



West Yorkshire Pension Fund

Pension

WINTER 2023 • PENSIONER MEMBER NEWSLETTER

Fund report 2023

The McCloud judgement
and remedy

The work of the Investment
Advisory Panel

Annual meeting report



Published winter 2023 by West Yorkshire Pension Fund. The information in this newsletter relates to WYPF pensioner members only and can't be treated as a statement of the law. Available in large type, Braille or in audio format on request.

The work of the Investment Advisory Panel

An update by Chris Greaves, Retired Member Representative

Last year my opening words to you were 'What a year!' I am writing this at the start of another crisis as news is breaking about the war in Israel. Stock markets, at least initially, seem to have taken this calmly, but oil and gas prices are up, which is a worry with winter approaching. As you will all know inflation is still high, especially for food.

Over the year to March in an attempt to reduce inflation the Bank of England increased interest rates at every meeting. Interest rates have a significant effect on the fund. At the end of March we held £667 million in cash, and the higher interest rates are, the more income we get. We also hold bonds, basically loans to governments and major businesses. These bonds are issued at a fixed interest rate, so if interest rates go up the market value of the bonds goes down. However, increased interest rates can also reduce the fund actuary's valuation of our liabilities (the amount of capital we will need to pay pensions). Overall our assets increased by £165 million to £17.872 billion. We are in surplus – we have more than sufficient assets to cover both present and future pensions.

Remember that our scheme is a defined benefit scheme. Our benefits are set out in statute, and protected from the impact of short-term market instability. **Our pensions are safe and unaffected.** We are long-term investors and our investments are diversified.

The investment panel has met quarterly plus additional meetings for in-house training. Members also attended conferences and external training events to keep us up-to-date with best practice and make us aware of opportunities and challenges.

Our investment teams have continued to do excellent work. Last year they produced the 7th best performance out of the 93 Local Government funds. We were one of the very few funds who produced a positive performance. The teams have risen to the challenge, beating the benchmarks and targets we set. On your behalf I thank them for all their hard work. We also thank the administration team who ensure we get the right pension on the right day.

There has been another significant change to our management team this year. Last year we welcomed Euan Miller as our new Managing Director. This year we welcome Leandros Kalisperas to the new role of Chief Investment Officer. Our fund is in surplus – our assets exceed the amount the actuary calculates we need to pay pensions. We are taking the opportunity to de-risk, by tweaking our investments. At the moment a very high proportion of our assets are in equities (shares) both in quoted and unquoted markets. Within that market there is bias towards UK shares. Over the long term equities give a good return, but they are very volatile, and short term values can be unpredictable. Leandros will be leading on some restructuring of the fund into other asset classes where returns are comparable to equities but these returns should be less correlated to public equity markets.

Stay safe everyone, and I wish you all a happy 2024.

Chris Greaves

October 2023

FUND REPORT

2023



Introduction by Euan Miller, WYPF's Managing Director

West Yorkshire Pension Fund (WYPF) is one of the largest of the regional funds that make up the Local Government Pension Scheme (LGPS). As at 31 March 2023 we had 319,484 members and 443 active employers across the UK. Our largest employers are the five West Yorkshire councils – Bradford, Calderdale, Kirklees, Leeds and Wakefield.

We also provide shared service administration arrangements to three other LGPS funds and over twenty fire and rescue authorities.

In total within our shared-service administration arrangements, we serve 480,972 members and over 950 active employers.

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

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

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

At the time of writing, stubbornly high inflation, particularly in the United Kingdom, and the policy

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

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

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

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

This summary gives a flavour of our draft report and accounts, which we will publish on www.wypf.org.uk

Fund account

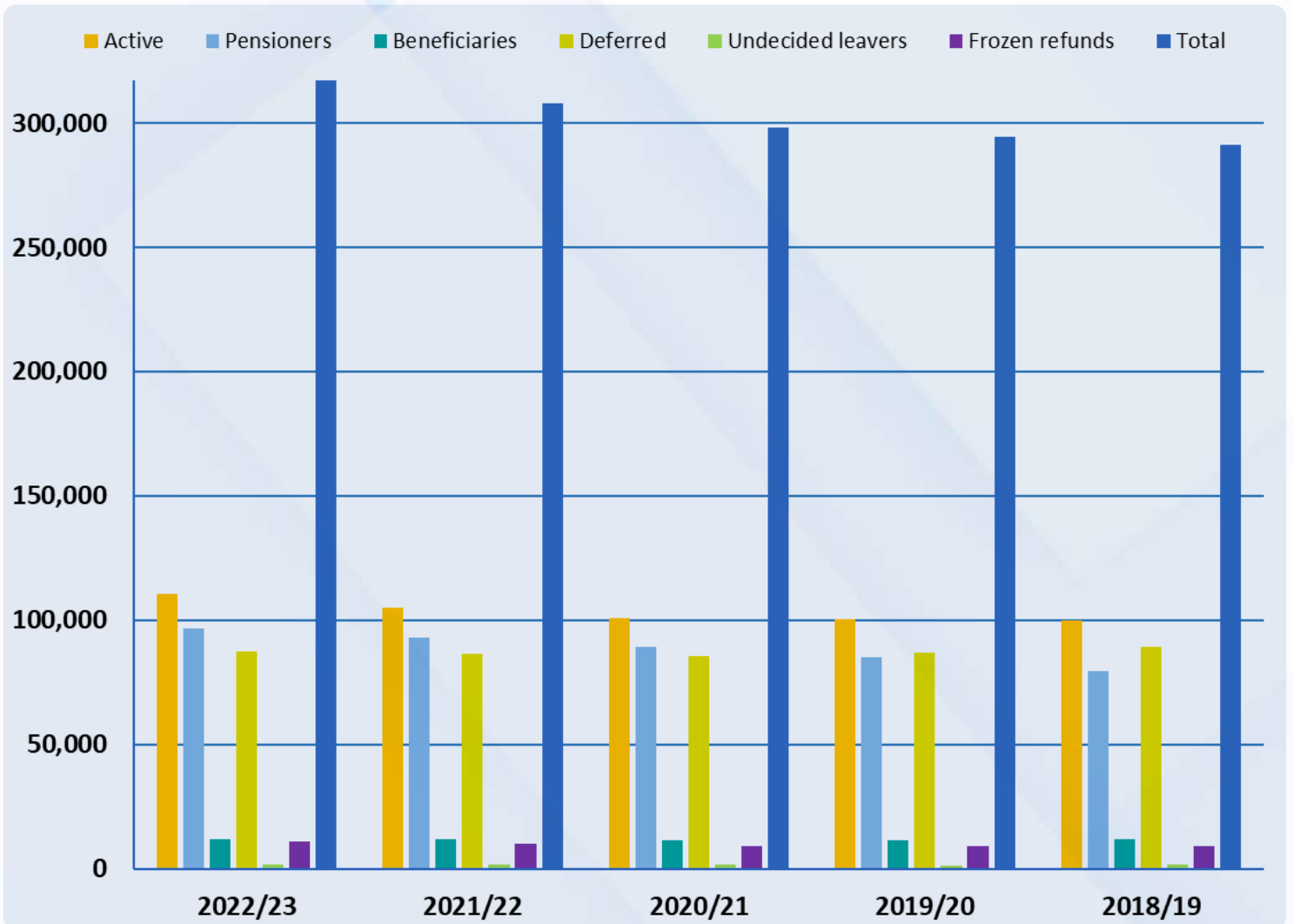
For the year ended 31 March 2023

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

Membership trends

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 319,484 as at 31 March 2023. Active members are employed by 443 separate organisations.

Membership over a five year period



Performance

In 2022/23 our investments made a positive return of 0.6%, against a benchmark return of -1.1%. This performance is 1.7% above our benchmark. Our medium- to long-term performance exceeded our benchmark at all of the time periods shown in the table below.

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

Medium- to long-term performance

3 years	11.4%	(7th percentile)
5 years	6.4%	(19th percentile)
10 years	7.4%	(33rd percentile)
30 years	8.0%	(13th percentile)

2022/23 WYPF cost per member

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

Cost per member	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	LGPS average
		2021/22	2021/22	2021/22	2021/22	2021/22
	2022/23					
Admin cost per member	£16.54	3rd	£13.73	£0.00	£121.01	£26.68
Investment cost per member	£22.92	1st	£17.97	£18.02	£1,023.22	£282.32
Oversight and governance	£2.95	5th	£2.27	£0.00	£58.94	£11.21
Total cost per member	£42.41	1st	£33.97			



Responsible investment

WYPF is committed to both being a diligent investor of the contributions it receives to secure the pensions of its members and also to be a careful custodian of the funds it manages. How this is achieved will be described in a soon to be published document – Approach to Responsible Investing.

In pledging to be a responsible investor, WYPF embraces two core ideas:

1. We commit to be appropriately informed about the investments we make, engage with the managers of the companies we invest in, and use our voting rights.

2. We recognise that Environmental, Social and Governance (ESG) factors can profoundly impact an individual company's long-term sustainability. The ESG profile of individual companies reflects a significant number of characteristics ranging from the nature of its supply chains, the composition of its board, management's attitude toward unionisation and the carbon intensity of its business. Our approach to ESG includes our efforts to help avert climate change. WYPF has long recognised our climate related responsibilities and continues to urge investee companies to present swift and plausible plans to slash carbon emissions.



The McCloud judgement and remedy

The Court of Appeal 'McCloud' judgment on age discrimination we've reported on before means changes to the Local Government Pension Scheme (LGPS) were needed. The changes, effective from 1 October 2023, are called the **McCloud remedy** and remove the age discrimination found in the court case.

Most pensioner members are unaffected by the changes and even those affected will see either no increase to their pension or just a small change. Pensions will not go down.

You may be affected if:

- you were paying into the LGPS or another public service pension scheme before 1 April 2012
- you were paying into the LGPS between 1 April 2014 and 31 March 2022, and
- you have been a member of a public service pension scheme without a continuous break of more than five years.

Background

In 2014, the LGPS changed from a final salary scheme to a career average scheme – a pension that builds up based on what you earn each year. Older members who were closer to retirement were protected from the changes by comparing the pension from their career average scheme with the pension they would have built up in the final salary scheme. The member received the higher amount on retirement. This protection is called the **underpin**.

To remove the McCloud age discrimination, qualifying younger members will now receive underpin protection too. But underpin protection only applies to pensions built up between 1 April 2014 and 31 March 2022, or sooner if you left the LGPS or reached your final salary normal retirement age (usually 65) before 31 March 2022.

From 1 April 2022, there is no underpin protection. Pensions built up after this date are based on the career average scheme only.

What do I need to do?

You don't need to do anything and there's nothing we can tell you yet about how this might affect your pension.

Will my pension increase?

Most members won't see an increase because the pension they built up in the career average scheme is higher than the pension they would have built up in the final salary scheme. If there is an increase, it is likely to be a small increase and we will contact you to tell you – **please take no action now**.

For more comprehensive information about the judgement and who the changes are likely to affect, visit the McCloud section of the national LGPS website on www.lgpsmember.org/McCloud-Remedy



On 26 October 2023 we held our online annual member meeting for WYPF members.

At the meeting, Euan Miller, our Managing Director gave an update on WYPF over the last year or so and our Investment Strategy was covered in depth by Chief Investment Officer Leandros Kalisperas. Our External Investment Advisor Philip Hebson also spoke about the Economic Outlook for investments.

[Watch our video of the event here](#)



It's time to go online

View your pension record and your monthly pay advices with our online My Pension service.

Register today at www.wypf.org.uk/register



Moving house? Death grants in retirement

If you move house, we need to know your new address – not only to keep your records up to date but to make sure personal or sensitive information going to your old address doesn't put you at risk of identity fraud. So when you move, please let us know your new address as soon as you can.

Privacy and your data

How we use data we hold about you:
www.wypf.org.uk/privacy

You may have nominated somebody to get your death grant when you were working, but you can do it in retirement too – as long as you are under age 75 and left employment on or after 1 April 2008.

A death grant is a one-off tax-free lump sum on top of any pension due to your husband, wife, partner or children if you die. Conditions apply depending on when you retired and the options you chose, but the grant is usually ten times your yearly pension less any

pension already paid (only up to age 75). It's up to you to decide who gets your death grant and if you nominate it can help those you leave behind avoid paying inheritance tax.

For more information about death benefits in retirement visit www.wypf.org.uk/deathbenefits

If you would like to make a nomination, or change one you've already made, you can download a form at www.wypf.org.uk/deathgrant

Your LGPS pension is protected

In an uncertain world it's reassuring to know that your future pension is fully protected and unaffected by market changes. We are part of the LGPS, the Local Government Pension Scheme, a **defined benefit** scheme in which benefits are set out in law and therefore fully protected from the impact of short-term market instability. Like all LGPS pension funds we are diversified long-term investors, securely managed to protect our members' pensions from short-term fluctuations in market values. You can be assured that the pension you are receiving is safe and sound.

Contact us

Phone 01274 434999

Monday to Friday 8.45am
to 4.30pm

Email pensions@wypf.org.uk

Our postal address is PO Box
67 Bradford BD1 1UP

If you'd like to visit us in person,
please call first to make an
appointment.

