1.7	6,611	6,390
UK properties	487,331	1.7	495,616	479,046
Overseas properties	55,571	1.7	56,516	54,626
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total investment assets	**11,163,297**		**12,117,592**	**10,209,003**

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 cashflows of a financial instrument will fluctuate because of changes in market interest rates.

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

The fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2017	31 March 2016
	£000	£000
Bonds	1,212,644	1,129,723
Cash deposits	136,580	126,100
Cash balances	32,549	8,763
Total	**1,381,773**	**1,264,586**

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 2017	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,212,644	12,126	-12,126
Cash deposits	136,580	1,366	-1,366
Cash balances	32,549	325	-325
Total	**1,381,773**	**13,817**	**-13,817**

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,129,723	11,297	-11,297
Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total	**1,264,586**	**12,646**	**-12,646**

Currency risk

Currency risk represents the risk that the fair value of future cashflows 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 2017 and 31 March 2016.

Currency exposure – asset type	Value as at 31 March 2017	Value as at 31 March 2016
	£000	£000
Overseas quoted bonds	265,141	238,423
Overseas unquoted bonds	0	0
Overseas quoted equities	4,531,286	3,014,307
Overseas unquoted equities	655,001	487,361
Overseas quoted index linked securities	64,389	57,379
Overseas unit trusts	596,484	473,380
Property funds	78,592	55,571
Total overseas assets	**6,190,893**	**4,326,421**

Currency risk – sensitivity analysis

Following analysis of historical data the fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2015/16 6.0%).

A 6.0% strengthening / weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2017	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	265,141	281,049	249,233
Overseas unquoted bonds	0	0	0
Overseas quoted equities	4,531,286	4,803,163	4,259,409
Overseas unquoted equities	655,001	694,301	615,701
Overseas quoted index linked securities	64,389	68,252	60,526
Overseas unit trusts	596,484	632,273	560,695
Property funds	78,592	83,308	73,876
Total overseas assets	**6,190,893**	**6,562,346**	**5,819,440**

Asset type	Value as at 31 March 2016	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	238,423	252,728	224,118
Overseas unquoted bonds	0	0	0
Overseas quoted equities	3,014,307	3,195,166	2,833,449
Overseas unquoted equities	487,361	516,603	458,119
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Property funds	55,571	58,905	52,237
Total overseas assets	**4,326,421**	**4,586,007**	**4,066,836**

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 15c.

Liquidity risk

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

Note 22. Contingent liabilities and contractual commitments

At 31 March 2017 West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2017	Undrawn commitments
	£m	£m
Asset class		
Private equity	993.8	756.5
Property funds	582.3	100.3
	1,576.10	**856.8**

At 31 March 2016 West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2016	Undrawn commitments
	£m	£m
Asset class		
Private equity	715.6	440.8
Property funds	542.9	101.8
	1,258.5	**542.6**

Note 23. Accounting developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2017.

IFRS 9 Financial Instruments (replacement of IAS 39)

The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and measurement.

IFRS 9 requires financial assets to be classified into one of three measurement categories:

- amortised cost
- fair value through other comprehensive income (FVTOCI), or
- fair value through profit or loss (FVTPL).

These changes are not expected to have a significant impact on the fund.

Note 24. 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 Report and Accounts. A copy is also available on the fund's website **www.wypf.org.uk**

Appendix A
Resolving Complaints

Internal dispute resolution procedure

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

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

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

The IDRP is a two-stage process.

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

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

If further help is needed

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

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

Policing pension schemes

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

Appendix B
Further Information and Contacts

WYPF senior management team

Director – West Yorkshire Pension Fund	**Rodney Barton** **Phone: 01274 432317** **E-mail rodney.barton@wypf.org.uk**
WYPF administration	
Technical & Development Manager	**Caroline Blackburn** **Phone 01274 434523** **E-mail caroline.blackburn@wypf.org.uk**
Business Development Manager	**Yunus Gajra** **Phone 01274 432343** **E-mail yunus.gajra@wypf.org.uk**
Service Centre Group Manager	**Grace Kitchen** **Phone 01274 434266** **E-mail grace.kitchen@wypf.org.uk**
Financial Controller	**Ola Ajala** **Phone 01274 434534** **E-mail ola.ajala@wypf.org.uk**
WYPF investments	
Chief Investment Officer (UK)	**Debra Hopkins** **Phone 01274 432318** **E-mail debra.hopkins@wypf.org.uk**
Chief Investment Officer (UK)	**Joanna Wilkinson** **Phone 01274 432038** **E-mail joanna.wilkinson@wypf.org.uk**
Chief Investment Officer (Overseas)	**Colin Standish** **Phone 01274 432748** **E-mail colin.standish@wypf.org.uk**

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

Company information

West Yorkshire Pension Fund
(Administered by City of Bradford Metropolitan District Council)
Aldermanbury House
4 Godwin Street
Bradford
BD1 2ST
United Kingdom

Phone **01274 434999**

Website **www.wypf.org.uk**

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

Appendix C
Glossary of Terms

Glossary of terms

Active member

An employee who is currently paying pension contributions.

Actuarial valuation

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

Additional voluntary contributions (AVCs)

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

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

administering authority

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

Admission body

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

Asset allocation

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

Best Value

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

Brent oil price

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

Career average revalued earnings (CARE) pension scheme

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

Cash equivalent value (CEV)

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

Consumer Price Index (CPI)

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

Contracted out

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

Commutation

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

Convertible shares

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

Custodian

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

Data governance

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

Death grant

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

Deferred pensioner

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

Deficit payments

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

Denomination

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

Designating body

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

Discretion

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

Direct property

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

Eligible councillor

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

Employer covenant

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

Equity risk premium

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

Financial instruments

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

Fixed income securities

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

Fund of funds (FoF)

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

Guaranteed minimum pension (GMP)

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

General partners

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

Index-linked bonds

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

Internal rates of return (IRR)

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

Local government

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

Myners' principles

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

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment

- responsible ownership
- transparency and reporting.

Ordinary shares

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

Pension board

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

Pension liberation fraud

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

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

Personal pension

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

Policy statement

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

Pooled funds

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

Private equity

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

Quality management

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

Quantitative easing

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

Related party transactions

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

Retail Prices Index

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

Rule of 85

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

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

Scheduled body

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

State Earnings Related Pension Scheme (SERPS)

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

Spot rate

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

Stakeholder pension

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

State pension age

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

State Second Pension (S2P)

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

Statutory compliance

This means following the laws on a given issue.

Stock lending

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

Subsumption

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

Transfer value

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

Transferred service

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

Treasury management

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

Unitised funds

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

Voting policy

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

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

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

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

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

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

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

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

Appendix D
Pension Administration Strategy

Contents

Regulatory framework and purpose

1. The regulations

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

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

1.1 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, discretionarystatements and IDRP
- An administration contact for the day-to-day administration of WYPF, completing forms and responding to queries, and
- a finance contact for completion and submission of monthly postings and co-ordination of exception reports

If they wish, employers may also nominate additional contacts.

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

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

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

3.2 Liaison and communication with employers

WYPF will provide the following contact information for employers and their members:

- A named Pension Fund Representative for regulatory or administration queries, training, advice and guidance.

- A named finance business partner to assist with the monthly returns process
- A dedicated contact centre for member queries

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

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30am to 4.30pm Monday to Friday	Face-to-face/telephone/e-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc 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
Ad hoc meetings	As and when required	Face-to-face
Workshops	10 per year	Face-to-face

4. Employer duties and responsibilities

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

4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly return submission For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report	90% compliance or better

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			If the employer is not using monthly return, then information is due within 6 weeks of change event	
50/50 & main scheme elections	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
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	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
Leavers	Monthly return Web form Monthly returns (exception reports)		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification	100% compliance

4.2 Responsibilities

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

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

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

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

4.3 Discretionary powers

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy to employees in respect of the key discretions as required by the regulations.

4.4 Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5 Internal dispute resolution procedure (IDRP)

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

5. Payments and charges

5.1 Payments by employing authorities

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to WYPF and /or its Additional voluntary contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

5.2 Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made.

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

5.3 AVC deductions

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

5.4 Late payment

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

5.5 Payment method

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

5.6 Early retirement and augmentation costs

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

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

5.7 Interest on late payment

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

5.8 Employer contributions

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

5.9 Actuarial valuation

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

5.10 Administration charges

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

6. Administering authority duties and responsibilities

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

6.1 Scheme administration

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

- Employer annual meeting
- Member annual meeting
- Pre retirement courses
- New starters induction courses
- Complete guide to administration
- Your responsibilities
- Monthly contributions
- Ill Health retirement

6.2 Responsibilities

WYPF will ensure the following functions are carried out.

6.2.1 Provide a helpdesk facility for enquiries, available during normal officehours, providing a single point of access for information relating to theLGPS

6.2.2 Create a member record for all new starters admitted to the LGPS

6.2.3 Collect and reconcile employer and employee contributions

6.2.4 Maintain and update members' records for any changes received by WYPF

6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that they can determine the assets and liabilities for each employer

6.2.6 Communicate the results of the actuarial valuation of the fund to each employer

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

6.2.8 Provide estimate of retirement benefits on request by theEmployer

6.2.9 Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10 Comply with HMRC legislation

6.3 Decisions

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

6.4 Discretionary powers

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

6.5 Internal dispute resolution procedure (IDRP)

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

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

6.6 Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member recordscreated	10	85%
2. Update personalrecords	10	85%
3. Posting monthly contributions to member records	10	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits – payment of lump sums	3	85%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions – payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirementbenefits	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 themember's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued to active members by		31 August
18. Make payment of pensions on the due date		100%
19. Issue P60s to pensioners within statutory deadlines		100%
20. Provide information on request in respectof pension share on divorce within legislative timescales		100%

Service	Days	Minimum target
21. Implement Pension Share Orders within legislative timescales		100%
22. Undertake annual reviews to establish continuing entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

7. Unsatisfactory performance

7.1 Measuring performance

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

WYPF performance levels will be published on a quarterly basis in the employer newsletter.

Overall employer and WYPF performance will be published by WYPF in the Report and Accounts.

7.2 Unsatisfactory performance

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

Appendix A – Main contact registration and authorised user list

Main contact registration form

West Yorkshire Pension Fund | Lincolnshire Pension Fund

main contact registration oct 2016

Main contact registration form

Employer name and location code
Employer address

Important: please read the guidance note on **Managing your WYPF contacts** before you complete this form.

Strategic contact

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

Administration contact

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

Finance contact

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

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

authorised payroll user list oct 2016

West Yorkshire Pension Fund

Employer name

Authorised payroll user list

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

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

Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III), minimum half day charge of £110 + VAT + cost of recovery actions (court and legal fees). Any part or all of this charge may be waived at head of service discretion.
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II) at £136 + VAT a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service discretion.
5. Early leavers information	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + VAT a day. This may be waived at head of service discretion.
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + VAT a day. This may be waived at head of service discretion.
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + VAT a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + VAT a day. This may be waived at head of service discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + VAT a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + VAT a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + VAT is made. This charge is for each member's record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £250 + VAT for this work.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. This charge is for each members record folder reference.

Appendix C – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for more than half a day a full-day charge will be made.

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

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

Appendix E
Funding Strategy Statement

Funding Strategy Statement (FSS)

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the administering authority is required to prepare an FSS. The key requirements for preparing the FSS can be summarised as follows.

After consultation with all such persons as it considers appropriate, including officers and elected members and other employer representatives, the administering authority will prepare, maintain and publish their funding strategy. In preparing the FSS, the administering authority must have regard to:

- the statutory guidance issued by CIPFA for this purpose, and
- the 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)) or Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) ('The Investment Regulations').
  The FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in either the policy on the matters set out in the FSS, SIP or ISS.

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

1.3 The LGPS is a defined benefit scheme under which thewhose 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, including a rates and adjustments certificate, be completed every three years by the actuary, to include a rates and adjustments certificate. The primary rate of employers' contributions to the fund should be set so as to 'secure its solvency'. The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long-term cost-efficiency of the scheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

2. Purpose of Funding Strategy Statement (FSS)

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

2.2 The purpose of this FSS is to set out the processes by which the administering authority:

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

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

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

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

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

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

3. Aims and purpose of the pension fund

3.1 The aims of the fund are to:

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

3.1.2 enable overall employer contributions to be kept as constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers and scheduled, designating, and admission bodies whilst achieving and maintaining the solvency of the fund, which should be assessed in light of the risk profile of the fund and the risk appetite of the administering authority and employers alike

3.1.3 manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The fund has a significant positive cashflow in terms of income received, including investment income, offset by monies payable, and

3.1.4 maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the fund is to:

3.2.1 receive monies in respect of contributions from employers and employees, transfer values and investment income, and

3.2.2 pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS regulations and as required in the investment regulations.

4. Responsibilities of key parties

4.1 The sound management of the fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the administering authority, scheme employers and the actuary.

4.2 The administering authority should:

4.2.1 operate a pension fund

4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund

4.2.3 invest all monies held in accordance with the 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/Investment Strategy Statement in proper consultation with interested parties

4.2.11 monitor all aspects of the fund's performance and funding and amend the FSS/SIP/ISS accordingly

4.2.12 manage the valuation process in consultation with the actuary

4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer, and

4.2.14 enable the local pension board to review the valuation process as set out in their terms of reference.

4.3 Each individual employer should:

4.3.1 deduct contributions from employees' pay correctly

4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date

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

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

4.3.5 provide adequate membership records to the administering authority promptly as required

4.3.6 notify the administering authority promptly of all changes or proposed changes to membership which affect future funding

4.3.7 notify the administering authority promptly of possible or intended changes that could affect the basis of participation in the fund which affect future funding

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, and

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

4.4 The fund actuary should:

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

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

4.4.3 provide advice and valuations on the exiting of employers from the fund

4.4.4 provide advice to the administering authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default

4.4.5 assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, and

4.4.6 ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

5. Solvency issues, target funding levels and long-term cost-efficiency

Risk-based approach

5.1 The fund adopts a risk-based approach to funding strategy. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The administering authority has considered three 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 Aactuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency target

5.3 The administering authority's primary aim is the long-term solvency of the fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.

5.4 The fund is deemed to be solvent when the assets held are equal to or greater than the value of the fund's liabilities assessed using appropriate actuarial methods and assumptions. The administering authority believes that its funding strategy will ensure the solvency of the fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

5.5 For 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 25 years.

This then defines the solvency target.

5.6 For admission bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken. The solvency target will be set by considering the valuation basis which would be adopted should the body leave the fund. For most such bodies, the solvency target will be set commensurate with assumed investment in an appropriate portfolio of government index-linked and fixed-interest bonds after exit.

5.7 For admission bodies where there is no subsumption commitment but which continue to admit new members to the fund and are considered by the administering authority to be sufficiently financially secure, the solvency target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.

Probability of funding success

5.8 The administering authority considers funding success to have been achieved if the fund, at the end of the trajectory period, has achieved the solvency target. The probability of funding success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the fund actuary.

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 25 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 future service contributions and any adjustment for surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the solvency target at the end of the trajectory period (defined below). The key assumptions used for assessing the funding target are summarised in Appendix 1.

5.10 Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the projected unit valuation method for most employers. The projected unit method is used in the actuarial valuation to determine the cost of benefits accruing to the fund as a whole and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

5.11 For employers who no longer admit new members, the attained age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the fund fund or retire. This approach should lead to more stable employer contribution rates than adoption of the projected unit method for closed employers.

Funding targets and assumptions regarding future investment strategy

5.12 For scheduled bodies whose participation in the fund is considered by the administering authority to be indefinite and admission bodies with a subsumption commitment from such scheduled bodies, the administering authority assumes indefinite investment in a broad range of assets of higher risk than risk-free assets. This is known as the scheduled and subsumption body funding target.

5.13 For other scheduled bodies the administering authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

5.13.1 the type/group of the employer

5.13.2 the business plans of the employer

5.13.3 an assessment of the financial covenant of the employer, and

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

5.14 For admission bodies whose liabilities are expected to be orphaned on exit, 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 exit, 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 exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.

5.15 For admission bodies where there is no subsumption commitment but which continue to admit new members to the fund and are considered by the administering authority to be sufficiently financially secure, the administering authority may assume continued investment in a broad range of assets of higher risk than risk free assets for a longer period, albeit it will still consider any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities when the employer exits. This is known as the intermediate funding target.

5.16 The fund is deemed to be fully funded when the assets are equal to or greater than 100% of the funding target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

Recovery periods

5.17 Where a valuation reveals that the fund is in surplus or deficit relative to the funding target, the employer 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.

5.18 If the assets of the scheme relating to an employer are less than the funding target at the date of any actuarial valuation, a recovery plan will be put in place, which is expected to require additional contributions from the employer to meet the 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.

5.19 Additional contributions to meet any shortfall will be expressed as a monetary amount and will increase annually in line with the assumption for pay growth used for the valuation unless a different increase rate is agreed between the employer and administering authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits:

5.19.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption guarantees from such bodies – 22 years

5.19.2 open admission bodies without a subsumption guarantee and no fixed or known term of participation – 22 years – although the administering authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant

5.19.3 admission bodies with a fixed or known term of participation – remaining period of participation (including those with a subsumption commitment)

5.19.4 other admission bodies (i.e. those closed to new entrants) – average future working life of current active members (or period to contract end date if shorter)

5.20 In determining the recovery period to apply for any particular employer, the administering authority may take into account, without limitation, the following factors:

5.20.1 the type/group of the employer

5.20.2 the size of the funding shortfall

5.20.3 the business plans of the employer

5.20.4 the assessment of the financial covenant of the employer, and

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

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, between the various employers in the scheme, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all employers. In attributing the overall investment performance 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 'primary contribution rate'). The method and assumptions for assessing these contributions are set out in Appendix 1.

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 where their notional share of the fund is in deficit. A shorter period may be applied in respect of particular employers where the administering authority considers this to be warranted (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 as long as the regulatory objectives of solvency and long-term cost efficiency are met

5.23.3 on the exit of an employing authority's participation in the scheme, the fund actuary will be asked to complete an exit valuation. Any deficit in the fund in respect of the employer will be due to the fund as a termination contribution, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the scheme to another participating employer. Details of the approach to be adopted for such an assessment on exit are set out in the separate employer 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 contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all employers.

5.25 Two key principles making up the funding strategy and to be adopted for the 2016 actuarial valuation are to:

5.25.1 provide stability in primary employer contribution rates and secondary employer contribution amounts as far as is possible, thereby avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2017 will be adopted where appropriate and required, and

5.25.2 retain a maximum 22-year recovery period for meeting a deficit as adopted at the 2010 and 2013 valuations.

5.26 With regard to the two principles outlined in paragraph 5.25 above, every scheme employer (i.e. those identified in paragraph 5.19.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contributions or phase any increase over a shorter period than six years. However, as an alternative, the main councils and West Yorkshire Fire and Police (chief constable and police and crime commissioner) have been offered the option of paying contributions based on market conditions as at 30 September 2016 on the proviso that their contribution requirements will be reviewed as at 30 September 2017 and 30 September 2018 and increased from the following 1 April if required.

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 5.19.2, 5.19.3 and 5.19.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the administering authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the fund.

5.28 The strategic aim of the fund is to operate within a funding range of 90% to 110%. Whenever the fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as the ensure the solvency and long-term cost efficiency of the fund are still met. For other employers the administering authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

5.29 In determining the above principles and adopting the 22-year deficit recovery period for the 2016 valuation, the administering authority has had regard to:

5.29.1 the responses to the consultation on the FSS principles

5.29.2 relevant guidance issued by the CIPFA pensions panel

5.29.3 the need to balance a desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range against the short-term cash requirements which a shorter period would impose, and

5.29.4 the administering authority's views on the strength of the participating employers' covenants in achieving the objective.

Long-term cost efficiency

5.30 In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the fund, the administering authority has assessed the actual contributions payable by considering:

5.30.1 The implied average deficit recovery period, allowing for the stepping of employer contribution changes

5.30.2 The investment return required to achieve full funding over the recovery period, and

5.30.3 How the investment return compares to the administering authority's view of the expected future return being targeted by the fund's investment strategy.

Smoothing of contribution rates for admission bodies

5.31 The administering authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the administering authority requires all admission bodies to be fully self funding, such that other employers in the fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to costs for other participating employers.

5.32 Where the administering authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, the administering authority will engage with the largest employers in the fund with a view to seeking agreement to this approach.

5.33 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 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. It should be noted that should an employer exit the fund during the period when contribution rates have been relaxed, the full value of the employer's liabilities in the fund will be taken into account in the exit valuation, i.e. the employer will in effect be required to make up any additional underfunding by virtue of contributions having been relaxed.

Notional sub-funds

5.34 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.

5.35 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.

5.36 The notional sub-fund allocated to each employer was tracked between the 2013 and 2016 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 was made for the timing of contributions and cashflows for each year were assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. Further adjustments were made for:

5.36.1 a notional deduction to meet the expenses paid from the fund in line with the assumption used at the 2013 valuation

5.36.2 allowance for any known material internal transfers within the fund (cashflows will not exist for these transfers). The fund actuary assumed 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

5.36.3 allowance for death in service and other benefits shared across all employers in the fund (see above), and

5.36.4 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.

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

5.37.1 where, in the opinion of the fund actuary, the cashflow data which is unavailable is not material, estimated cashflows were used, and

5.37.2 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 instead used 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.

5.38 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.

5.39 With effect from 1 April 2016 a unitised approach will be used to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the current actuarial valuation) as its starting point and hence won't be place until the 2016 valuation has been completed. Calculations with an effective date on or after 1 April 2016 requiring an updated calculation of the notional sub-fund for any employer will use the output of the unitisation model where available. However, any actuarial calculations with an effective date of after 1 April 2016 which are finalised before the unitisation model is operational will not be revised unless this has been specifically agreed by the administering authority.

Former participating bodies

5.40 Where an employer ceases to participate in the fund, the administering authority will obtain an exit valuation from the actuary which will determine an exit 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. Further details of the administering authority's policy for exit valuations are set out in Appendix 2.

5.41 Liabilities in the fund which are already orphaned will be assumed to be 100% funded on the appropriate funding target at each valuation. This will be achieved by notionally re-allocating assets within the fund as required.

6. Link to investment policy set out in the Statement of Investment Principles (SIP)/Investment Strategy Statement (ISS)

6.1 In assessing the value of the fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the fund, as set out in the 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 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:

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 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 cashflows into the fund, or an increase in cashflows 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 cashflow 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, and

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.

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

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, or
- 8.3.4 if there have been any significant special contributions paid into the scheme.

Appendix 1

Actuarial valuation as at 31 March 2016

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 rates adopted vary according to the solvency target as set out in Section 5.

For the 2016 valuation the discount rate is 4.7% p.a. for the periods pre and post retirement (the scheduled and subsumption body funding target), with the exception of:

- Admission bodies which will ultimately give rise to orphan liabilities where the discount rate is 4.1% 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 2.5% (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 actuary's view of the possible future increase in gilt yields. This is the ongoing orphan admission body funding target.
- Admission bodies where there is no subsumption commitment but which continue to admit new members to the fund and are considered by the administering authority to be sufficiently financially secure to justify a higher discount rate than the orphan admission body basis, where the discount rate for the 2016 valuation is 4.1% p.a. in service and left 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%). This is the intermediate funding target.

Inflation – Retail Prices Index (RPI) and Consumer Prices Index (CPI)

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

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

Salary increases

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

Pension increases

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

Mortality

Post-retirement mortality

Base rates

Normal Health: Standard SAPS S2P normal health tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS S2 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, current pensioner)	105%
Females (normal health, current pensioner)	90%
Males (normal health, current non-pensioner)	115%
Females (normal health, current non-pensioner)	90%
Males (ill-health)	120%
Females (ill-health)	135%

Future improvement to base rates

An allowance for improvements in line with CMI_2016Proposed2015, 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 50% scaling factor
Females: As for normal health retirements but with a 25% scaling factor

Early retirements

Active members and deferred members who left before 1 April 2016 and 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.

Active members who joined the LGPS after 31 March 2014 are assumed to retire at their normal retirement age (which is aligned with state pension age).

All other active and deferred members are assumed to retire at age 65.

Withdrawals

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

- 80% of non-pensioners are assumed to be married/cohabitating at retirement or earlier death.
- 80% 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

All members are assumed to remain in the scheme they are in at the date of the valuation.

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

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

Funding method

For most employers, the actuarial method to be used is the projected unit method with a one year control period. For employers who do not permit new employees to join the fund, the actuarial method to be used is the attained-age method. Under both funding methods 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 'primary contribution rate') for the 2016 actuarial valuation

Discount rate (in service)	4.7% (scheduled, resolution and bodies with subsumption guarantees) 4.1% (orphan admission bodies and intermediate funding target (see paragraph 5.15))
Discount rate (left service)	4.7% (scheduled, resolution and bodies with subsumption guarantees) 4.1% (intermediate funding target (see paragraph 5.15)) 2.5% (orphan admission bodies)
Rate of general pay increases	3.25%
Rate of price inflation (RPI)	3.1%
Rate of price inflation (CPI)	2.0%
Rate of pension increases (on benefits in excess of GMPs)	2.0%
Rate of pension increases on post-88 GMPs	1.8%
Rate of deferred pension increases	2.0%
Rate of GMP increases in deferment	3.25%

Appendix 2

Policy on new employers and exit valuations

1. Background

This document explains the policies and procedures of the West Yorkshire Pension Fund ('the fund') in the treatment of employers including on commencement or admission, considerations in respect of the participation of existing admission bodies, and the methodology for assessment of an exit payment on exit of employers in the fund, administered by City of Bradford Metropolitan District Council ('the administering authority'). This policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement.

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

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

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

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

2. New employers

Types of admission body

The following bodies are types of potential admission body.

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

(b) A body, to the funds of which a scheme employer contributes

(c) A body representative of:

- any scheme employers, or
- 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:

- the transfer of the service or assets by means of a contract or other arrangement
- a direction made under section 15 of the Local Government Act 1999 (secretary of state's powers)
- directions made under section 497A of the Education Act 1996;

(e) A body which provides a public service in the United Kingdom and is approved in writing by the secretary of state for the purpose of admission to the scheme.

An employer who wishes to join the fund may apply to the administering authority for admission. If admitted, that employer becomes an admission body and specified categories of its employees can participate as members of the fund.

The administering authority is responsible for deciding whether an application from an employer to become an admission Body within the fund should be declined or accepted. The employer must meet the requirements set out in Part 3 of Schedule 2 to the LGPS Regulations, and, where appropriate, the additional requirements set out by the administering authority.

The administering authority will generally only consider admission if the body in question is based wholly or mainly in West Yorkshire or has clear links to an existing scheme employer of the fund, the body has a sound financial standing and appropriate security is in place (see section on bonds, indemnities and guarantees below). The administering authority's preference is for a scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the fund. Where such a commitment is not available, an orphan admission body funding target will be adopted, to protect the fund as set out in paragraph 5.6 of the funding strategy statement and explained further below. In the extreme, the administering authority may exercise its discretion to refuse admission to the scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the fund. However, for paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the administering authority must admit the eligible employees of that body to the fund.

The admission body is required to have an **admission agreement** with the fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the fund. The administering authority has a template admission agreement which it will generally expect to be entered into without amendment. Details are available on request.

Bonds, indemnities and guarantees

The administering authority will seek to minimise the risks that a new admission body might create for the fund and the other employers in the fund. These risks will be taken into account by the administering authority in considering the application for admission, and the administering authority may put in place conditions on any approval of admission to the fund to minimise these risks, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the admission body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the fund.

Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the scheme employer (i.e the employer letting the contract) and the administering authority. Where the administering authority is satisfied as to the strength of covenant of the scheme employer, it will not usually require a minimum level of cover in order to be 'satisfied' with the risk assessment, as the risk on premature termination will fall on the scheme employer. However, as agreed with the five main councils in the fund and West Yorkshire Fire and Police (chief constable and police and crime commissioner) (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 actuary which can be shared with the scheme employer on the understanding that the fund actuary cannot provide advice to the scheme employer. Based on this assessment, the scheme employer and the administering authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the administering authority.

Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or body the admission body must secure a guarantee from the scheme employer. In the event of unfunded liabilities on the termination of the admission, the scheme employer's contribution rate to the fund would be revised accordingly. In most cases it is expected that the scheme employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are 'subsumed into the scheme employer's liabilities and notional pool of fund assets.

Where the liabilities cannot be fully met by a guarantor or insurer, the regulations provide that:

- the letting employer will be liable in an outsourcing situation, and
- in all other cases the liabilities will fall on all the other employing authorities within the fund.

Other admission bodies are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the administering authority. The administering authority's policy is to seek actuarial advice in the form of a 'risk assessment report' provided by the fund actuary. Based on this assessment, the administering authority will decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond the admission body must secure a guarantee from:

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

(b) a person who:

(i) owns, or

(ii) controls the exercise of the functions of, the admission body, or

c) the secretary of state in the case of an admission body:

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

(ii) where that enactment enables the secretary of state to make financial provision for that admission body, or

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

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

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

In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor these will normally fall to be met by the scheme employer in the case of paragraph 1(d) admission bodies or the fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the fund. Alternatively, if the guarantor for the outgoing admission body was also a participant in the fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the fund.

Funding target

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

Subsumed liabilities

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

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, if the subsuming employer is considered to be of sufficiently sound covenant and likely to participate in the fund indefinitely – e.g. being one of the five main councils – this will mean assuming continued investment in more risky investments than government bonds.

For tax raising scheduled bodies, whose participation in the fund is considered by the administering authority to be indefinite, the funding target is set out in section 5 of the FSS. New academies are currently considered to be in this category, as they have a guarantee from the Department for Education. However, this guarantee is subject to review and where the administering authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the fund, the administering authority will review the approach taken to the funding target for new academies and also the default approach taken to the notional assets transferred to academies upon conversion.

For other scheduled bodies and any new scheduled bodies joining the fund, the administering authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer
- an assessment of the financial covenant of the employer
- any contingent security available to the fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

Orphan liabilities

Where an employer ceases its participation in the fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the administering authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

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

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

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

Initial notional asset transfer

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

When a new admission body starts in the fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the administering authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the fund, such as new academies upon conversion to academy status.

Unless specific instruction is received in relation to a new academy and the agreement is reflected in the commercial transfer agreement, the administering authority's policy is that an unadjusted share of Fund approach is adopted by the actuary in notionally re-allocating assets from the Local Education authority to the academy on conversion in respect of the transferring liabilities. Put another way, there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the five main councils in the fund which have education responsibilities.

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

Employer contribution rate

Initial rate

When a new employer joins the fund, the fund actuary determines the initial employer contribution rate payable.

An interim contribution rate may be set pending a more accurate calculation by the fund actuary of the employer contribution rate payable. Currently the interim contribution rate is 20% of pay. The administering authority will change these interim contribution rates following each triennial actuarial valuation and at any other time at its discretion.

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

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- any past service or transferred liabilities
- whether the new employer is open or closed to new entrants
- the funding target that applies to the employer
- the funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate), and
- other relevant circumstances as determined by the administering authority on the advice of the fund actuary

Review of employer contribution rates

The regulations require a triennial actuarial valuation of the fund. As part of each actuarial valuation the contributions paid by each employer in the fund are reviewed and may be increased or reduced.

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

The administering authority monitors the active membership of closed admission bodies and will commission a valuation from the actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial actuarial valuation.

3. Cessation of participation

Where an employing authority ceases participation, whether by ceasing to be a scheme employer (including ceasing to be an admission body participating in the fund), or having no active members contributing to the fund, a cessation valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the fund. When employees do not transfer to another employer they will retain pension rights within the fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

The assumptions adopted to value the departing employer's liabilities for the exit valuation will depend upon the circumstances. In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the funding target on exit will anticipate investment in low risk investments such as government bonds. This is to protect the other employers in the fund, as upon exit, the employer's liabilities will become 'orphan' liabilities within the fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities, i.e. if the outgoing employer has a subsumption commitment from another employer in the fund, the administering authority's policy is that the ongoing funding target appropriate to the subsuming body will be used for the assessment on exit.

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

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

However, where agreed between the parties the deficit may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit. Where the guarantee only covers the exit deficit, it is assumed that the departing employer's liabilities will still become orphaned within the fund.

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

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

At successive triennial actuarial valuations the actuary will allocate assets within the fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the fund.

Multi-academy trusts

Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the administering authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The administering authority may direct the fund actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial actuarial valuation.

Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the administering authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the fund. Rather than requiring a lump sum payment, the administering authority may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case the administering authority will instruct the fund actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

Suspension notices

Regulation 642A permits the suspension of an employer's liability to make an exit payment for up to 3 years where the administering authority believes that the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. The administering authority considers that it is appropriate to exercise that discretion in relation to town and parish councils where there is a reasonable expectation that a member will join in the near future (e.g. before the next triennial actuarial valuation). In that case, the fund will advise the employer of the exit amount calculated by the actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next actuarial valuation .

4. Responsibilities of employers in the fund

Individual employers will pay for any legal and actuarial costs incurred by the fund on their behalf.

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

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

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff
- merging with another organisation, whether a participant in the fund or not (e.g. colleges merging under the area review process or housing companies merging)
- an application by a sixth-form college to become a 16–19 academy, including whether successful or not
- a material change in the funding of the organisation including a reduction in grants from local or central government or a shift in the balance of funding, and
- a large-scale redundancy exercise which could materially reduce the employer's active membership.

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

Appendix F
Governance Compliance Statement

Governance Compliance Statement

1. Introduction

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

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

2. Governance and Audit Committee

2.1 The Governance and Audit Committee shall comprise five members. Either the chair or deputy chair of the committee shall not be a member of the executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory group and/or Investment Advisory Panel.

Quorum

The quorum of the committee shall be three members.

Roles and functions of the Governance and Audit Committee affecting West Yorkshire Pension Fund

2.2 The functions of the committee affecting 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 the external audit request be considered by a member body, including any that may concern the council's governance arrangements
3. consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti- corruption arrangements
4. seek assurance 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 function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities)(England) Regulations 200 (function 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
7. review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary, and
8. consider the reports of external audit and inspection agencies.

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

3. WYPF Investment Advisory Panel

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

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

3.3 All representatives on the panel have equal voting rights.

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

3.5 The panel will meet at normal quarterly intervals within 6 weeks of each quarter end. 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, and views from the fund's external investment advisers.

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

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

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

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

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

4. WYPF Joint Advisory Group

4.1 The WYPF Joint Advisory Group (referred to as 'the group') comprises 20 representatives. There are three councillor representatives from each of the five West Yorkshire district councils, three trade union representatives, and two scheme members. All representatives on the group have equal voting rights.

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

4.3 For each municipal year a chair is nominated by the Bradford Council representatives and a deputy chair is elected from amongst the other members of the group.

4.4 The group has overall responsibility for overseeing and monitoring WYPF's pension administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the group will approve the budget estimates for the pension administration and investment management functions of WYPF, and also received WYPF's annual Report and Accounts.

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

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

5. WYPF Pension Board

5.1 WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

5.2 The board's role is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator; and any other such matters as the LGPS regulations may specify.

5.3 The WYPF Pension Board comprises eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils, and one employer representative nominated from all the other employers in the fund).

5.4 The board will meet twice a year on such dates as they determine.

5.5 The quorum of the board shall be three (Chair plus one employer representative and one member representative).

6. Annual meetings

6.1 Each year WYPF holds an employer annual meeting and a separate scheme member annual meeting.

6.2 At each annual meeting a keynote address is given by a guest speaker on a related pensions topic. The Director – WYPF will provide an update on the activities of the fund during the past year, and the fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

7. Training/expenses/facility time

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

7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work and members can opt to attend any that they feel will be of benefit to them.

7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or WYPF Pension Board shall be remunerated for undertaking this role. However expenses incurred in the attending meetings, training events will be reimbursed. The cost is met by the fund.

7.4 The trade unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and WYPF Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board.

8. Register of interests

All voting members of the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board must complete a declaration of acceptance of office form and annually compete a conflicts of interest form.

Appendix G
Communications Policy

Communications Policy 2015/16

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.

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 381 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes both old and new for a number of fire authorities. This policy is effective from April 2015 and will be reviewed annually, around January 2016.

Our stakeholders

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

- members
- representatives ofmembers
- prospectivemembers
- employingauthorities.

Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style
- Use plain English for all our communications with stakeholders
- Identify and use the most appropriate communication method to take account of stakeholders' different needs
- Use technologies to provide up to date and timely information to stakeholders
- Engage with our stakeholders face-to-face whenpossible

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:

- feedbackquestionnaires
- monitoring compliments andcomplaints, and
- customersurveys.

To ensure continuous development we plan to:

- implement member self service in April 2015.
- develop and publish a series of webinars and e-learning
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the schemeor change maincontacts.

Communications events 2015/16 – Local Government Pension Scheme (LGPS)

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

Communications events 2015/16 – firefighters

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
	www.wypf.org.uk	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/phone/e-mail
	Scheme booklet	Constant	Web
Firefighter deferred members (including representatives of deferred members)	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

Communications events 2015/16 – councillors

Communication	Format	Frequency	Method of distribution
Councillor active members (including representatives of active members and prospective members)	Newsletter	2/3 per year	E-mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Meeting/face-to-face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web

Communications events 2015/16 – employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and Xtra	12 per year and when required	E-mail
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	10 per year	Face-to-face

Member contacts

WYPF contact centre
Phone (01274) 434999
Email wypf@bradford.gov.uk

Postal address
WYPF
PO Box 67
Bradford
BD1 1UP

Employer contacts

Stuart Duncombe (Team Manager – Business Relations) 01274 432763

Pension Fund Representatives

David Parrington	01274 433840
Sheryl Clapham	01274 432541
Lisa Darvill	01274 432540

WYPF Management

Rodney Barton	Director – WYPF
Yunus Gajra	Business Development Manager
Grace Kitchen	Service Centre Group Manager
Ola Ajala	Financial Controller
Caroline Blackburn	Technical and Development Manager

Appendix H
Statement of Investment Principles

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.

3.3 The fund will invest in private equity, infrastructure, hedge funds and listed alternatives which, together with property, will be classed as alternative investments.

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

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 2015/16 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 %
Bonds – total	14–20
UK fixed Interest gilts	2–8
UK index linked gilts	2–8
Corporate bonds	1–7
Global bonds	1–5
Equities – total	57.5–72.5
UK equities	30–40
Overseas equities	25–35
Property	3–7
Private equity	3–7
Private 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 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.

6. Expected return on investments

6.1 The fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by State Street Global Services.

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 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 and custody 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 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 60 local authority pension funds with combined assets of £150 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 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, 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 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. The Myners Report

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

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

13. Clear objectives

13.1 Members of the panel take a long-term view in setting investment objectives. Investment objectives are set for the fund itself, which have due regard to the fund's 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 fund 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 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.

Appendix I
Risk Management Report

WYPF Departmental Risk Management Report

Introduction

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

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

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior managers and covers 13 categories of risk as shown below.

Identified risks

Scenario	Short name
Economic	
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	
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts
Technological	
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	
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
Managerial/Professional	
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence
Finance	
24	Finance aren't always involved in other sections' decision making processes
31(a) 31(b) 31(c)	External fraud – Life Certificates External fraud – Returned payments/payslips External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund

Scenario	Short name
Economic	
42	Admin costs
48	Prompt payment of pension
56	Monthly Contribution Returns
Physical	
Competitive	
27	Lack of PI's and overall performance management framework
Customer / Citizen	
43	Customer Satisfaction
Social	
4	Reduction in proportion of active members
Partnership / Contractual	
53	Shared Service with South Yorkshire Fire, Humberside Fire, West Yorkshire Fire, North Yorkshire Fire, Lincolnshire Fire, Royal Berkshire Fire and Buckinghamshire & Milton Keynes Fire Authorities.
57	Lincolnshire Pension Fund Shared Service

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high. Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund Shared Service

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
58	Investment Pooling

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

As part of a regular review, 42 risks have been identified and framed into scenarios. The risks identified have been rated, 20 of these above their acceptable tolerance level, 22 below the tolerance line. The results are shown on the following risk profile.

LIKELIHOOD	WYPF risk profile July 2014				Bradford MBC – Finance risk profile 5 September 2003			
A					18	24 (pensions), 26	7, 8	
B		9,19			21	2, 4, 9, 11, 15, 17, 32a	27, 30	
C		1, 24	2, 4, 6, 12, 13, 21, 22, 41, 45,		33	28a	12, 19, 20	
D		7, 8, 17, 31(c), 40, 42, 46, 50	10, 31(b), 43, 44, 48, 49, 56, 58	57	5, 25, 29	10, 14, 16, 22	1, 31	
E	27	15	3, 5, 16, 31(a), 36, 47, 51		23, 28b		13, 34	
F			35			24 (finance), 32b		
IMPACT	IV	III	II	I	IV	III	II	I

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

Impact
I Catastrophic
II Critical
III Marginal
IV Negligible

Risk management and monitoring

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

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

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

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
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)	Contribution rate rises Budget cuts and/or council tax increases Bad publicity for employers Bad publicity for WYPF Bad publicity for LGPS Increased Central Government pressure for changes to LGPS Admitted bodies review provision of LGPS to employees Admitted bodies to WYPF seek reduced rates with other LGPSproviders Political impact Customer complaints about 'pension pay-offs'	Annually	Ongoing
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	Fund stop showing net inflows of cash Investment strategy no longer consistent with maturity profile FSS and SIP become out of date 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	

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: Civica usergroup LGPSgroup Payroll usergroup	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
12	C2	Too much information is supplied by employers on paper medium	Enhancements to UPM2 are continuing.	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.	Yunus Gajra	Increase in electronic medium of info sharing Improvements in KPIs 1, 4a, 4b, 6 and 8	Annual	Ongoing
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing
21	C2	Greater level of support required/ expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing
22	C2	Recruitment and retention of experienced staff in Pensions Administration, 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

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
31 (b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual	
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing	

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

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
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
53	D1	Fire authority Shared Service	Adequate	Regular meetings with the 7 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing
56	D2	Introduction of monthly contribution returns	Briefings and requirements specified to 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	Adequate	Regular senior management review meetings internally and Collaboration Board meetings with LPF	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing
58	D2	Investment Pooling joint steering group of Officers and Members from the three Funds established	Adequate	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1April

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

Future review and revision of risks

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

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

Appendix 1

Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Eco-nomic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nation-wide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	Budget doesn't meet demand Criticised for not pro-viding a good service Bad publicity
2	C2	Eco-nomic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	Contribution rate rises Budget cuts and/or counciltax increases Bad publicity for employers Bad publicity for WYPF Bad publicity for LGPS Increased Central Gov-ernment pressure for changes to LGPS Admitted bodies review provision of LGPS to employees Admitted bodies to WYPF seek reduced rates with other LGP-Sproviders Political impact Customer complaints about 'pension pay-offs'

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Politi-cal/Eco-nomic	Governance (Strategic)	Understanding of is-sues at high officer and member level. Clear risk, return and contribution objectives Consistent FSS and SIP documents in place The purpose of the FSS is : to establish a clear and transparent fund-spe-cific strategy which will identify how employers' pension liabilities are best met and must be consis-tent with the published Statement of Investment Principles and the fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contri-bution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.	Un-coordinated operation caused by lack of under-standing	The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisers and do not challenge advice panel composition not representative of all bodies in the fund Overall investment objectives do not rep-resent what members of panels consider necessary to meet the fund's liabilities given their understand-ing of contributions likely to be received from employers and employees and do not take account of their attitude to risk Unstable contribution-rates Too much reliance put on benchmarking with other funds, without considering the spe-cific circumstances of WYPF
4	C2	Social/ Eco-nomic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	Fund stop showing net inflows ofcash Investment strategy no longer consistent with maturity profile FSS and SIP become out of date Less time to make up any deficits so more unstable contribution rates

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/ reputation	Budgetcut Actively look at outsourcing/partnership Look atalternatives Project process unmanageable Lack of trust in information provided Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel and JAG members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	Loss of effective support Learning curve
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. (Bradford-i): the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	Loss of control over budget spend Imposition of 'Bradford' systems inappropriate to WYPF Politicises JAG and Investment Panel Service delivery reduced Diversion from coreactivity
8	D3	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds Could be asked to compete against other LG Funds or the private sector	Becomes Government policy Admin costs rise to unacceptable levels	Culture change Cost pressure Fail to become providerfor Yorkshire region Staff relocation Staff redundancies Bad publicity for Bradford Become provider for Yorkshire Increased resource requirement Good publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	Risk of non-compliance – bad publicity and fines Dilutes development of systems Increased admin costs Increased communications costs
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	E-government cannot be supported Increased time and support needed for number-crunching Less added value support
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met Major incident occurs	People can't access vital information in a timely manner Sustainability issues Transcription errors Delays Invalid employer contribution rates set Invalid ABSs sent to members ABSs not sent to members Noncompliance Bad publicity Key objective not met Loss of service Permanent data loss Loss of income Inability to pay pensioners

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
13	C2	Techno-logical	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e- mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc. Link with 35	Minor incident occurs Major incident occurs	Can't back up the data Loss of service Permanent data loss Loss of income Inability to pay pensioners
15	E3	Techno-logical	Current software providers pull out of the market or are taken over	Current providers – Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	other systems available but enforced change time consuming pressure on staff
16	E2	Techno-logical	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	Loss of data Corrupt data Incorrect payments Breach of DP Act
17	D3	Techno-logical	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	Learning curve Pressure on remainin staff Reduction in service delivery Delays in development work

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
19	B3	Legis-lative/ Regula-tory	Lots of legislative / regulatory change with no resource given to implement it	There is lots of legisla-tive/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	Benchmarking costs rise Increased pressure on staff Don't adopt legislation Servicecriticised Duties and responsibil-ities not fully adopted Ombudsman cases Incorrect payment of benefits Growing complexity of administration Risk of non compliance Key objective not met studies notcompleted general pensions knowledge declines give ill advice pressure on staff staff don't have up to date, consistent knowl-edge and understand-ing
21	C2	Mana-gerial/ Profes-sional	Greater level of support expected by district coun-cils than other employers	Bradford Council and to a lesser extent the other four councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	Staff frustrated Reduced level of ser-vice to other employ-ers
22	C2	Mana-gerial/ Profes-sional	Recruitment and retention of experi-enced staff in Pensions Ad-ministration	Problems with recruit-ment and retention – the need to train people up, the need for continual process re- engineering. Managers of similar age Difficulties in attracting staff to Bradford – the city needs to raise its profile	Recruitment and reten-tion of staff does not improve	Pressures on existing staff Activities are ineffec-tively carried out Difficulties in succes-sion planning Pressure to offer more lucrative packages Reliance on agency/ temporary staff Escalating staff costs Gaps appear instruc-tures Adverse impact on service delivery Loss of experienced staff Stagnation Carryingvacancies

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	Act 'ultravires' Promises made that can't be met
27	E4	Com-petitive	Lack of PIs and overall performance management framework	Local Best Value PIs in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to definePIs. Link with 8	Don't develop PI's within an overall performance framework	Can't manage perfor-mance effectively Fail to meet explicit objective
31 (a) (b) (c)	D2 E2 D3	Finance	External Fraud	To introduce further mea-sures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un- notified deaths	Further measures not introduced	overpaid pensions courtcases time commitment key objective not met
35	F2	Legisla-tive /Regu-latory	Administra-tion of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employ-ers in accordance with statutory requirements Link with 13	Unable to provide service	key objective not met
36	E2	Finance	Maximise Council sur-plus balances	Maximise the returns from external investment of any surplus cash balances of the council		loss of income key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisers – Fund Managers, Advisers, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisers, performance expectations of dept and the long term funding strategy statement , strategic asset allocationetc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	Panels, fund managers, advisers operate in an un- coordinated way or set their own parameters for performance Individual performance not gauged and remedied where necessary Sub-optimal performance of investments Poor long term investment performance Missing assets Disputes over title Late reports Changes to assumptions mid stream Targets not set Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the fund Maturity of the scheme influences the investment strategy adopted Employer contributionrate	Funding level falls to unacceptable level	Low funding level willraise ER's contribution rate ER's contribution rate unsustainable pressure on LGPS from Central Govt. Employers cease admitting new members Employers stop joining the fund Then becomes risk4
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	Review in-house provision Budgetcuts Servicecuts Partnership arrangements Badpublicity
43	D2	Customer/ Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	Fines Badpublicity Shrinking user base
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
45	C2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	Pensions not paid Backlog of work on return Delayed SAP implementation Additional admin work to input strike breaks
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities metby the fund itself (i.e. all employers)	Increase in employer contribution rate acrossthe fund Increase in liabilities across the fund Possible bad publicity
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	Data falls in the wrong hands and used for criminal purposes Bad publicity Loss of trust and confidence inWYPF
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	Pensioners not getting paid ontime Cause financial hardship Damage to WYPF reputation Increase in number of complaints. Callers/ Visitors
49	D2	Managerial/ Professi onal	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	Impact on service provision (Staff, Employers, Scheme Membersetc) Crucial tasks are not performed
50	D3	Managerial/ Professi onal	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	Information could be passed on Records updated inappropriately Contravene DP Act
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	Funds might go bust resulting in losses for the fund

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
53	E3	Partner-ship/ Con-tract ual	Fire Pension Scheme Ad-ministration	WYPF administers the Fireman's Pensions Scheme on behalf of 7 Fire Authorities	Lose contracts	Will not be able to provide a pensions administration service to theFAs Will not be able to pay pensions or process work ICT systems notavail-able Damage to WYPF Rep-utation Bad publicity Loss of income
55	B2	Political	Impact of Government Budget cuts	Cuts in Local authority budgets will lead to a reduction in workforce.	Increase in member con-tribution rate	Increase in opt outs from the scheme Reduction in public sector workforce leading to reduction in pension scheme membership Possible strike action
56	D2	Finan-cial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	Salary details will not be posted to member records Benefits will not be able to be calculated accurately IT systems will not be action the returns from Employers Timescales not met
57	D1	Partner-ship/ Con-tract ual	Lincolnshire Pension Fund Shared Ser-vice	To provide a pensions administration Shared Service from 1 April 15	Collaborative working with other Pension Funds	Will not be able to provide a pensions administration service to LPF Will not be able to pay pensions or process work ICT systems not avail-able Damage to WYPF Rep-utation Badpublicity Loss ofincome
58	D2	Legisla-tive /Regu-latory	Investment Pooling	Pooling of investments with GMPF and Mersey-side Pension Fund.	Structure to be set up by 1 April 2018	Does not meet govern-ment target Bad publicity Key objectives not met

Appendix J
WYPF Pension Board – Knowledge and Understanding Framework

1. Legislative requirements

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
- any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.

1.2 Board members should also have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.

1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

2. Degree of knowledge and understanding

2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.

2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.

2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis.

3. Induction training

As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to learn about managing public service pension schemes.

The Pensions Regulator's website is **www.thepensionsregulator.gov.uk/public-service-schemes.aspx**

A document which will help identify training needs and be used to record and reflect on the training once completed can be found at **www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning needs.doc**

The Pensions Regulator's website includes further details on 'Understanding your Role' and 'Scheme Management'.

4. Training

4.1 Board members are expected to attend regular training events.

4.2 Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers
- training as part of meetings provided by officers and/or external advisers
- external training events

- circulation of reading material
- attendance at seminars and conferences offered by industry-wide bodies, and
- links to online training.
- Training Needs Analysis can be used to help assist board members to identify areas where training is required.

Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the fund's policies and procedures, including AVC guides).	www.wypf.org.uk
Relevant policies	
Conflicts of Interest Policy	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
Internal Dispute Resolution Procedure	www.wypf.org.uk/Member/Publications/Booklets
Reporting of Breaches Procedure	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
WYPF policy statements	
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	www.wypf.org.uk/Member/Publications/policyStatements
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	Supplied on request
Others	
actuarial valuation Report and Rates and Adjustment Certificate	www.wypf.org.uk/Member/publications/Valuation
WYPF Risk Register	Supplied on request
Annual Report and Accounts	www.wypf.org.uk/Member/Publications/ReportAndAccounts
Investment management and activity	www.wypf.org.uk/Member/Investments

Appendix K
WYPF Pension Board – Terms of Reference

1. Introduction

1.1 City of Bradford Metropolitan District Council (referred to as 'the council'), as scheme manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The council has established two bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the council is required to establish a pension board. The WYPF Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.3 This document sets out the terms of reference for the WYPF Pension Board.

2. Objectives

2.1 The role of the pension board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including:

2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS

2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and

2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and appointment for pension board members

4.1 Membership of the pension board shall be eight in number. The pension board will consist of equal numbers of member and employer representatives.

4.2 Pension board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.

5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.

5.1.2 One representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

6. Member representatives

6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

6.2 6.2 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four representatives to sit on the pension board as member representatives.

7. The chair

7.1 The Council as scheme manager will appoint one councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the chair on the pension board

7.2 The chair of the board shall:

7.2.1 ensure that the board delivers its purpose as set out in these terms of reference

7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and

7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

8.1 Each pension board member should endeavour to attend all pension board meetings during the year. In the event of consistent non-attendance by any pension board member then the tenure of the membership should be reviewed at the next pension board meeting.

9. Term of office/appointment

9.1 Subject to paragraph 5.2, pension board representatives will normally serve for a period of four years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

9.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

9.4 Pension board members may be reappointed without limitation on terms subject to the pension board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

10.1 Other than by ceasing to be eligible a pension board member may normally only be removed from office during a term of appointment by the agreement of the board.

10.2 Board membership may be terminated prior to the end of the term of office due to:

10.2.1 a member representative no longer being a representative of the body on which their appointment relied

10.2.2 an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

10.2.3 a board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

10.2.4 the representative being withdrawn by the nominating body and a replacement identified.

10.2.5 a board member has a conflict of interest which cannot be managed in accordance with the board's conflict policy.

10.2.6 a board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

10.2.7 a board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the administering authority under the LGPS regulations.

11. Number of meetings

11.1 The pension board will normally meet twice a year. The chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

11.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

12. Creation of working groups/sub boards

12.1 The pension board may establish sub-committees and working groups as and when required. The pension board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The pension board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of conduct and conflicts of interest policy

13.1 The principles included in the council's code of conduct for members applies to all members of the pension board. The code of conduct is set out in part 4 of the council's constitution: **http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution**

13.2 No person may be appointed to the pension board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

13.3 All voting members of the pensions board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.

13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting rights

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

15. Other attendees

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

16. Secretariat services to the board

16.1 Pension board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC 'Constitution of the council and Executive Arrangements'. All reasonable costs will be met by the fund.

17. Agenda

17.1 Prior to each meeting the Director – West Yorkshire Pension Fund will arrange to supply all members of the board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the chair.

18. Quorum

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

19. Publication

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

19.1.1 the names of Board members and their contact details

19.1.2 the representation of employers and member on the board

19.1.3 the role of the board

19.1.4 these terms of reference

20. Allowances/expenses

20.1 No member or representative of the pension board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the board and attending training events, shall be reimbursed to all members and the cost will be met by the fund.

21. Knowledge and understanding and capacity of representative members

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

21.1.1 the rules of the LGPS, in other words the regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations)

21.1.2 the requirements of The Pensions Regulator

21.1.3 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund, and have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

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

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

22.1 The board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the board may attend a committee meeting as an observer.

22.2 The board should report any concerns over a decision made by the committee subject to the agreement of at least 50% of voting board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

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

22.4 Where the board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the fund's annual report.

22.5 Where the board is satisfied that there has been a breach of regulation which has been reported to the committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

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

23. Budget

23.1 The pension board is to be provided with adequate resources to fulfil its role. The council will allocate an annual budget to cover the expenses of the board.

24. Core functions

24.1 The first core function of the board is to assist the council in securing compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme.

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

24.3 In support of its core functions the board may make a request for information to the Committee with regard to any aspect of the council's function. Any such request should be reasonably complied with in both scope and timing.

24.4 In support of its core functions the board may make recommendations to the Committee which should be considered and a response made to the board on the outcome within a reasonable period of time.

25. Data protection

25.1 The pension board is considered a committee of and part of the council's legal entity. The council is and remains the data controller responsible for DPA compliance, including for processing carried out by the pension board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

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

26. Review of terms of reference

26.1 These terms of reference shall be reviewed on each material change to those parts of the regulations covering local pension boards and at least every two years.

26.2 These terms of reference were adopted on:

20 March 2015 – on behalf of the council (Governance and Audit Committee)