



West Yorkshire Pension Fund

# REPORT & ACCOUNTS

*Report and Accounts  
for the year ended  
31 March 2022*

21  
22

*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 2022 we had 307,797 members and 463 active employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield. In total within our Shared Service administration arrangements we serve 479,574 members and over 950 active employers.

All aspects of our operations have felt the impact of the Covid-19 pandemic, our staff have adopted hybrid working and most are now working two days in the office and three days remotely. In addition to Covid-19, the war in Ukraine, started by Russia has increased investment markets volatility.

Our asset valuation rose by over 10.5% to £17.84 billion at the end of March, leaving WYPF very well-funded. Investment market performance was strong up to February 2022, until the Russian invasion of Ukraine, resulting in 1% loss of value in our investment performance for the last quarter of the financial year.

We continued our asset allocation shift to increase infrastructure, property and credit strategies, and reductions in equities and government bonds, all of which is designed to improve diversification within the portfolio. This is being delivered in the context of our Environmental, Social and Governance policies, which have been considered in detail and further developed by the Investment Advisory Panel during the year.

Our collaborative engagements with companies on a range of issues through the Local Authority Pension Fund Forum (LAPFF) have met with increasing success this year, helped by the increasing number of asset managers taking a positive stance on a range of issues.

Our administration teams whilst working in a hybrid way due to the pandemic have continued to deliver the service to a very high standard throughout the year. Not only has the service been maintained, but they have also successfully taken on the administration of a further four Fire and Rescue Authority pension funds in the year. We continue to deliver exceptional results.



**Councillor Andrew Thornton**

**Chair  
Joint Advisory Group and Investment Advisory Panel**

# MANAGEMENT STRUCTURE



## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

### Members of the WYPF Joint Advisory Group

<b>Bradford Council</b> Councillor A Thornton <b>Chair</b>	Councillor G Winnard <b>Deputy Chair</b>	Councillor T Salam
<b>Calderdale Council</b> Councillor S Baines MBE Councillor B Metcalfe (Until May 21)	Councillor J Lynn	Councillor Colin Hutchinson (From May 21)
<b>Kirklees Council</b> Councillor E Firth Councillor G Asif (Until May 21)	Councillor H Uppal (From May 21) Councillor R Murgatroyd (Until May 21)	Councillor J Ramsay (From May 21)
<b>Leeds Council</b> Councillor A Scopes Councillor P Harrand (Until May 21)	Councillor J Shemilt (From May 21)	Councillor N Dawson (Until May 21)
<b>Wakefield Council</b> Councillor K Swift (From May 21) Councillor J Speight (Until May 21)	Councillor M Collins (From May 21) Councillor M Graham (Until May 21)	Councillor H Mitchell (From May 21)
<b>Trade union representatives</b> T Chard – GMB	L Bailey – UNISON	A Goring – UNISON
<b>Scheme member representatives</b> M Morris		
<b>Representative from Finance Directors of the councils of West Yorkshire</b> N Broadbent - Head of Finance Calderdale		

### Members of the WYPF Investment Advisory Panel

<b>Bradford Council</b> Councillor A Thornton <b>Chair</b>	Councillor G Winnard	
<b>Calderdale Council</b> Councillor J Lynn	Councillor S Baines MBE	
<b>Kirklees Council</b> Councillor E Firth	Councillor H Uppal (From May 21)	Councillor G Asif (Until May 21)
<b>Leeds Council</b> Councillor A Scopes	Councillor J Shemilt (From May 21)	Councillor P Harrand (Until May 21)
<b>Wakefield Council</b> Councillor M Collins (From May 21) Councillor J Speight (Until May 21)	Councillor H Mitchell (From May 21)	Councillor M Graham (Until May 21)
<b>Trade union representatives</b> L Bailey <b>Deputy Chair</b> – UNISON	T Chard – GMB	A Goring – UNISON
<b>West Yorkshire Pension Fund</b> R Barton - Director		
<b>External advisors</b> M Stevens	M George	P Hebson
<b>Representative from the Finance Directors of the councils of West Yorkshire</b> N Broadbent - Head of Finance, Calderdale Council		
<b>Scheme member representatives</b> C Greaves	P Cole	

# SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

## Members of the WYPF Local Pension Board

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<b>Employer representatives</b>		
Councillor S Lal <b>Chair</b> Bradford MDC	Councillor D Jenkins (until May 21) Leeds CC	Councillor K Johnson Wakefield MDC
Councillor L Malkin (From Sept 21) Wakefield MDC	Councillor H Mitchell (Until Jun 21) Wakefield MDC	Councillor L Martin (From May 21) Leeds City Council
R Manning - Northern School of Contemporary Dance (Until Sept 21)	B Petty – University of Bradford (From Dec 21)	

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<b>Member representatives</b>		
G Nesbitt – GMB (Until April 22) M Binks – UNISON (Until April 22)	C Sykes – UNISON	M Morris – Unite

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## Appointed service providers and advisers

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

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# LOCAL PENSION BOARD ANNUAL REPORT



## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

# Annual Report of the West Yorkshire Pension Fund Pension Board 2021/2022

## Introduction

I am pleased to present the report of the local pension board for West Yorkshire Pension Fund (WYPF) for the year 2021/22. The WYPF Pension Board was established as a result of the Public Sector Pensions Act 2013, which required all public sector pension schemes to set up a representative local pension board by 1 April 2015. The board operates independently from both the Joint Advisory Group and Investment Advisory Panel. The role of the pension board is to assist the administering authority in securing compliance with all regulations and legislation and to help ensure the effective, efficient governance and administration of the scheme.

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

## Governance arrangements

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

## Constitution and membership

Local pension boards must contain an equal number of employer and scheme member representatives. WYPF's pension board has been established with four employer and four member representatives.

During 2021 three of the employer representatives left the board - Councillor Jenkins – Leeds City Council, Councillor Mitchell – Wakefield Council and Ruth Manning- Northern School of Contemporary Dance. I would like to thank them for their support during their tenure.

As a result three new members joined the board during the year Councillor Martin – Leeds City Council, Councillor Malkin – Wakefield Council and Ben Petty- University of Bradford.

The membership of the board at the end of 2022 is listed below:

## Employer representatives

- Councillor S Lal (Chair) – City of Bradford MDC
- Councillor L Martin – Leeds CC
- Councillor L Malkin – Wakefield MDC
- Ben Petty University of Bradford

## Member representatives

- A Jones – Unite
- M Binks – Unison
- C Sykes – Unison
- G Nesbitt – GMB

Information about the board members and their contact details, are available on the WYPF website at: <https://www.wypf.org.uk/pension-boards/wypf-index/>

# SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

## Meetings

During the year the board held four meetings:

- 22 June 2021 (due Covid issues the meeting took place on 14 September)
- 14 September 2021
- 14 December 2021 (due Covid issues the meeting took place on 22 March 2022)
- 22 March 2022

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

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

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

The year 2022 is a valuation year and valuation training was provided to all Pension Board members on 8 February 2022. In addition, all pension board members are encouraged to undertake the Pensions Regulator Toolkit training, which is an online learning programme aimed at trustees of occupational pension schemes. The training includes a series of online learning modules and downloadable resources developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

## The work programme

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

- Minutes of the Joint Advisory Group meetings
- Updates to the Pensions Administration Strategy
- Proposed updates to the Funding Strategy Statement
- Register of Breaches of Law
- Local Government Pension Scheme updates
- 2021/22 WYPF Service Budget
- Training conferences and seminars
- Minutes of Investment Advisory Panel
- Report and Accounts
- Audit Plan
- 2021 Annual Benefit Statement Exercise
- Data Improvement Plan
- McCloud Planning
- Risk Register
- Communication Strategy
- Pensions Dashboard
- WYPF Pensions Administration report
- CEM Benchmarking

## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

### Conclusion

This is the sixth report of the WYPF Pension Board I would like to thank all members of the board, our officers and advisers for their continued support and assistance.



**Councillor S Lal Chair of WYPF Pension Board.**

# PENSIONS ADMINISTRATION REVIEW



### Overview and legal status of West Yorkshire Pension Fund

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

### Administering authority

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

### HMRC registration

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

### Fund activities during the year

#### Covid-19

The impact of the covid-19 pandemic has resulted in a number of changes to the way we have delivered our services to both members and employers in the pension fund.

#### Annual meetings in 2021/22

WYPF held its eighteenth annual meeting for scheme members on 27th October 2021 but due to the Covid-19 pandemic this was held as an online meeting. Pension fund members logged onto a video feed of the meeting.

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. As usual, there were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers. Our employers' annual meeting was also held virtually on 28th October 2021. Topics covered were the pension fund valuation, and updates on the Fund including its investments and administration, and the general economic and financial market climate.

#### Employer training during 2021/22

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

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

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

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

In the second half of the year we began working with our second London Borough, Barnet Pension Fund, and over the autumn we held extensive employer training sessions to help the employers with the on-boarding process.

### Member engagement during 2021/22

We've continued to work with our pre-retirement partner Affinity Connect to offer two hour courses to members covering the financial and emotional aspects of retiring. Like our employer training, this has moved online this year with plans to move to a hybrid delivery model once the pandemic has passed. This year was also notable as we restructured our Employer Relations and Communications functions splitting the responsibilities into two dedicated teams in WYPF.

### Pension Increase 2021/22

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI) in September each year. Deferred member benefits are also increased by CPI. For the financial year 2021/22 the CPI of 0.5% for September 2020 was applied on 6 April 2021.

### Pension administration and cost 2021/22

As in previous years, the workload of the pension administration section continued to increase and, member numbers continued to rise, particularly with the addition of new clients. WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are committed to providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF's pensions administration cost per member is £13.46. This is the 5th lowest cost amongst 85 LGPS funds and well below the national average of £24.16.

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

### Shared service

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

### Data quality

The Fund is required to report on the data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for common data.

Data Type	%
Forename	100.00
Surname	100.00
Membership status	99.98
Date of birth	100.00
NI number	97.75
Postcode	99.96
Address	96.59

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

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

### Communications

Our Contact Centre has remained closed to visitors and we have continued to provide a full telephone service. Contact through emails and our secure member portal has increased as a result.

One hundred percent of annual pension benefit statements for active and deferred members were produced on time by the deadline of 31 August 2021 giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information.

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

### MyPension

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

### Pensions Age Awards

WYPF was shortlisted under the following categories:

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

### European Pension Awards

WYPF was shortlisted under the following categories:

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

### Disaster recovery and risk management monitoring

- WYPF uses Bradford Council's pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power (UPS), a backup generator and cooling.
- The data centres are connected by point-to-point council-owned fibre runs. Data centres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit.
- Both sites are permanently live and accessible by our internal end-users who are networked to the sites via diverse fibre cable routes.
- Where possible, servers are virtualised, using Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts at both sites to ensure a short recovery time.
- Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week.
- WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution.
- Critical data stores are also replicated at disk level between sites. In the event of serious system failures, WYPF would re-provision testing hardware and the infrastructure environment for live running.

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

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

### **Social media**

WYPF's Facebook and Twitter accounts were launched in November 2014 to encourage members of all ages to engage more with the fund.

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

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

### **Privacy policy**

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

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

# FINANCIAL MANAGEMENT AND PERFORMANCE



## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Financial Performance – analytical review

The following table identifies movements in the fund account based on expenditure between 31 March 2021 and 31 March 2022 and provides reasons for variances. The full financial statements are within section 10 – Statement of accounts of this document.

#### Statutory accounts financial performance variance 2022 versus 2021

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

Dealings with members, employers and others directly involved in the fund	31-Mar-22 £000	31-Mar-21 £000	Variance £000	Notes on significant variances
Contributions receivable	475,463	480,170	(4,707)	Increased number of active members, average employer rate has reduced.
Transfers In	32,012	26,934	5,078	Increased number of new members joining WYPF employers and transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	20,171	21,019	(848)	No significant change, non statutory pension payment will continue to reduce.
Benefits payable	(591,305)	(550,077)	(41,228)	Increased number of members in receipt of pension benefits.
Non-statutory pensions and pensions increase	(20,171)	(21,019)	848	No significant change, non statutory pension payment will continue to reduce.
Payments to and on account of leavers	(19,993)	(23,373)	3,380	Reduction in number of members leaving WYPF employers and transferring their pension savings from WYPF.
Management expenses	(10,455)	(10,002)	(453)	Impact of home working and direct result of Covid-19 pandemic. In addition there has been a small increase in the level of expenditure on investment transactions and costs.

**Table B – fund assets performance**

Returns on investments	31-Mar-22 £000	31-Mar-21 £000	Variance £000	Notes on significant variances
Investment income	425,221	361,159	64,062	Increased dividend payout from companies across the UK and overseas.
Taxes on income	(9,143)	(7,919)	(1,224)	Increased tax deducted at source, direct result of increased dividend payout from companies across the UK and overseas.
Profit and losses on disposal and changes in value of investments	1,348,594	2,833,734	(1,485,141)	Positive market value of assets during reporting year.
Stock lending	1,871	2,278	(407)	Negative impact of changes in stocklending duration and collateral structures. There is also depressed demand for stocklending due to the market impact of Covid-19 pandemic of 2020/21.
<b>Net return on investments</b>	<b>1,766,543</b>	<b>3,189,252</b>	<b>(1,422,710)</b>	Positive market impact on investment asset values.
<b>Net increase/(decrease) in the net assets</b>	<b>1,652,264</b>	<b>3,112,904</b>	<b>(1,460,640)</b>	Positive market increases on investment asset values.
<b>Opening net assets of the fund</b>	<b>16,327,202</b>	<b>13,214,298</b>	<b>3,112,904</b>	Positive market increases after the unprecedented loss of asset value due to Covid-19 in 2019/20.
<b>Closing net assets of the fund</b>	<b>17,979,466</b>	<b>16,327,202</b>	<b>1,652,264</b>	10.12% increase in value of fund as at 31 March 2022.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Fund account three-year forecast and two-year outturn

The table below shows a three-year budget estimate 2021/22 to 2024/25 and outturn figures for 2020/21 and 2021/22.

Fund account – estimates and actuals	2024/25 Estimate £000	2023/24 Estimate £000	2022/23 Estimate £000	2021/22 Estimate £000	2021/22 Outturn £000	2020/21 Outturn £000
<b>Dealings with members, employers and others directly involved in the fund</b>						
Contributions receivable	499,700	494,800	489,900	485,000	475,463	480,170
Transfers in	28,100	27,800	27,500	27,200	32,012	26,934
Non-statutory pensions and pensions increases recharged	21,800	21,600	21,400	21,200	20,171	21,019
<b>Total income from members and employers</b>	<b>549,600</b>	<b>544,200</b>	<b>538,800</b>	<b>533,400</b>	<b>527,646</b>	<b>528,123</b>
<b>Benefits payable</b>						
Benefits payable	(668,600)	(636,800)	(606,500)	(577,600)	(591,305)	(550,077)
Non-statutory pensions and pensions increase	(25,600)	(24,400)	(23,200)	(22,100)	(20,171)	(21,019)
Payments to and on account of leavers	(28,400)	(27,000)	(25,700)	(24,500)	(19,993)	(23,373)
<b>Total payments to members</b>	<b>(722,600)</b>	<b>(688,200)</b>	<b>(655,400)</b>	<b>(624,200)</b>	<b>(631,469)</b>	<b>(594,469)</b>
<b>Management expenses</b>						
<b>Management expenses</b>	<b>(14,700)</b>	<b>(14,000)</b>	<b>(13,300)</b>	<b>(12,685)</b>	<b>(10,455)</b>	<b>(10,002)</b>
<b>Returns on investments</b>						
Investment income	439,000	418,100	398,200	379,200	425,221	361,159
Taxes on income	(9,600)	(9,100)	(8,700)	(8,300)	(9,143)	(7,919)
Profit and losses on disposal of and changes in value of investments	578,900	551,300	525,000	500,000	1,348,593	2,833,734
Stock lending	2,700	2,600	2,500	2,400	1,871	2,278
<b>Net return on investments</b>	<b>1,011,000</b>	<b>962,900</b>	<b>917,000</b>	<b>873,300</b>	<b>1,766,542</b>	<b>3,189,252</b>
Net increase in the net assets available for benefits during the year	<b>823,300</b>	<b>804,900</b>	<b>787,100</b>	<b>769,815</b>	<b>1,652,264</b>	<b>3,112,904</b>
Opening net assets of the	<b>18,689,017</b>	<b>17,884,117</b>	<b>17,097,017</b>	<b>16,327,202</b>	<b>16,327,202</b>	<b>13,214,298</b>
<b>Closing net assets of the fund</b>	<b>19,512,317</b>	<b>18,689,017</b>	<b>17,884,117</b>	<b>17,097,017</b>	<b>17,979,466</b>	<b>16,327,202</b>
<b>% Increase in net assets</b>	<b>4.41%</b>	<b>4.50%</b>	<b>4.60%</b>	<b>4.71%</b>	<b>10.12%</b>	<b>23.56%</b>

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

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Management expenses forecast and outturn report

The table below gives the management cost forecast for 2021/22 to 2024/25 and outturn figures for 2020/21 and 2021/22.

	2024/25	2023/24	2022/23	2021/22	2021/22	2021/22	2020/21
	Estimate	Estimate	Estimate	Estimate	outturn	Variance	outturn
	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Accommodation	400	380	360	347	301	46	350
Actuarial costs	430	410	390	370	189	181	337
Computer costs	1,680	1,600	1,520	1,451	1,351	100	1,307
Employee costs	9,930	9,460	9,010	8,580	8,160	420	6,877
Internal recharges from Bradford Council	540	510	490	463	459	4	453
Printing and postage	590	560	530	506	373	133	496
Other running costs	1,220	1,160	1,100	1,045	1,046	(1)	927
Investment transaction costs	3,030	2,890	2,750	2,616	1,333	1,283	1,496
<b>Total expenditure</b>	<b>17,820</b>	<b>16,970</b>	<b>16,150</b>	<b>15,378</b>	<b>13,212</b>	<b>2,166</b>	<b>12,243</b>
<b>Income</b>							
Shared service income	(2,920)	(2,780)	(2,650)	(2,528)	(2,543)	15	(2,017)
Other income	(240)	(230)	(220)	(205)	(214)	9	(224)
<b>Total income</b>	<b>(3,160)</b>	<b>(3,010)</b>	<b>(2,870)</b>	<b>(2,733)</b>	<b>(2,757)</b>	<b>24</b>	<b>(2,241)</b>
<b>Total</b>	<b>14,660</b>	<b>13,960</b>	<b>13,280</b>	<b>12,645</b>	<b>10,455</b>	<b>2,190</b>	<b>10,002</b>

Estimates shown above are based on current costs of operational activities and our current and future business plans. Variances between the revised estimate and outturn for 2021/22 are mainly due to:

- **Accommodation costs:** £46k underspend. Reduction in spend direct impact of staff working from home, due to Covid-19.
- **Actuarial costs:** £181k underspend on actuarial services due to improved cost control, improved IAS19 reporting and employer cost recharges carried out in time.
- **Computer costs:** £100k underspend due to investment in computers and systems being less than expected.
- **Employee costs:** £420k underspent against budget due to a number of vacant posts remained difficult to fill in 2021/22.
- **Internal recharges:** £4k underspend. Payment to Bradford Council for services provided to West Yorkshire Pension Fund for ICT, payroll, legal services and other corporate services.
- **Printing and postage:** £133k underspend as a direct result of increased use of digital services.
- **Other running costs:** £1k overspend.
- **Investment transaction costs:** £1,283k underspend. Continuing direct impact of Covid-19 resulting in a reduced number of investment transactions in 2021/22.
- **Total income:** £24k underspend. All charges to our shared service partners are based on actual total cost and number of members at the year-end for each service partner. The total cost increased due to the increased cost of system developments due to regulatory changes.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Participating employers

#### Analysis of employers summarised by type

There were 433 active employers at the end of the financial year. A total of 30 employers ceased their membership of the fund during the year, converted to academy status or joined multi-academy trusts. A total of 463 employers were active employers during the year.

Employers	2021/22	2021/22	2021/22	2020/21
	Active	Ceased	Total	Total
Admitted body	121	23	144	177
Scheduled body	312	7	319	265
<b>Total</b>	<b>433</b>	<b>30</b>	<b>463</b>	<b>442</b>

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

The table below shows the value of pension contributions received both on time and late. West Yorkshire Pension Fund receives contributions from active employers every month averaging £40m per month. Contribution payment from employers is due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

Contribution payment performance	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21	2020/21
	Total	Received	Received	Received	Received	Received	Received
	£000	on time £000	on time %	late £000	late %	late £000	late %
Employer contributions	340,809	340,678	99.96	131	0.04	2,913	0.80
Employee contributions	134,654	134,605	99.96	49	0.04	1,152	0.90
<b>Total</b>	<b>475,463</b>	<b>475,283</b>	<b>99.96</b>	<b>180</b>	<b>0.04</b>	<b>4,065</b>	<b>1.70</b>

#### Data governance and monthly returns

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

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

Monthly returns performance data	2021/22	%	2020/21	%	2019/20	%	2018/19
Number of returns expected in the year from all employers	11,400	100.0	9,822	100.0	5,640	100.0	6,015
Number of returns received by 19 April	11,100	97.4	9,798	99.8	5,497	97.5	6,015
Number of returns not received by 31 May	300	2.6	24	0.2	8	0.1	0
Returns processed within 10 working days	9,992	87.6	9,193	93.6	5,375	95.3	5,465
Number of records on return	1,680,170	100.0	1,553,903	100.0	1,211,489	100.0	1,205,499
Number of new member records set up using monthly return	29,375	0.0	21,005	0.0	20,493	0.0	20,493
Number of leaver notifications processed using monthly returns	15,105	0.0	9,865	0.0	11,492	0.0	11,492

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Employers who made contributions to the fund during 2021/22

Participating employers		
Bradford M.D.C	Blessed Christopher Wharton Academy Trust	Chief Constable For West Yorkshire
Calderdale M.B.C	Blessed Peter Snow Catholic Academy Trust (Calderdale)	Christchurch C E Academy
Kirklees M.C	Blessed Peter Snow Catholic Academy Trust (Kirklees)	Churchill Contract Services (B B G Academy)
Leeds City Council	Bolton Brow Primary Academy	Churchill Contract Services (Bradford College Security)
Wakefield M.D.C	Boothroyd Primary Academy	Churchill Contract Services (Bradford College)
Abbey Multi Academy Trust	Bradford Academy	Churchill Contract Services (Outwood Grange Academies Trust)
Absolutely Catering Limited (Batley Mat)	Bradford College	Churchill Contract Services (Share Mat)
Absolutely Catering Ltd (Bgs)	Bradford Diocesan Academies Trust	Churchill Contract Services Ltd (West Yorkshire Fire & Rescue)
Accomplish Mat	Bradford District Credit Union	Clapgate Primary School
Accord Multi Academy Trust	Bradshaw Primary School	Clayton Parish Council
Ackworth Parish Council	Bramley St Peters C Of E School	Coalfields Regeneration Trust
Active Cleaning Ltd (Crofton Academy)	Brighthouse Academy	Cockburn Multi Academy Trust
Addingham Parish Council	Brighthouse High School	Collaborative Learning Trust
Adel St John The Baptist C E (V A) Primary School	Brighter Futures Academy Trust	Collingham Lady Elizabeth Hastings
Affinity Trust	Brigshaw Learning Partnership	Community Accord
Aireborough Learning Partnership Trust	British Gas Social Housing Ltd	Compass (Leeds Pfi Schools)
Alder Tree Primary Academy (Wrat)	Brodetsky Jewish (V A) Primary School	Compass Contract Services (Laisterdyke)
All Saints C E J & I School	Bronte Academy Trust	Compass Contract Services (Northern Education Trust)
All Saints Richmond Hill Church Of England Primary School	Brooksbank School Sports College	Compass Contract Services (St John Fishers)
Amey Community Ltd Bradford Bsf Phase 2 Fm Services	Bullough Contract Services (Leeds City College)	Compass Contract Services (UK) (Pontefract Academies Trust)
Amey Community Ltd Fm Services	Bulloughs Cleaning Services Limited (Wrat)	Compass Contract Services (UK) Ltd
Amey Infrastructure Services Ltd (Wakefield)	Burley Parish Council	Compass Contract Services (Westborough High School)
Apcoa Parking (Uk) Limited	Burnley Road Academy	Compass Contract Services (Whetley Academy)
Appleton Academy	Buttershaw Business And Enterprise College	Consultant Cleaners Limited (Westborough High School)
Aramark Limited	C And K Careers Ltd	Cookridge Holy Trinity C E Primary School
Aramark Limited (Greenhead College)	Cafcass	Corpus Christi Catholic Primary School
Arcadis (Uk) Ltd	Calder High School	Cottingley Primary Academy
Arts Council England	Calderdale College	Craft Centre & Design Gal. Ltd
Aspens Services Ltd	Calverley C Of E Primary School	Creative Support Limited
Aspens Services Ltd (Appleton Academy)	Cardinal Heenan Catholic High School	Crescent Purchasing Ltd
Aspens Services Ltd (Oasis Academy)	Care Quality Commission	Crigglistone St James Ce Primary Academy
Aspire Community Benefit Society Ltd	Carlton Academy Trust	Crofton Academy
Aspire-Igen Group Ltd	Carr Manor Community School	Crossley Hall Primary School
Atalian Servest (Mast Academy Trust)	Carroll Cleaning Co Ltd (Lapage Primary School)	Crossley Street Primary School
Baildon Town Council	Carroll Cleaning Company (Nessfield Primary School)	Crow Lane Primary And Foundation Stage School
Bankside Primary School	Carroll Cleaning Company Limited (Frizinghall)	Darrington C Of E Primary School
Bardsey Primary Foundation School	Carroll Cleaning Company Limited (Thornbury)	Deighton Gates Primary Foundation School
Barnardos Askham Grange Prison	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Delta Academies Trust
Basketball England	Carroll Cleaning Company Ltd (Holy Trinity Primary)	Denby Dale Parish Council
Batley Grammar School (Batley M.A.T.)	Carroll Cleaning Company Ltd (Peel Park Primary School)	Dixons Academies Charitable Trust Ltd
Batley Multi Academy Trust	Carroll Cleaning Company Ltd (Saltaire Primary)	Dolce Limited (Bishop Konstant C.A.T)
Beckfoot Trust	Carroll Cleaning Company Ltd (Southmere Primary Academy)	East North East Homes Leeds
Beeston Hill St Lukes C E Primary School	Carroll Cleaning Company Ltd (St Johns Wakefield)	Ebor Gardens Primary Academy
Beeston Primary Trust	Carroll Cleaning Company Ltd (Wakefield)	Elements Primary School
Belle Isle Tenant Management Org	Carroll Cleaning Company Ltd (Whetley)	Elevate Multi Academy Trust
Bid Services	Castleford Academy Trust	Elite Cleaning And Environmental Services Ltd
Bingley Grammar School	Caterlink Limited (Ireland Wood Primary School)	Engie Services Ltd
Birstall Primary Academy	Cbre Managed Services Limited	Enhance Academy Trust

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

Participating employers		
Enviroserve (Priestley Academy Trust)	Inspire Partnership Multi Academy Trust	Making Space
Enviroserve (Victoria Primary Academy)	Interaction And Communication Academy Trust	Manston St James Academy
Ethos Academy Trust	Interaction And Communication Academy Trust (High Park)	Mast Academy Trust
Evolve Academy (Ethos Academy Trust)	Interserve (Facilities Management) Ltd (W Y Police Cleaning Contract)	Meanwood C E (Va) Primary School
Exceed Academies Trust	Iqra Academy (Feversham Education Trust)	Mears Ltd (South)
Fairfield School	John Smeaton Academy	Mears Ltd (West)
Falcon Education Academies Trust	Joseph Norton Academy	Mellors Catering Services (Share Mat)
Feversham Education Trust	Keelham Primary School	Mellors Catering Services (Southfield Grange)
Feversham Primary Academy	Keepmoat Property Services Limited	Mellors Catering Services Limited (Exceed Academies Trust)
Fieldhead Junior Infant And Nursery Academy	Keighley Town Council	Mellors Catering Services Limited (Heckmondwike Grammar School)
Fleet Factors Ltd	Khalsa Science Academy	Mellors Catering Services Limited (Pennine Academies Trust)
Foxhill Primary School	Killinghall Primary School	Mellors Catering Services Ltd (Cavendish Primary)
Freeston Academy	King James'S School	Mellors Catering Services Ltd (Wrat)
Future Cleaning Services Limited (Calder High)	Kings Science Academy	Meltham Town Council
Golcar Junior Infants And Nursery School	Kirkburton Parish Council	Menston Parish Council
Great Heights Academy Trust	Kirklees Active Leisure	Micklefield Parish Council
Greenhead Sixth Form College	Kirklees Citizens Advice And Law Centre	Minsthorpe Academy Trust
Groundwork Leeds	Kirklees College	Mirfield Free Grammar School
Groundwork Wakefield	Kirkstall St Stephens C E (Va) Primary School	Mitie Catering Services Limited
Grove House Primary School	Lady Elizabeth Hastings School	Mitie Fm Ltd
Guiselay Infants	Laisterdyke Leadership Academy	Mitie Fm Ltd (P.C.C For West Yorkshire)
Guiselay School	Lane End Primary Trust	Mitie Integrated Services Ltd
Halifax Opportunities Trust (Calderdale)	Learning Accord Multi Academy Trust	Mitie Limited (Leeds Schools Pfi)
Hanson School	Leeds Appropriate Adult Service	Mitie Pfi Limited
Hawksworth C E (Va) Primary School	Leeds Arts University	Moorlands Learning Trust
Hebden Royd Town Council	Leeds Beckett University	Morley Academy
Heckmondwike Gs Academy Trust	Leeds C.A.B.	Mount St Marys Catholic High School
Heckmondwike Primary School	Leeds Centre For Integrated Living	Mountain Healthcare Ltd (W Y Police)
Hemsworth Town Council	Leeds City Academy	Myrtle Park Primary School
Hepworth Gallery Trust	Leeds City College	N.I.C. Services Group Limited (Middleton St Marys Leeds)
Hf Trust Limited	Leeds College Of Building	National Coal Mining Museum For England
Hill Top First School	Leeds College Of Music	Nell Bank Charitable Trust
Hillcrest Academy	Leeds East Primary Partnership Trust	New Collaborative Learning Trust
Hipperholme And Lightcliffe High School Academy	Leeds Grand Theatre & Opera Hse	Ninelands Primary School
Holme Valley Parish Council	Leeds Jewish Free School	Normanton Town Council
Holy Family Catholic (Va) Primary School	Leeds Metropolitan University	Norse Group Limited (Wellspring Academy Trust)
Holy Trinity Primary C Of E Academy	Leeds North West Education Partnership	North Halifax Grammar Academy
Horbury Academy	Leeds Society For The Deaf & Blind	North Halifax Partnership Ltd
Horbury Bridge Ce J And I School	Leeds Trinity University	North Huddersfield Trust School
Horsforth School Academy	Leodis Academies Trust	Northern Ambition Academies Trust
Horsforth Town Council	Liberty Gas Outer West	Northern Education Trust
Horton Housing Association (Bradford)	Liberty Gas West	Northern Sch.Of Contemp Dance
Huddersfield New College	Lidget Green Community Co-Operative Learning Trust	Northern Star Academies Trust
Hugh Gaitskell Primary School Trust	Lightcliffe C. E. J & I School	Northorpe Hall Child And Family Trust
Humankind Charity (Leeds)	Lighthouse School	Notre Dame Sixth Form College
Hunslet St Josephs Catholic (Va) Primary School	Lindley C E Infant Academy	Nps Leeds Limited
Hutchison Catering Ltd (Guiselay School)	Lindley Junior School Academy Trust	Nurture Academies Trust
I S S Facility Services Ltd	Littlemoor Primary	Nurture Academies Trust (Dolce)
I S S Mediclean Ltd	Littletown Junior School	Oasis Academy Lister Park
Ilkley Parish Council	Locala	Old Earth Academy
Impact Education Multi Academy Trust	Locala (Calderdale)	One In A Million Free School
Incommunities	Longroyde Junior School	Open College Network Yorks & Humber (Trading As Certa)
Innovate Services Ltd (Crossflatts)	Luddendenfoot Academy	Ossett Trust

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Participating employers		
Otley Town Council	ShIPLEY Town Council	The Mfg Academies Trust
Our Lady Of Good Counsel Catholic Primary School	Shirley Manor Primary Academy	The Police And Crime Commissioner For West Yorkshire
Outwood Academy Freeston	Sitlington Parish Council	Thornhill Junior And Infant School
Outwood Academy Hemsworth	Skills For Care Limited	Thornton Grammar School
Outwood Academy Wakefield City	Sodexo Ltd	Thornton Primary School
Outwood Grange Academy	South Elmsall Town Council	Thorp Arch Lady Elizabeth Hastings C E (Va) Primary School
Outwood Primary Academy Bell Lane	South Hiendley Parish Council	Tns Catering (Spta)
Outwood Primary Academy Kirkhamgate	South Kirkby And Moorthorpe Town Council	Tns Catering Man Ltd (St Botolphs)
Outwood Primary Academy Ledger Lane	South Ossett Infants Academy	Todmorden Town Council
Outwood Primary Academy Lofthouse Gate	South Pennine Academies	Together Housing Association Ltd (Greenvale)
Outwood Primary Academy Newstead Green	Southfield Grange Trust	Together Housing Association Ltd (Pennine)
Outwood Primary Academy Park Hill	Spen Valley High School	Together Learning Trust
Owlcotes Multi Academy Trust	Spie Ltd	Tong High School
Paddock Junior Infant And Nursery School	Springwell Academy Leeds	Tong Leadership Academy
Park Lane Learning Trust	Sse Contracting Ltd	Tranmere Park Primary
Pennine Academies Yorkshire	St Anne'S (Bradford) Community Services	Trinity Academy Halifax
Pinnacle (W Y Police)	St Annes Catholic Primary Academy	Turning Lives Around
Pinnacle Fm Limited (Kirklees)	St Anne'S Community Services	Turning Point
Pinnacle Fm Ltd	St Anthonys Catholic (Va) Primary School	United Response
Polaris M.A.T	St Edwards Catholic (Va) Primary School	University Academy Keighley
Pontefract Academies Trust	St Francis Catholic Primary School	University Of Bradford
Pool Parish Council	St Francis Of Assisi Catholic (Va) Primary School	University Of Huddersfield
Possabilities Cic	St Gregory The Great Catholic Academy Trust	University Technical College Leeds
Priestley Academy Trust	St John'S (Ce) Primary Academy Trust	Vesta Management Group Ltd (Dane Royd J & I School)
Primrose Lane Primary Foundation School	St John'S Approved Premises Limited	Victoria Primary Academy
Progress To Change (Cardigan House)	St John'S Primary Academy Rishworth	W.Y. Fire & Rescue Authority
Progress To Change (Ripon House)	St Josephs Catholic (Va) Primary School Wetherby	Wakefield & District Housing Ltd
Pudsey Grangefield School	St Josephs Rc Primary School (Todmorden) Rcat	Wakefield College
Pudsey Southroyd Primary School Trust	St Matthews C E Primary School	Waterton Academy Trust
Queensway Primary	St Michael & All Angels J & I	Wellspring Academy Trust
Rainbow Primary Leadership Academy	St Nicholas Catholic Primary School	West North West Homes Leeds
Rawdon Parish Council	St Oswalds Church Of England Primary School	West Yorkshire Combined Authority
Red Kite Learning Trust (Harrogate Hr Hub)	St Patricks Catholic (Va) Primary School	West Yorkshire Fra
Red Kite Learning Trust (Leeds East Hr Hub)	St Peters C E Primary School	West. Yorks. Police Civilian
Reevy Hill Primary School	St Philips Catholic Primary School	West. Yorkshire Ita
Renewi Uk Services Limited	St Therasas Catholic Primary School	West. Yorkshire P.T.E.
Rodillian Multi Academy Trust	Star Academies Trust	Westborough High School
Rook'S Nest Academy	Strawberry Fields Primary School	Westwood Primary School Trust
Rothwell St Marys Catholic (Va) Primary School	Suez Recycling And Recovery Uk Limited	Wetherby High School
Roundhay St Johns C E (Va) Primary School	Taylor Shaw (Rklt)	Wetherby Town Council
Royds Academy	Taylor Shaw Limited (Gorse Academies Trust)	Whinmoor St Pauls C E Primary School
Royds Learning Trust	Taylor Shaw Limited (Gorse At Elliott Hudson College)	Whitehill Community Academy
Rufford Park Primary	Taylor Shaw Ltd (Gorse Boston Primary School)	William Henry Smith School
Russell Hall First School	Taylorshaw Ltd (Crossgates Beechwood Whitelaith)	Wilsden Primary School
Ryburn Valley High School	The Anah Project	Wolseley Uk Ltd
Ryhill Parish Council	The Bishop Konstant Catholic Trust	Woodside Academy
Salendine Nook Academy Trust	The Bishop Wheeler Catholic Academy Trust	Worth Valley Primary School
Salterlee Academy Trust	The Co-Operative Academies Trust	Wrat - Leeds East Academy
Scout Road Academy	The Crossley Heath Academy Trust	Wrat - Leeds West Academy
Sea Fish Industry Authority	The Crossley Heath School	Yeadon Westfield Infants
Servest (B B G Academy)	The Family Of Learning Trust	Yeadon Westfield Junior
Share Multi Academy Trust	The Farnley Academy	Yorkshire Purchasing Organisation
Shibden Head Primary Academy	The Gorse Academies Trust	
ShIPLEY College	The Lantern Learning Trust	

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Benefits paid

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

### Shared service provision

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

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

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

The combined shared service membership for the 2021/22 financial year is shown in the following table.

	Service type	Shared service partners	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21
			Active	Pensioners	B'ficiaries	Deferred	Undecided	Frozen	Total	Total
	LGPS	W Yorkshire PF	104,891	92,906	11,804	86,657	1,624	9,915	307,797	298,307
1	LGPS	Lincolnshire LGPS	24,389	23,398	2,521	25,683	580	2,560	79,131	76,770
2	LGPS	LB Hounslow LGPS	6,780	6,971	909	7,744	140	1,381	23,925	23,466
3	LGPS	LB Barnet LGPS	8,782	8,116	1,027	9,721	1,517	1,180	30,343	29,280
4	FIRE	West Yorkshire Fire	997	2,060	345	294	4	4	3,704	3,702
5	FIRE	South Yorkshire Fire	625	1,127	203	144	5	13	2,117	2,066
6	FIRE	North Yorkshire Fire	680	531	93	410	4	12	1,730	1,633
7	FIRE	Humberside Fire Authority	702	927	157	289	13	4	2,092	2,048
8	FIRE	Lincolnshire Fire	590	343	64	651	46	37	1,731	1,631
9	FIRE	Royal Berkshire Fire	427	459	55	212	7	3	1,163	1,129
10	FIRE	Buckinghamshire and Milton Keynes Fire	379	401	77	352	19	6	1,234	1,189
11	FIRE	Devon and Somerset Fire	1,535	1,287	187	1,122	17	18	4,166	4,079
12	FIRE	Dorset and Wiltshire Fire	975	869	116	730	8	7	2,705	2,642
13	FIRE	Tyne and Wear Fire	585	1,233	198	102	12	0	2,130	2,069
14	FIRE	Northumberland Fire	278	325	51	223	7	3	887	830
15	FIRE	Norfolk Fire	648	483	81	307	46	7	1,572	1,533
16	FIRE	Staffordshire Fire	603	691	127	677	9	17	2,124	2,024
17	FIRE	Hereford and Worcester Fire	594	469	73	385	13	4	1,538	1,459
18	FIRE	Durham and Darlington Fire	465	525	99	233	0	0	1,322	1,323
19	FIRE	East Sussex Fire	546	564	107	355	31	5	1,608	1,572
20	FIRE	Derbyshire Fire	657	697	108	366	2	13	1,843	1,825
21	FIRE	Leicestershire Fire	565	627	82	325	2	11	1,612	1,537
22	FIRE	Nottinghamshire Fire	624	809	128	398	0	7	1,966	1,941
23	FIRE	Cambridgeshire Fire	451	438	51	446	1	12	1,399	0
24	FIRE	Northamptonshire Fire	380	384	56	292	6	15	1,133	0
	<b>Total</b>		<b>158,148</b>	<b>146,640</b>	<b>18,719</b>	<b>138,118</b>	<b>4,113</b>	<b>15,234</b>	<b>480,972</b>	<b>464,055</b>

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Pension overpayment

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

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
	£000	£000	£000	£000	£000	£000
Annual payroll	591,305	550,077	553,082	506,461	485,808	485,808
Overpayments	409	423	331	626	76	315
Overpayments written off	0	0	27	7	7	17
Overpayments recovered	175	270	62	359	161	217

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

Analysis of overpayments	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
	No. of payments					
Pensions paid	1,227,740	1,173,770	1,160,604	1,096,524	1,042,404	1,036,008
Cases overpaid	435	375	295	365	54	479
Cases written off	0	0	36	6	29	18
Cases recovered	317	295	225	270	262	332

### Fraud prevention – National Fraud Initiative

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

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

	Number of records sent	Number of mismatches	Number of mismatches %	Overpayments	Overpayments %	Possible Frauds	Mismatches carried forward at 31 March
2021/22	288,636	1,685	0.60	15	0.01	0	22
2020/21	286,429	963	0.34	4	0.00	0	1
2019/20	277,293	3,845	1.40	17	0.01	2	10
2018/19	260,387	3,339	1.28	3	0.00	2	2
2017/18	229,994	518	0.23	35	0.02	2	10
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

### Internal audits completed during 2021/22

The internal audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of reviews that were carried out during the financial year 2021/22.

#### Life Existence/Certificates

A completed Life Certificate is requested from pension beneficiaries to provide confirmation that they are still alive and therefore still meet entitlement to such benefits. This process is complemented by the use of mortality screening and the use of National Fraud Initiative data in confirming continuing existence. The audit found the standard of control around this process to be good with a small number of recommendations for improvement.

## **SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE**

### **Northern LGPS Collaborative Work – Common Custodian Arrangements**

As part of the formation of the Northern LGPS, a procurement exercise was carried out to appoint a common custodial service provider, which resulted in the appointment of the Northern Trust Bank as common custodian provider to the Northern LGPS. This audit was a high level review of the arrangements which surrounded the use of the Northern Trust Bank as common custodian provider and was undertaken in collaboration with Internal Audit colleagues at Tameside Council (Greater Manchester Pension Fund) and Wirral Council (Merseyside Pension Fund). The arrangements were found to be of a good standard with one recommendation for improvement being made.

### **Accuracy of Contributions Recorded on Member Records – Follow Up**

WYPF changed to a monthly contributions postings process several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member's records. This audit was undertaken as a follow up of the original audit carried out in 2019/20 to assess progress of the remedial action required. Whilst progress had been made, recommendations were made to further assist in this process.

### **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 an excellent standard with no recommendations required.

### **Review of the West Yorkshire Pension Fund 2020/21 Accounts**

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

### **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.

### **Equities**

Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be generally well controlled with two recommendations for improvement being made.

### **New Pensions and Lump Sums – Death Benefits**

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

### **Purchase of Additional Pension**

Active members of the West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum of £7,316 over a flexible number of years. The standard of control in this process was found to be excellent with no recommendations for improvement required.

### **Stock Lending**

Stock lending of UK and Overseas equities is undertaken by the Northern Trust Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be excellent with no recommendations required.

### **Business Continuity**

Business continuity arrangements were examined to ensure that they are adequate to ensure continuance of critical services such as Pensioners Payroll. The shared services provided to other LGPS' and Fire and Rescue Services places and increased reliance on Business Continuity arrangements. The review found the arrangements to be of a good standard with a number of recommendations made to further enhance the process.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Mitigation of Pension Scams

The Pensions Regulator issues guidance with regards to the avoidance of Pension Scams, providing information to enable Trustees, Administrators and Scheme Providers to play an important role in educating and protecting members in order to help savers to keep their retirement savings safe from scammers. This review examined how well the guidance had been embedded within the West Yorkshire Pension Fund. The review provided assurance that the systems and processes align well with the guidance issued.

### 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.

### UK and Overseas Private Equities

This audit covered investment in UK and Overseas Private Equities, not included in those investments made through NPEP. Control of this asset class was found to be of an excellent standard, therefore no recommendations for improvement were required.

## WYPF quality management

### ISO 9001:2015

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

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

### WYPF quality policy

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

### Quality management system

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

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

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Information Security Management System ISO 27001

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

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

### Management and customer service key performance indicators

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

	Work type	Total cases 2021/22	Target days 2021/22	Target cases met 2021/22	KPI target 2021/22 %	Actual KPI 2021/22 %	Actual KPI 2020/21 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,984,308	Paid on due days	1,984,308	100	100.00	100.00
2	Change of address	3,266	10	3,128	85	95.77	95.79
3	Change to bank details	1,926	10	1,815	85	94.24	94.52
4	Death grant nomination	4,463	20	3,513	85	78.71	99.77
5	Death grant payments	2,682	10	2,461	85	91.76	93.05
6	Death in retirement	239	20	122	85	81.59	88.84
7	Deferred benefits	2,967	35	2,698	85	90.93	96.66
8	Deferred benefits into payment actual	2,350	5	2,240	90	95.32	88.25
9	Divorce quote	430	20	391	85	90.93	91.36
10	Life certificate received	5	10	4	85	80.00	80.41
11	Monthly posting	4,885	10	4,601	95	94.19	95.58
12	Payroll changes	1,986	10	1,940	85	97.68	98.74
13	Pension estimate	3,076	10	2,555	90	83.06	96.30
14	Refund payment	1,862	10	1,851	95	99.41	98.22
15	Refund quote	3,706	35	3,696	85	99.73	99.39
16	Retirement actual	3,318	3	3,225	90	97.20	92.71
17	Transfer out payment	215	35	187	85	86.98	89.86
18	Transfer-in payment	562	35	531	85	94.48	94.89
19	Transfer-in quote	844	35	838	85	99.29	99.63
20	Transfer-out quote	1,812	20	1,675	85	92.44	76.17

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Cost per member

	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS
	2021/22	2020/21	2020/21	2020/21	2020/21	2020/21
	Financial Statement	Gov't data SF3	Gov't data SF3	Gov't data SF3	Gov't data SF3	Gov't data SF3
Admin cost per member	£13.73	5th	£13.46	£1.08	£158.29	£24.16
Investment cost per member	£17.97	1st	£17.25	£17.25	£1,029.58	£238.43
Oversight and governance	£2.27	4th	£2.93	£0.00	£53.00	£11.74
<b>Total cost per member</b>	<b>£33.97</b>	<b>1st</b>	<b>£33.63</b>			
<b>Lowest / Highest / Average (not a sum of figures in the table above)</b>				<b>£33.63</b>	<b>£1,088.82</b>	<b>£274.34</b>

#### 2021/22 WYPF cost per member

The 2021/22 annual cost of administering the West Yorkshire Pension Fund per member is £13.73, investment management £17.97, and oversight and governance £2.27 giving a total management cost per member of £33.97. These figures compare favourably with the average cost for authorities in the Department for Leveling Up, Housing and Communities (DLUHC) – SF3 data collection results for the previous year shown in the table above.

#### 2020/21 administration cost per member

From the latest data provided by government, WYPF's pension administration cost of £13.46 per member is the 5th lowest amongst LGPS fund in England and Wales for 2020/21. The lowest cost is £1.08 and the highest is £158.29

#### 2020/21 investment management cost per member

WYPF's investment management cost is the lowest cost per member in the latest result at £17.25; the lowest cost is £17.25 and the highest £1,029.58. The reason for this low cost is that WYPF uses directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

#### 2020/21 oversight and governance cost per member

On oversight and governance, WYPF's is the 4th lowest cost at £2.93. The lowest is £0 and the highest is £53.00.

#### 2020/21 total cost per member

WYPF has the lowest total cost per member (administration, investment, and oversight & governance) at £33.63. The national average for the LGPS in 2020/21 is £274.34 and the highest is £1,088.82.

### Staff numbers

	2021/22	2020/21	2019/20	2018/19	2017/18
	FTE	FTE	FTE	FTE	FTE
Investments	28.5	23.9	22.7	22.1	21.6
Service centre staff	57.7	52.4	54.8	59.5	58.1
Payroll	21.4	17.3	16.1	17.6	19
ICT/UPM staff	12.6	14.4	15.4	14.4	13.7
Finance staff	15.8	11.8	12	14.5	16
Business support staff	35.1	27.4	28.4	28.8	27.4
Technical	5.6	5.0	4.9	4.9	3.9
<b>Total</b>	<b>176.8</b>	<b>152.2</b>	<b>154.3</b>	<b>161.8</b>	<b>159.7</b>

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 307,796 as at 31 March 2022. Active members are employed by 463 separate organisations.

	2021/22	% change	2020/21	% change	2019/20	% change	2018/19	% change	2017/18
Active members	104,890	3.77%	101,079	0.80%	100,281	0.20%	100,060	(1.90)%	102,017
Pensioners	92,906	3.98%	89,346	4.72%	85,323	7.20%	79,583	5.60%	75,363
Beneficiaries	11,804	2.44%	11,523	1.13%	11,394	(3.40)%	11,794	2.50%	11,504
Deferred members	86,657	1.12%	85,696	(1.30)%	86,821	(2.70)%	89,241	2.10%	87,414
Undecided leavers	1,624	(3.22)%	1,678	33.60%	1,256	(29.00)%	1,770	(32.50)%	2,623
Frozen refunds	9,915	10.35%	8,985	(4.13)%	9,372	3.40%	9,066	20.10%	7,550
<b>Total</b>	<b>307,796</b>	<b>3.18%</b>	<b>298,307</b>	<b>1.31%</b>	<b>294,447</b>	<b>1.01%</b>	<b>291,514</b>	<b>1.76%</b>	<b>286,471</b>

### Admissions to the fund

Employees joining the fund were as follows.

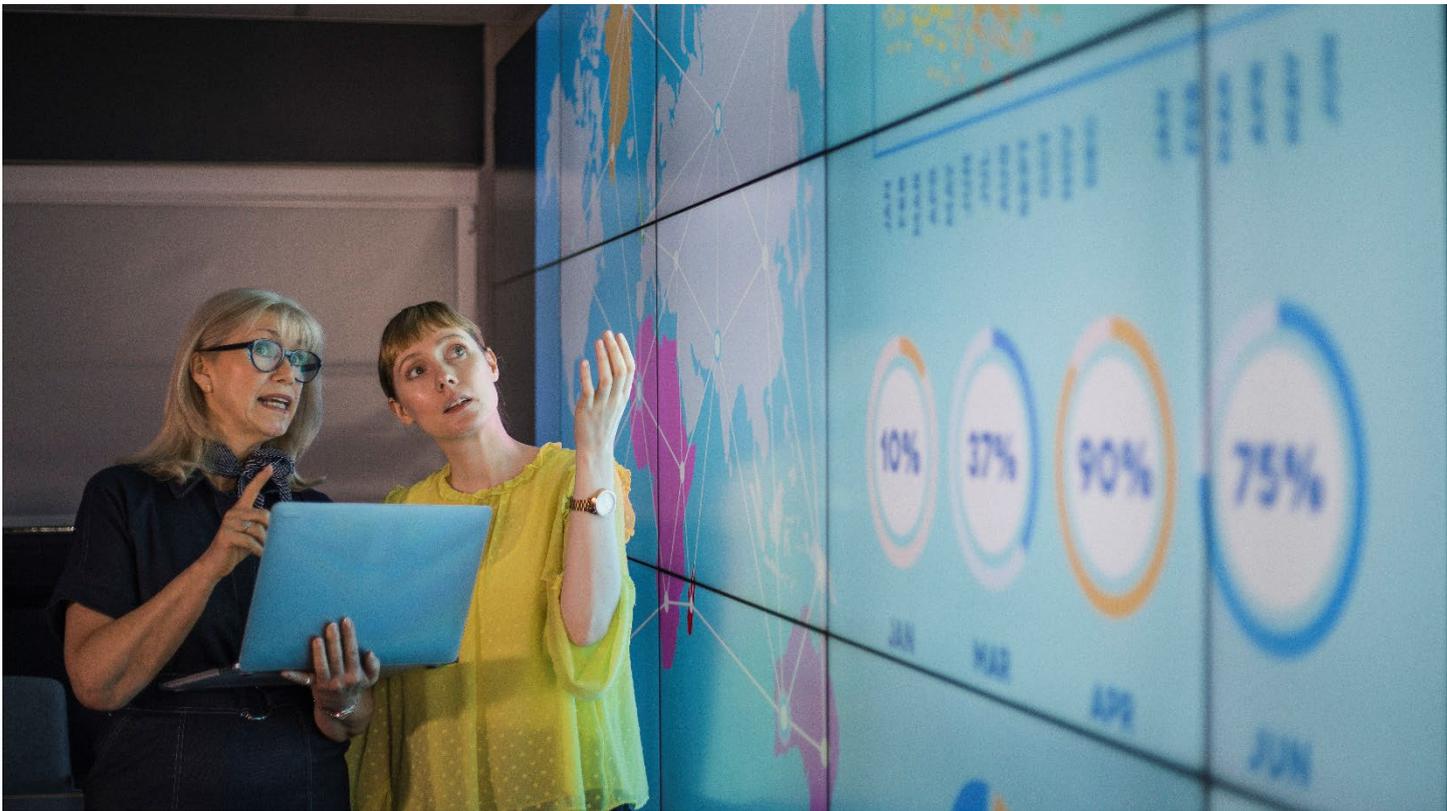
	2021/22	2020/21	2019/20	2018/19	2017/18
Employees joining with no previous service	21,007	20,306	21,153	21,283	21,692
Employees with transfers from other local government funds	20	23	42	31	25
other pension schemes	248	249	415	245	329
<b>Total</b>	<b>21,275</b>	<b>20,578</b>	<b>21,610</b>	<b>21,559</b>	<b>22,046</b>

### Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2021/22	2020/21	2019/20	2018/19	2017/18
Members awarded immediate retirement benefits	3,298	3,151	2,801	2,754	2,865
Benefits awarded on death in service	106	117	94	106	88
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,465	5,602	7,560	9,875	9,192
<b>Total</b>	<b>9,869</b>	<b>8,870</b>	<b>10,455</b>	<b>12,735</b>	<b>12,145</b>

# INVESTMENT REPORT



## SECTION 6: INVESTMENT REPORT

### Investment Advisory Panel – operational review

There is rarely, if ever, a dull moment in investments and 2021-22 was no exception. The implications of Brexit started to manifest themselves as the country started to reopen followed the renewed Covid-19 related lockdowns and restrictions. The hospitality industry in particular faced a perfect storm as supply chain issues added to staff shortages and social distancing rules. Even the renewable energy sector had issues, as although pricing and demand had recovered from 2020, the wind didn't blow and the sun didn't shine! The financial year ended with focus on the events unfolding in Ukraine and the implications of that.

#### Increased strategic asset allocation for alternative assets

During the course of the year of the Fund continued to perform well (this is written before the final year end performance position is known). The Investment Advisory Panel (IAP) worked with officers and advisors to approve a transition plan to fulfil the recommendations contained within the Strategic Asset Allocation review in a cost-effective manner. It is acknowledged that implementation will need to be spread over a number of years, as the additional investments into Alternatives need to be selected prudently with appropriate due diligence. This will be predominately with our partners in Northern Pool through GLIL and NPEP. These investments will be funded from a gradual reduction in the allocation to Equities, predominantly from the UK. Although referred to below on a wider Fund basis, recruitment of additional personnel to the Alternatives team is vital to enable the increased workload to be achieved.

#### Equity protection strategy

Rather than incur the out of market risks that an interim transition into cash or near cash investments would bring, consideration is being given to an equity protection strategy, that would protect the earmarked funds from significant decline in value in the event of market falls, while maintaining the ability to participate in rising markets.

#### Improved ESG focus and engagement

In support of the Fund's continuing work to improve standards in the Environmental, Social and Governance (ESG) area, it is pleasing to report the appointment of a Sustainable Investment Engagement Manager, who has hit the ground running, with reports on the Fund's Responsible Investment Policy, the Stewardship Code Statement 2021 and input into the updated Investment Strategy Statement at the October IAP meeting. This was followed by the Fund's first Task Force on Climate related Financial Disclosures (TCFD) report at the January meeting. The new Financial Reporting Council (FRC) Stewardship Code Statement was submitted in November, regrettably we received news in March that this had been rejected. Detailed feedback was received, and a revised application has been prepared for submission. In many ways the feedback emphasises how rigorous the standards have become and serves as a timely reminder that this is about everyone involved with the Fund needing to play their part, it is not just about the efforts of a single individual. The FRC are looking for clearly definable outcomes at every level of the investment process, and being an internally managed Fund brings considerable responsibilities to provide that. The work of the Sustainable Investment manager should support and enable the investment managers to include greater emphasis on ESG and climate related issues in their investment processes in the future. Supporting this, a good communications policy will enable internal and external stakeholders to see the work that the Fund is undertaking is market leading in terms of best practices.

#### Governance

Turning now to Fund Governance, in this report last year it was flagged that a review of the effectiveness, roles and responsibilities of the IAP, the JAG and the LPB should be undertaken, with the objective to ensure that the work that they do properly complement each other, while retaining their requisite independence. In simple terms this will check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role (as defined by Regulations). It is disappointing to report that to date this has not happened. This is something which the Administering Authority must now promptly address. On a brighter note it is pleasing that investment reporting to the IAP has improved, but there is room for further improvement in terms of more emphasis on forward looking strategy and content that provides good quality information for the IAP to fulfil their strategic oversight role.

#### Investment risk register

Following useful engagement with the IAP, an investment risk register has now been created. It is very much work in progress and needs to be developed and refined on a continuing basis. Drawing on the experience of fellow LGPS Funds would help to enhance this further. Identifying potential and actual risks is important, but developing suitable mitigation processes that are practical and effective in implementation is what turns the risk register from a theoretical document into a valuable business tool.

## **SECTION 6: INVESTMENT REPORT**

The risk exercise has identified recruitment and retention, particularly for investment professionals, as a major risk for this internally managed fund. The organisational-wide job and pay structure of a Local Authority does not lend itself to the recruitment and retention of such specialist roles in the face of direct competition with private sector employers for comparable jobs. Again the Administering Authority needs to work with the fund to promptly and comprehensively address this as a matter of urgency.

### **Training**

In this report last year members were reminded about the long list of external bodies that have oversight responsibilities for the Fund. Training at all levels for those involved in the management of the Fund remains high on the list of priorities, with clearly defined policies now in place for this to be provided and monitored. At some other Funds formal accredited training is required for all members and those who deputise on the relevant bodies (in our case IAP, JAG and the LPB). With the ever-increasing scrutiny of LGPS Funds, this should now be considered for WYPF. While being one of the few LGPS Funds with an internal investment management function is a desirable attribute, members need to understand how this works in practice and to be able to effectively challenge the team on performance and strategic issues. Good training adds value to the function of meetings, as members will understand the key issues that they need to focus on that are relevant to the Fund, enabling well informed decisions to be taken.

### **2021/22 Summary**

In conclusion; the Fund is in good shape as a result of the work undertaken by the members and officers of the Fund, but there remain a number of issues outside its direct control in need of urgent remedy.

# INVESTMENT MANAGEMENT AND STRATEGY



## SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

### Investment management and strategy

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

The latest government LGPS data released in late 2021 for 2020/21 financial year shows the fund's investment management costs were £17.25 (£22.83 in 2019/20) per scheme member. Our total cost per member is the lowest for all local authority pension funds, and compares exceptionally well with the average LGPS cost for 2020/21 of £238.43 (£278.76 in 2019/20).

The panel adopted a fund-specific benchmark in April 2005 which is reviewed and revised annually. Details of the benchmark currently being used are shown in the Investment Strategy Statement. The benchmark represents the optimal investment portfolio distribution between asset classes to bring WYPF to 100% funding in accordance with the principles outlined in the Investment Strategy Statement. The panel makes tactical adjustments around the benchmark for each asset class within a set control range.

We have recovered the losses caused by the Covid-19 pandemic in 2020/21. The Russian invasion of Ukraine is a major concern across all sectors, however WYPF had a very limited exposure of assets to Russia of 0.1% and we continue to keep a watchful eye on events, which have had a negative impact on all markets.

### Investment performance

In 2021/22 our investments made a positive return of 10.5%. Our medium- to long-term performance is as follows - three years 8.3% (72nd percentile), five years 7.1% (71st percentile), ten years 8.7% (61st percentile) and thirty years 9.0% (20th percentile), exceeding our benchmark.

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

### Voting policy

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

### Custody of financial assets and stock lending

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

## SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

### Investment strategy March 2022

Asset class	Bookcost	Market Value	Weighting	Fund specific benchmark	Control range
	£ Million	£ Million	%	%	%
<b>Total equities</b>	<b>5,419</b>	<b>11,467</b>	<b>64.45</b>	<b>66.0</b>	<b>58.5-73.5</b>
UK equities	2,686	4,927	27.70	27.5	22.5-32.5
Overseas equities	2,733	6,540	36.75	38.5	31.0-46.0
North America	712	2,418	13.59	13.9	8.9-18.9
Europe (Ex UK)	742	1,857	10.44	10.0	5.0-15.0
Japan	389	761	4.28	4.5	2.0-7.0
Asia Pacific (Ex Japan)	322	577	3.24	4.0	1.5-6.5
Emerging markets	568	927	5.20	6.1	3.6-8.6
<b>Total bonds</b>	<b>2,081</b>	<b>2,214</b>	<b>12.45</b>	<b>13.0</b>	<b>10.5-15.5</b>
UK govt. bonds	529	498	2.80	3.0	0.5-5.5
UK govt. index linked	466	646	3.63	3.5	1.0-6.0
UK corporate bonds	498	484	2.72	3.5	2.5-4.5
Global govt. bonds	322	336	1.89	1.5	0.5-2.5
Global corporate bonds	266	250	1.41	1.5	0.5-2.5
<b>Total alternatives</b>	<b>1,822</b>	<b>2,817</b>	<b>15.83</b>	<b>14.5</b>	<b>12.0-17.0</b>
Hedge funds	52	124	0.70	1.0	0.0-2.0
Private equity funds	300	966	5.43	5.0	3.5-6.5
Northern LGPS private equity pool	200	278	1.56	1.0	0.0-2.0
Private equity infrastructure	398	495	2.78	2.5	1.0-4.0
GLIL infrastructure (Northern LGPS)	411	489	2.75	2.5	1.0-4.0
Listed alternatives	461	465	2.61	2.5	1.0-4.0
<b>Property</b>	<b>496</b>	<b>711</b>	<b>4.00</b>	<b>4.5</b>	<b>3.0-6.0</b>
<b>Cash</b>	<b>792</b>	<b>581</b>	<b>3.27</b>	<b>2.0</b>	<b>0.5-3.5</b>
<b>Total WYPF financial assets</b>	<b>10,610</b>	<b>17,790</b>	<b>100</b>	<b>100</b>	

# INVESTMENT MARKETS



## SECTION 8: INVESTMENT MARKETS

### UK economy and equity market

In the past year the UK has continued to suffer from the Covid pandemic, coupled with the ongoing effects of Brexit. UK government support for businesses affected by the pandemic continued for much of the year, with the furlough scheme in place until 20 September 2021. 1.3million businesses and 11.6million jobs were supported by the UK Government during the pandemic, and the emergence of the Omicron variant of Covid towards the end of 2021 resulted in a temporary tightening of restrictions and further lockdowns in some areas of the country, notably London.

The UK coronavirus vaccination programme was implemented rapidly, with a high take-up of vaccines and boosters in adults, and the vaccination of younger adults and teenagers being rolled out from autumn 2021. Although infection rates remained high, particularly in early 2022, the incidence of serious illness and hospitalisation fell.

As restrictions began to ease, economic recovery was rapid, with GDP growing 7.4% in calendar year 2021, ending the year just 0.1% below where it stood pre-pandemic. This was the largest annual increase in GDP since the Second World War according to Bank of England estimates. The rate of growth began to slow in early 2022.

#### UK GDP

Monthly index, January 2007 to March 2022, UK

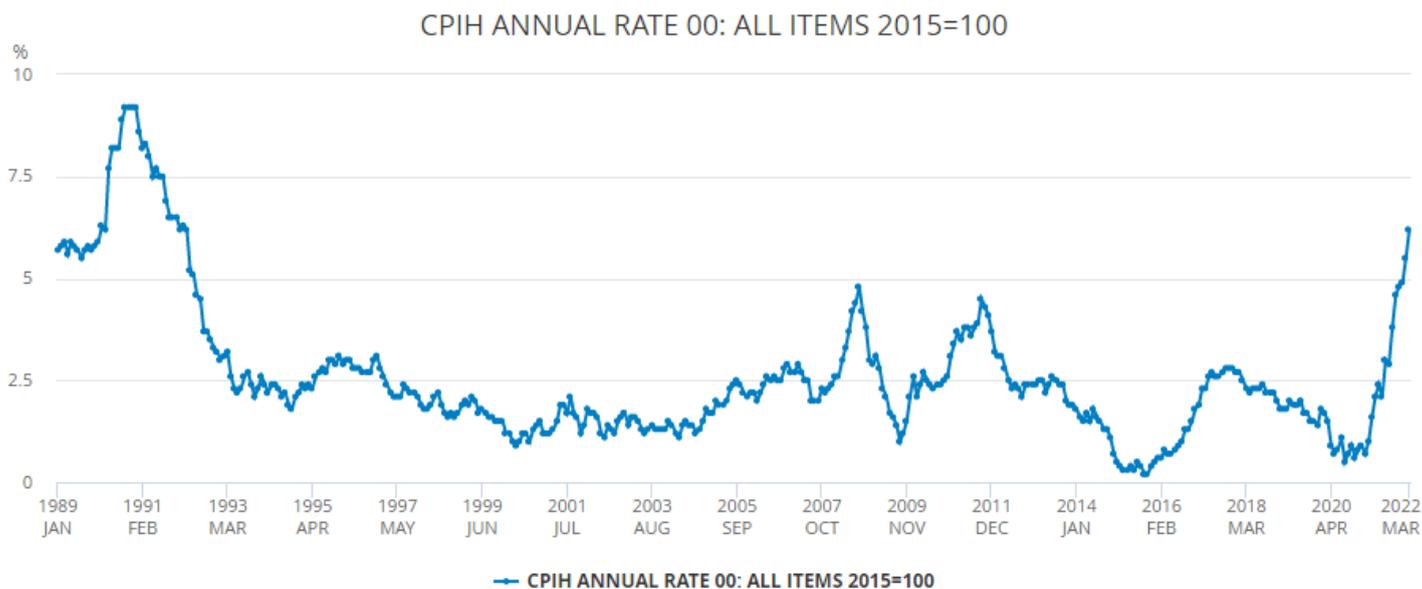


Source: Office for National Statistics - GDP monthly estimate

The economic recovery brought with it a rapid rise in the rate of inflation, forcing the Bank of England to raise interest rates after a prolonged period of historic lows, in an attempt to control the rate of inflation and keep it within target range. The rise in energy and food prices in early 2022 pushed inflation higher. The Bank of England had expected a temporary period of 'transitory' high inflation as the economy recovered from the pandemic, but did not anticipate the surge in energy and food commodity prices, and higher inflation is now likely to continue for longer than originally forecast.

## SECTION 8: INVESTMENT MARKETS

### UK INFLATION RISING RAPIDLY



Source:

Source: Office of National Statistics

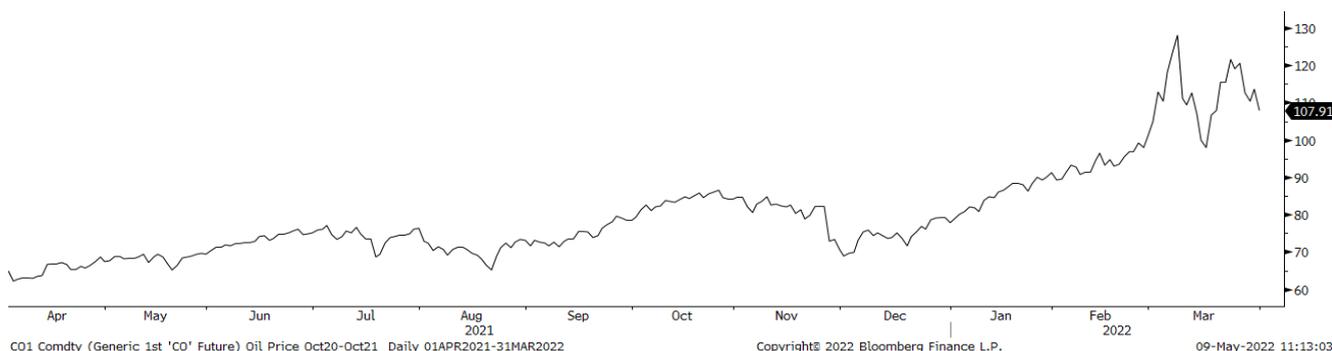
The easing of restrictions and economic recovery resulted in a fall in the rate of unemployment to very low levels. There were 1.3 million job vacancies between December and January, a new record high. However, real wage growth has been outpaced by the rate of inflation. The cost of living is rising far faster than wages, and many households are facing financial hardship in the coming months and years due to changes in the energy price cap, changes to National Insurance, and higher fuel and food costs. Supermarkets are endeavouring to keep prices as low as possible for families, particularly for staple grocery items such as pasta, rice and tea.

Supply chains are still affected by Covid and Brexit. Delays in distribution caused by problems at the ports and a shortage of delivery drivers affect manufacturers and retailers alike. The retail and hospitality industries are struggling to recruit and retain staff, as shoppers return to the high street and begin to spend more on leisure activities such as dining out and foreign holidays. A global shortage of semiconductor chips and metals has hit new car production severely, with new car registrations at a 24 year low in March. The price of used cars rose as the supply of new cars fell. Electric and hybrid vehicle sales are particularly strong.

### Russian Invasion of Ukraine

The Russian invasion of Ukraine on 24th February 2022 was met with widespread global condemnation. The devastating consequences for Ukrainian people having to flee their homes and livelihoods into neighbouring countries is a crisis which has not been seen in mainland Europe since World War II. Governments around the world introduced sanctions against Russia, with many Russian oligarchs having their assets frozen, and international companies ceasing operations in Russia. Governments are actively seeking alternatives to Russian oil and gas, something previously relied upon by many countries in Europe and around the world. The invasion caused a sharp rise in energy prices and increased volatility in the last weeks of the financial year. The Brent Oil price hit a high of \$127 in early March. The rise in energy prices and uncertainty of supply is likely to speed up the switch to renewable alternatives, as countries look for longer term energy security.

### BRENT OIL PRICE



## SECTION 8: INVESTMENT MARKETS

Oil and gas are not the only commodities directly affected by Russia’s aggression. Ukraine is the world’s largest producer of sunflower oil, and one of the largest producers of corn. Russia and Ukraine are also major producers of wheat. The reduced supply of these essential food commodities will push global food prices higher, and could have devastating consequences for poorer countries.

### UK equity market resilience

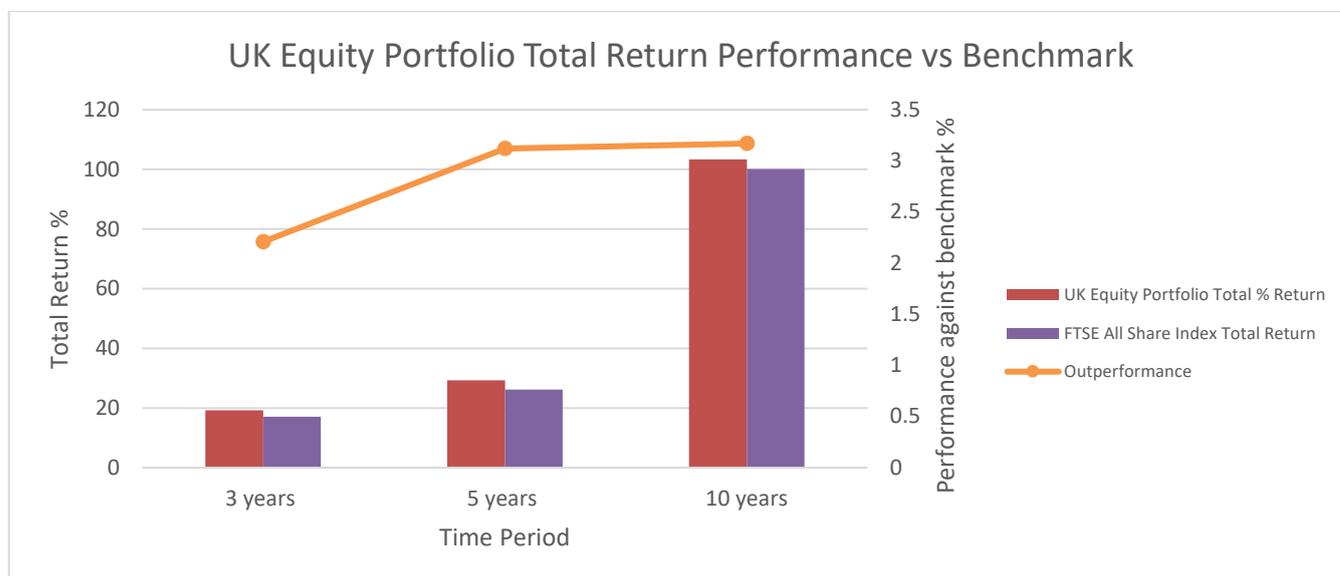
The UK equity market has proved relatively resilient despite recent events. The FTSE All Share index fell along with global equity markets in February following news of the Ukraine invasion, but bounced back relatively quickly. The UK Index has a high proportion of resources companies compared with most other stockmarkets; the resources companies increased in value as energy and metal prices surged.

#### FTSE All Share Index over 10 years



### WYPF UK equity portfolio performance

The short term performance of the UK equity portfolio was affected as the team reduced the overall allocation to the UK during the year. Longer term, the in house team of investment managers continue to outperform the benchmark index by a considerable margin.



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

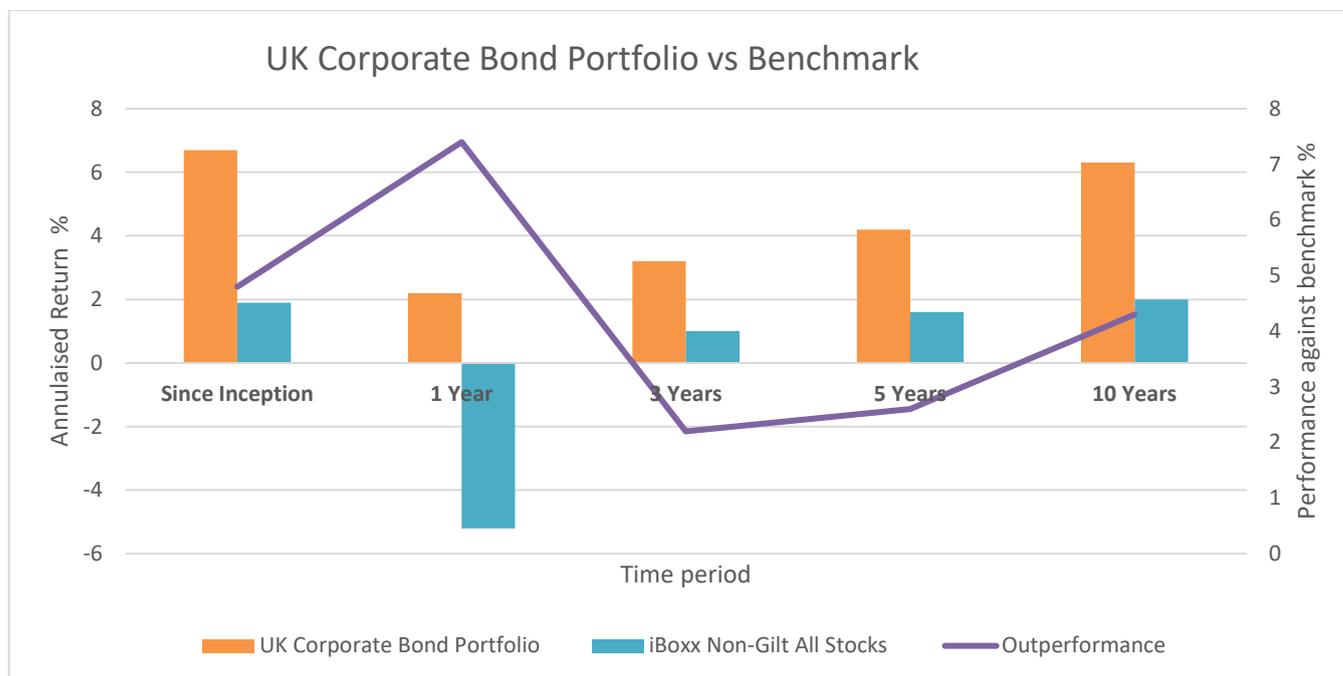
Dividend income, which fell by almost 50% during the pandemic, has recovered to pre-pandemic levels. UK dividends are an important source of income for the Fund, worth around £170m in 2021.

### UK corporate bonds

The UK corporate bond portfolio was valued at £490m at the end of March 2022, representing 2.8% of the total fund. The portfolio remains well diversified in high yielding corporate bonds across counterparties, seniority ranking and investment grades.

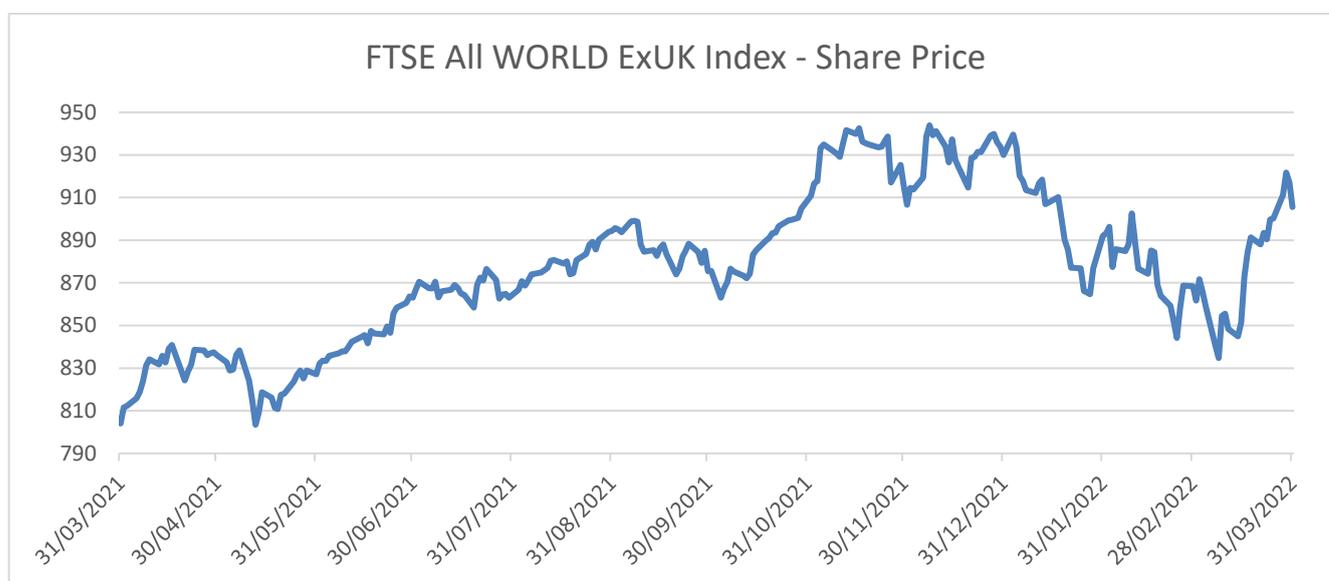
## SECTION 8: INVESTMENT MARKETS

The corporate bond portfolio continues to outperform consistently compared to the benchmark for all periods since inception. The most recent period has been a particularly difficult one for bonds generally, with the benchmark falling 5.2% over the year. However the UK corporate bond portfolio showed a positive return of 2.2%, a particularly strong outperformance. A number of bonds were redeemed early (before maturity date) during the year, and there have been no defaults on maturity or coupon payments.



## International investment markets

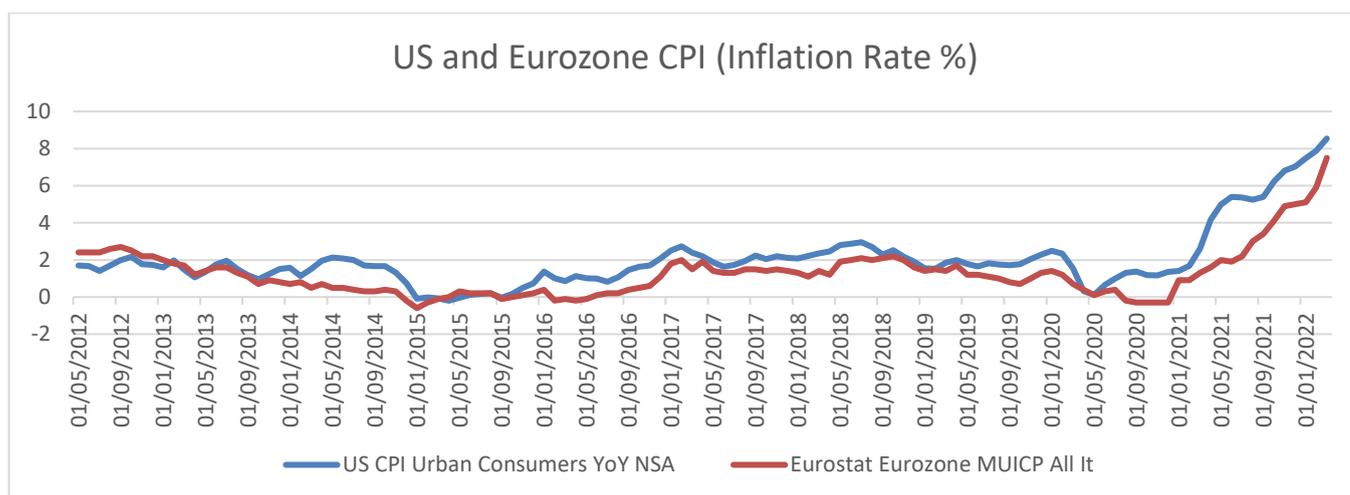
Global equity markets made a positive return of 12.6% over the financial year, despite suffering a major decline in the final quarter.



Source Bloomberg LLP.

This financial year has been a story of two parts. Initially markets were optimistic about the prospects for a strong economic recovery as countries reopened following the previous year's restrictive lockdowns introduced to curb the spread of COVID-19. However, as the year progressed COVID-19 reappeared prompting further lockdowns and restrictions, especially in China. These restrictions perpetuated the shortage of goods that constrained the economic growth everyone expected. Worse still, supply shortages caused prices to rise sharply and inflation reached over 8% in the US, well above its 2% average for the previous decade. A picture echoed across many developed economies. Labour markets were also tight with many workers retiring or becoming economically inactive, pushing wages higher and adding to existing inflationary pressures.

## SECTION 8: INVESTMENT MARKETS



Source Bloomberg LLP

Initially the US Federal Open Market Committee (FOMC – or the FED), believed that inflation was transitory and could be controlled. Eventually they quietly admitted inflation was not transitory and began raising interest rates and to move toward tightening their monetary policies to curb inflation. Such measures however, whilst aimed at controlling inflation, also serve to dampen economic growth and reduce profits which caused equity markets to weaken significantly.

The Russian invasion of Ukraine in February 2022 inevitably unsettled markets and further strengthened the grip of inflation across the globe as energy prices increased, (Russia being a major exporter of oil and gas). Whilst this caused weakness in Europe where Germany, in particular, is dependent upon Russian energy, other regions that export commodities, benefitted from these price rises and markets rallied after the invasion began.

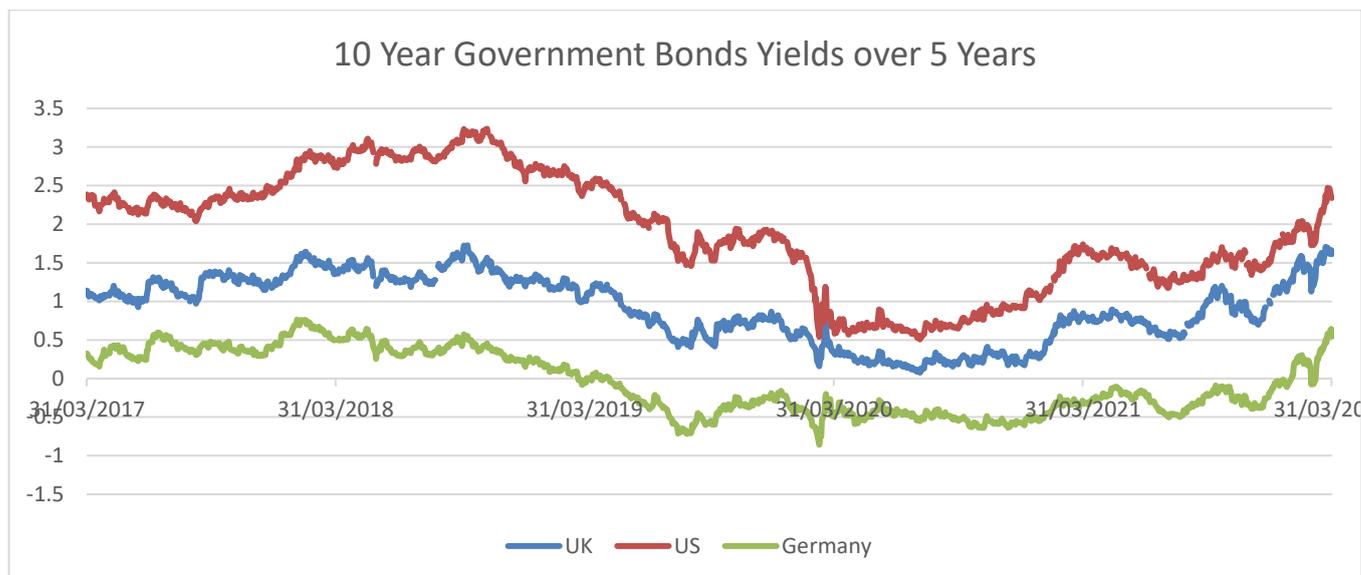
The overseas equity portfolio enjoyed a positive total return of 8.1% for the year, outperforming its benchmark by 1.3%. The benchmark return was 6.7% which is lower than the world index of 12.6% due to its smaller weighting to North America that performed strongly over the year. Whilst equity valuations in the US remain high at 24 times its price to earnings ratio, elsewhere stocks are trading at a more reasonable rating of 14.2 times. This suggests opportunities for positive future returns are more likely outside the USA where valuations are currently stretched.

### Bond Markets

As with equity markets, the bond markets were driven by the policy decisions of central banks in their attempts to stimulate their economies and restore growth following the lockdowns of the COVID-19 pandemic, against the need to dampen inflation. The US Fed and the UK Bank of England chose to focus on dampening inflation and consequently pursued hawkish policies, such as raising interest rates, whilst other banks, such as the Bank of Japan and the European Central Bank, continued to maintain easy monetary policies to prioritize market stimulation.

The challenge posed by rising inflation and higher interest rates is that it reduces the relative value of fixed income payments and therefore negatively impacts bond prices. As the year progressed and the inflation story unfolded, bond prices fell and yields rose making this financial year a difficult one for bond markets with negative returns being the norm. The FTSE Actuaries UK Government All Stocks Gilts Index lost -5.1% over the year. UK Index Linked Bonds made a positive return of 4.7%. Against these benchmarks the portfolio outperformed returning -4.7% and 5.9% respectively.

## SECTION 8: INVESTMENT MARKETS



### Alternative investments

#### Private markets

As at 31 March 2022, the private market equity and infrastructure portfolio accounted for 12.0% (£2,127m) of the West Yorkshire Pension Fund. In addition, at year end, undrawn commitments amounted to a further £1,177m. This included £240m committed to NPEP (see below for explanation) which had not yet been deployed to underlying private equity investments. During the year, the overall private market portfolio experienced capital calls of £441.3m and distributions of £415.5m, resulting in a net investment of £25.8m.

#### Private Equity

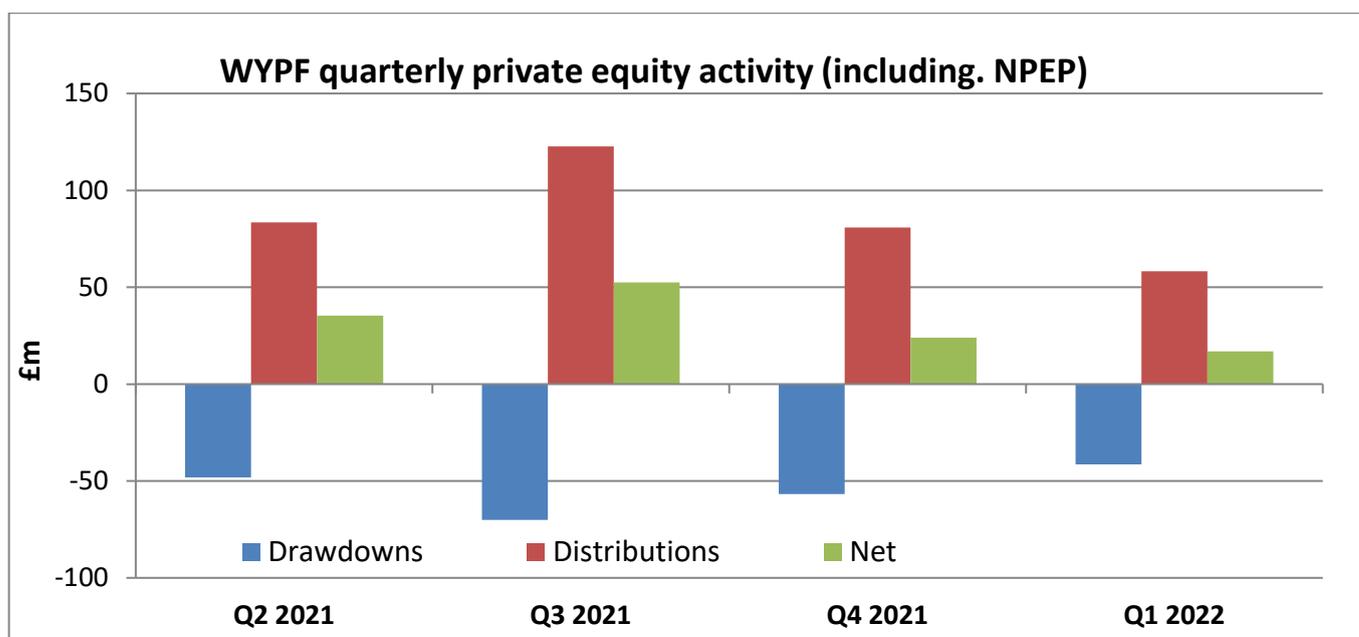
The market rebound seen in the second half of the 2020/21 financial year continued into the first half of 2021/22. For the financial year to 31 March 2022, the number of private equity deals globally increased by approximately 28% on the prior year. The total deal value increased by approximately 51% (Preqin) and average deal sizes increased approximately 18%. The WYPF private equity portfolio experienced a less pronounced increase in buyout activity with an increase in drawdowns of 17%, compared with 51% for the market overall. (Drawdowns are typically dictated by the amount committed in each vintage year. They are also dependent upon the manager's speed of deployment and use of a credit line.) This 17% increase in activity was driven by WYPF's commitment to NPEP, which saw activity increase by 27% on the prior year. Excluding commitments made via NPEP, drawdowns increased by only 8%, which reflects reduced commitments made to this part of the portfolio since 2018, when NPEP launched.

Managers continued to navigate global market uncertainty and invest defensively, whilst executing a high level of bolt-on acquisitions for their investee platform companies in order to drive growth.

The value of global private equity backed exits for 2021/22 was 2% lower than the previous year. It was, however, a year of two halves: 1H exits increased 108%, continuing the buoyancy of the prior six months; 2H exits declined 53%. WYPF's experience was directionally similar, but different in magnitude: 1H +286%, 2H -6%. Overall, the WYPF portfolio saw distributions that were 72% higher than the previous year. Increased exit activity and a higher level of distributions normally lead to a robust fundraising market. However, post-pandemic market optimism began to wane due to macro and geopolitical uncertainty. The number of global private equity funds reaching their final close continued to slow in Q1 2022.

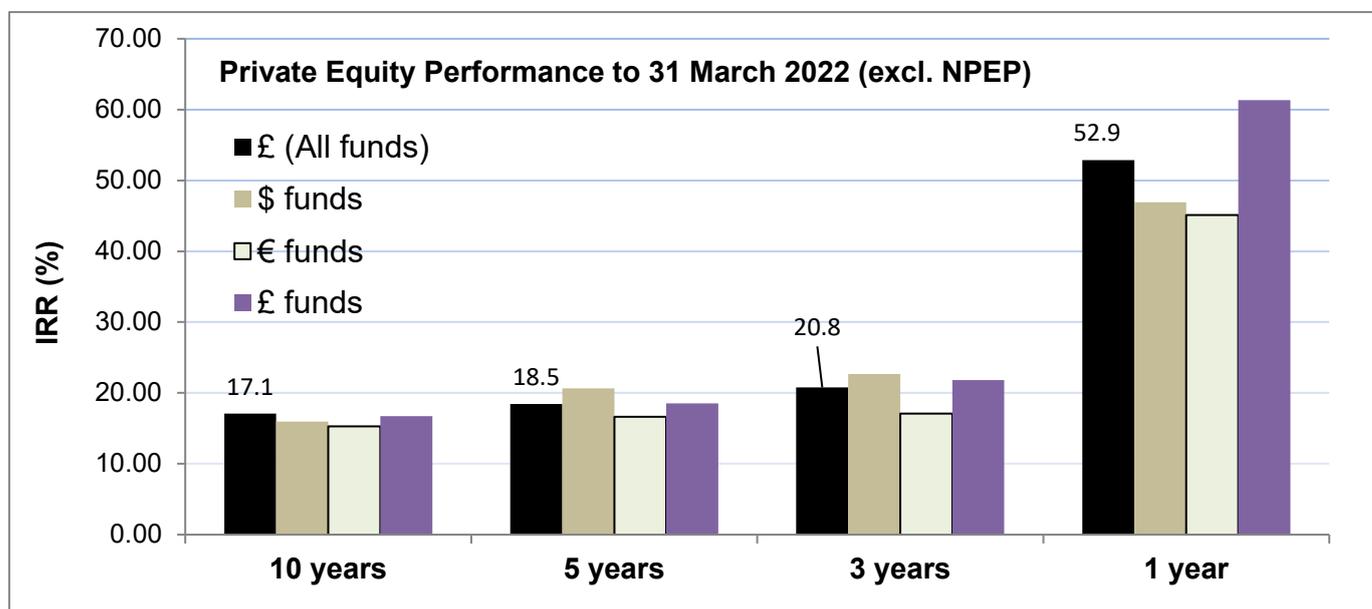
As reported previously, the Northern Private Equity Pool (NPEP) makes commitments to underlying private equity funds on behalf of its founding partners: West Yorkshire Pension Fund, Merseyside Pension Fund and Greater Manchester Pension Fund (NLGPS). NPEP is a joint-venture limited partnership akin to a typical private equity structure. During the year, NPEP received a further £360m in commitments from its founding members, including £160m from WYPF. In total, WYPF has now committed £755m to NPEP. Further annual commitments are expected from all founding members. WYPF's undrawn NPEP commitment amounted to £541m at year end.

## SECTION 8: INVESTMENT MARKETS



For the year to 31 March 2022, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £128.6m overall, compared to £16.4m in the prior year. Meanwhile, the portfolio increased in value by £286m from £903m to £1,189m. As a proportion of the WYPF, the weighting of the private equity portfolio increased from 5.6% at the start of the financial year to 6.7%. This was primarily due to the strong performance delivered by the Fund's private equity managers.

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



WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. For the 12 months to 31 March 2022, the portfolio returned 52.9%. Sterling returns were impacted by a stronger USD (6.4%) and a weaker Euro (-1.2%). Overall, this gave an overall positive currency effect of 3.9%. For the 10-year period to 31 March 2022, the Private Equity portfolio in Sterling has delivered annualised returns of 17.1%.

WYPF's private equity investments held through NPEP delivered returns of 33.3% in Sterling for the year to 31 March 2022, and 29.4% since inception.

## SECTION 8: INVESTMENT MARKETS

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

Private equity fund	WYPF Commitment (£m)
Alpine Investors Fund VIII	23
BlackRock Growth Equity Fund	30
Key Capital Partners IX	2
Northern Private Equity Pool (NPEP)	160
<b>Total</b>	<b>215</b>

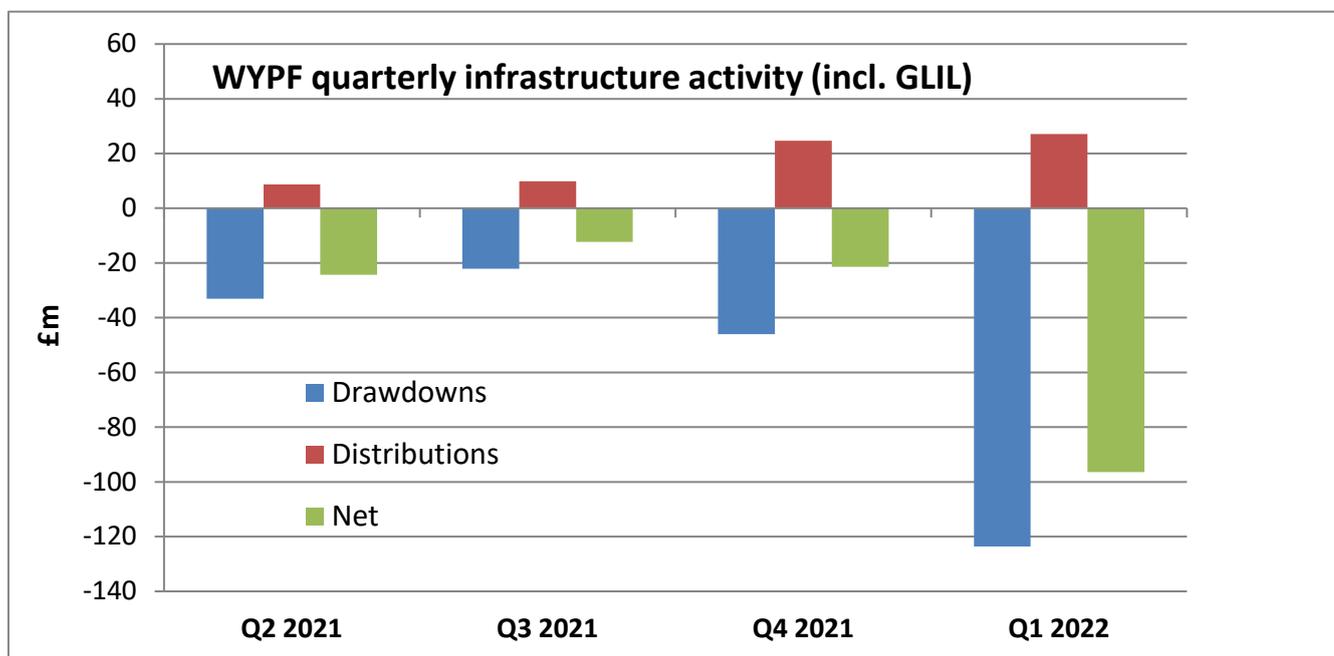
During the year, approval was given for the NPEP investment vehicle to make eight primary fund commitments with seven different managers, one of which is a new manager relationships for WYPF. As at 31 March 2022, un-drawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £551.8m.

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

### Infrastructure

During the financial year to 31 March 2022, the number of reported infrastructure deals globally increased by just 3% on the prior year. However, the total deal value increased by 57% (Preqin). This resulted in the average deal size increasing by 53%, and 20% more than two years ago. The WYPF infrastructure portfolio (excluding GLIL) mirrored this experience with a two-fold increase in drawdown levels. Distributions, however, also increased (+22%), resulting in a net investment of £32.3m, compared to a £2.3m net divestment in 2020/21.

In addition to the above, net investment was bolstered by a further £122m due to WYPF's commitment to GLIL. GLIL is a cost-effective, limited liability partnership focussed on investing in direct UK infrastructure. WYPF has committed £525m to GLIL. As at 31 March 2022, WYPF's unfunded amount committed to GLIL was £91.9m.



Including monies drawn down for GLIL, net investment was £154.5m, 137% higher than the prior year (£65.3m). Capital called from GLIL was predominantly for equity stakes in a UK smart meter asset provider and an Irish onshore wind farm, along with a further equity stake in an existing portfolio company.

As a proportion of WYPF, the weighting of the infrastructure portfolio increased to 5.3% (£940m), from 4.4% (£703m) the previous year.

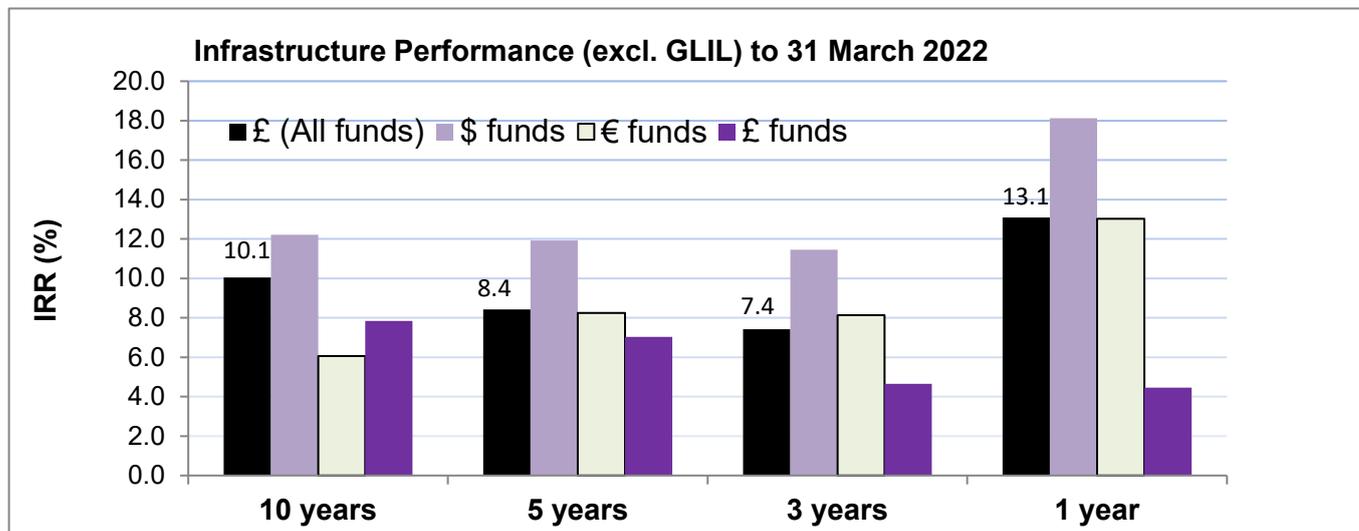
Local currency performance for funds denominated in each currency, and also performance on translation into Sterling, is shown below. The infrastructure performance shown below excludes GLIL. In valuation terms, Sterling, USD, and Euro-denominated funds constitute 39%, 43%, and 18% of the infrastructure portfolio, respectively.

## SECTION 8: INVESTMENT MARKETS

For the 12 months to 31 March 2022, the portfolio returned 13.1%. Sterling returns were positively impacted by USD strength (5.9%) and negatively impacted by Euro weakness (-0.9%). Overall, this gave a positive currency effect of 2.4%.

For the 10-year period to 31 March 2022, the Infrastructure portfolio in Sterling has delivered annualised returns of 10.1%.

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



managers.

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

Infrastructure fund	WYPF Commitment (£m)
Aberdeen Standard Core Infrastructure Fund III	30
FitzWalter Capital Partners I	30
Macquarie European Infrastructure Fund VII	51
Partners Group Direct Infrastructure 2020	17
Tiger Infrastructure Fund III	30
<b>Total</b>	<b>158</b>

At 31 March 2022, un-drawn commitments (incl. GLIL) amounted to £385.2m.

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

### Private Credit

In the latter half of the financial year, WYPF's Investment Advisory Panel approved a 2% allocation to private credit. Investments will be diversified across credit type, geography, manager and vintage year.

### Hedge Funds

WYPF's hedge fund exposure is mainly via a bespoke fund similar to a managed account-type structure. This USD-denominated fund comprises seven underlying multi-strategy funds and two macro funds. This fund returned 12.5% (USD), versus 1.0% for the HFRX Global Hedge Fund Index (USD) for the year to 31 March 2022. Since inception (1 May 2012), this fund has delivered annualised local returns of 7.8%, 10.0% when translated into Sterling.

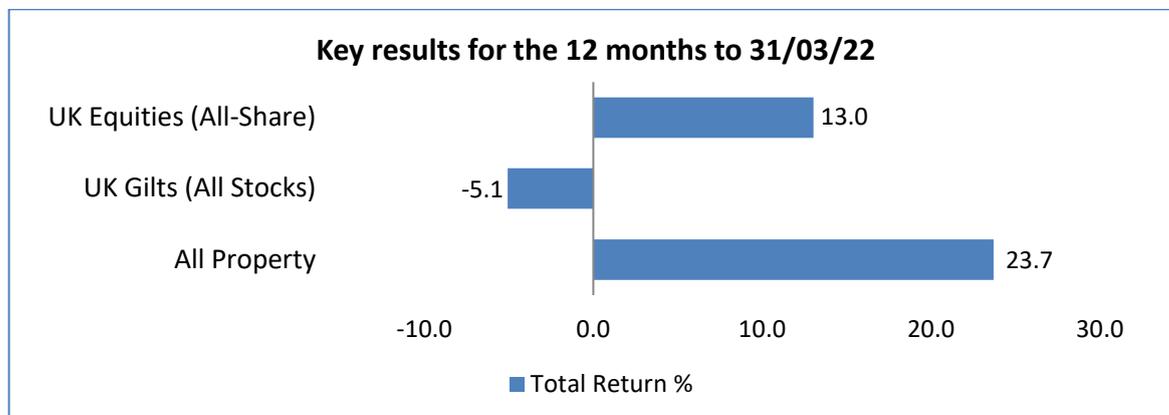
WYPF continues to focus on efficient diversification whilst achieving mid-high single digit returns and limiting downside risk.

## SECTION 8: INVESTMENT MARKETS

### Property

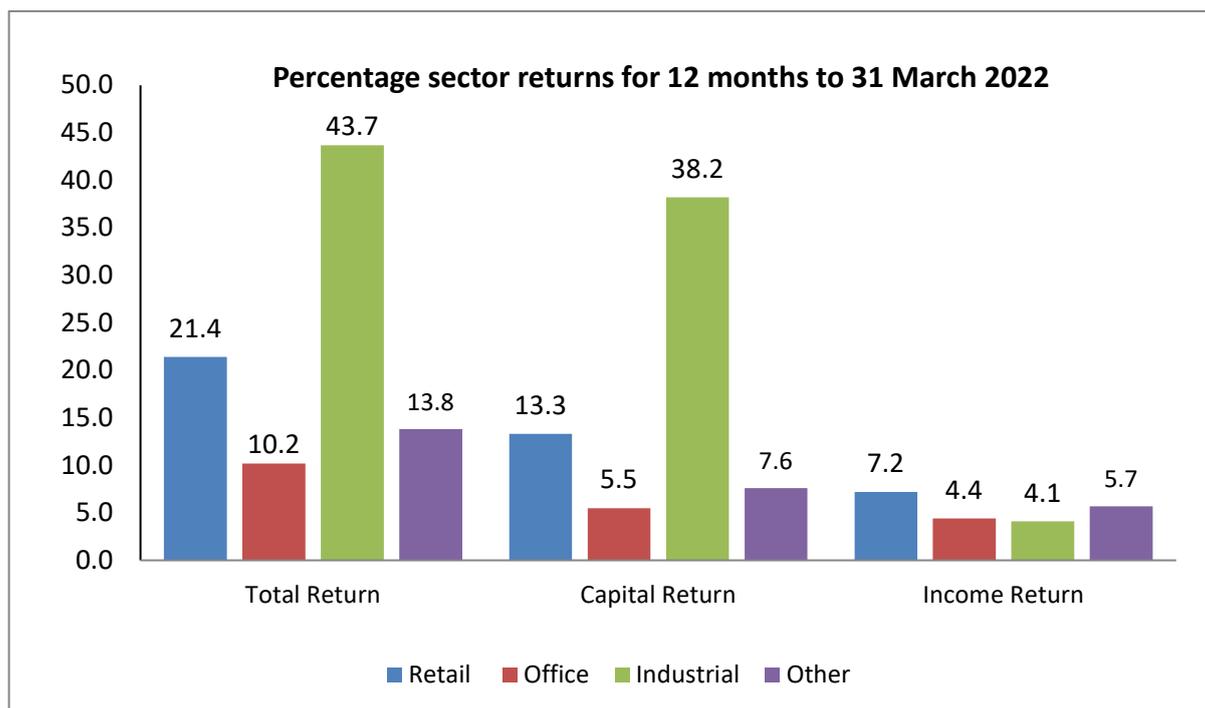
For the year to 31 March 2022, total returns for the UK direct MSCI All Property benchmark amounted to 23.7%. This compares to the WYPF agreed benchmark of the All Property Funds Index, which returned 20.9%.

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



Source: Bloomberg and MSCI UK Quarterly Property Index

Returns by property sector are given below.



Source: CBRE Monthly (12m total return for CBRE All Property was 23.5%)

During the course of the year, UK commercial property transaction volumes rebounded strongly. Nearly all the main sectors saw month on month capital value increases. The exception to this was the Office sector which saw capital values plateau for the first three months of the financial year, before gaining momentum and finishing the year 5.5% higher.

Capital values in the Retail sector were driven mainly by Retail Warehouses (26.0%) and to a lesser extent Standard Shops (5.1%). Shopping Centre capital values, on the other hand, fell 4.6% during the year. According to the latest ONS data, consumer spending has normalised, providing some support for retail rents. Fashion-related consumer spending, which lagged household-related spending at the beginning of the pandemic, has now recovered to pre-pandemic levels.

## SECTION 8: INVESTMENT MARKETS

For the financial year to March 2022, the City of London investment market saw transaction volumes rebound strongly from the prior year before. Q1'22 transaction volumes were five times greater than those recorded in Q1'21 (Savills). Leasing activity across the Central London office market also improved on the prior year; albeit remains lower than the 10-year average (Savills). Occupiers' preference for high quality space dominates the take-up figures in the City. The Office sector delivered a total return of 10.2% for the twelve months to 31 March 2022. Regional Offices (8.8%) were the laggards, whereas the City (9.2%) and West End Offices (12.0%) were the strongest performers.

UK industrial investment volumes in 2021 were more than double the 10-year average (CBRE/Property Data). The Industrial sector continued to experience strong occupational and investment demand. Occupationally, the sector has seen increased demand for online sales during the pandemic, with rents increasing by approximately 11% (CBRE). This heightened investor demand increased valuations and pushed investment yields to new lows. This was again the highest performing sector, with a total return of 43.7%. Within this, South East Industrials returned 47.5% and outperformed Rest of UK Industrials at 36.7%.

'Other' property includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. After suffering valuation falls of 10% last year, capital values rebounded 7.6% to give a total return after income of 13.8% for the year to 31 March 2022.

Although transactional volumes for UK commercial property recovered to normal levels, this was biased towards Industrial and Other sectors. Also, transactions completed during the year were biased towards prime assets. Transactions on lower quality assets struggled to complete due to divergent pricing expectations between buyers and sellers.

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

### Direct property

Towards the latter part of the year, steps were taken by WYPF to initiate procurement of an external direct property manager to help grow its direct portfolio in a cost-effective manner. The aim of making direct investments is to lessen ongoing fees and enhance control, enabling long-term investment throughout market cycles. This is being undertaken through the NLGPS Pool.

### Overall activity

WYPF made property purchases of £24.9m and sales of £34.5m, giving a net divestment of £9.6m over the 12 months to 31 March 2022. The majority of capital was invested in affordable housing and a further equity stake in a regionally dominant shopping centre already held by WYPF. The rationale for the latter investment was two-fold: to protect our existing exposure to the Centre, and to take advantage of attractive pricing, given vendor circumstances.

Sale proceeds mainly resulted from the liquidation of two UK open-ended funds. The property portfolio returned 16.6% for the twelve months to March, underperforming its benchmark of 20.9%. The majority of underperformance is attributable to over-exposure to UK regional offices, the aforementioned shopping centre and European property fund exposure.

At 31 March 2022, un-drawn commitments for property amounted to £56.3m.

# AUDITOR'S REPORT

## SECTION 9: AUDITOR'S REPORT

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

## Report on the audit of the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2022 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

### Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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

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

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

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

### Use of this auditor's statement

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

[Signature]

**Cameron Waddell**

**Key Audit Partner**

**For and on behalf of Mazars LLP**

5th Floor

3 Wellington Place

Leeds

LS1 4AP

[Insert date]

# STATEMENT OF ACCOUNTS



## SECTION 10: STATEMENT OF ACCOUNTS

### Statement of accounts

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

The Director of Finance and IT 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 2022 and its income and expenditure for the year ended 31 March 2022.

In preparing this Statement of Accounts Director of Finance and IT 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 2022

	Note	2022 £000	2021 £000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions receivable	6	475,463	480,170
Transfers in	7	32,012	26,934
Non-statutory pensions and pensions increases recharged	8	20,171	21,019
		<b>527,646</b>	<b>528,123</b>
Benefits payable	9	(591,305)	(550,077)
Non-statutory pensions and pensions increase	8	(20,171)	(21,019)
Payments to and on account of leavers	10	(19,993)	(23,373)
		<b>(631,469)</b>	<b>(594,469)</b>
Net additions/(withdrawals) from dealing with members		(103,823)	(66,346)
Management expenses	13	(10,455)	(10,002)
<b>Net additions / (withdrawals) including management expenses</b>		<b>(114,278)</b>	<b>(76,348)</b>
<b>Returns on investments</b>			
Investment Income	15	425,221	361,159
Taxes on income	15a	(9,143)	(7,919)
Profit and losses on disposal and changes in value of investments	17a	1,348,594	2,833,734
Stock lending	17c	1,871	2,278
<b>Net return on investments</b>		<b>1,766,543</b>	<b>3,189,252</b>
<b>Net Increase/(decrease) in the net assets available for benefits during the year</b>		<b>1,652,264</b>	<b>3,112,904</b>
<b>Fund opening net assets</b>		<b>16,327,202</b>	<b>13,214,298</b>
<b>Fund closing net assets</b>		<b>17,979,466</b>	<b>16,327,202</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### Net Assets Statement at 31 March 2022

	Note	2022 £000	2021 £000
<b>Investment assets</b>			
Bonds	17	1,402,820	1,315,811
Equities (including convertible shares)	17	10,867,442	9,998,808
Index-linked securities	17	755,940	735,119
Pooled investment vehicles	17	4,251,295	3,702,738
Direct Property	17	7,350	7,300
Cash deposits	17	556,926	422,003
Cash in bank	17	6,230	41,592
Other investment balances	17	61,580	58,153
<b>Investment liabilities</b>			
Other investment balances	17	(43)	(13,990)
<b>Total net investments</b>		<b>17,909,540</b>	<b>16,267,534</b>
<b>Current assets</b>			
Debtors	20	95,663	81,033
<b>Current liabilities</b>			
Creditors	21	(25,737)	(21,365)
<b>Net current assets and liabilities</b>		<b>69,926</b>	<b>59,668</b>
<b>Net assets of the scheme available to fund benefits</b>		<b>17,979,466</b>	<b>16,327,202</b>

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2022. This financial statement shows the net value of assets owned by the fund, the actuarial calculation of the present value of promised retirement benefits is provided in Note 12.

Signed

**Christopher Kinsella**

Director of Finance and IT

City of Bradford Metropolitan District Council DD MMMM 2023

# SECTION 10: STATEMENT OF ACCOUNTS

## Notes to the accounts

### Note 1. Operations and Membership

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

#### Administering Authority

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

#### Legal Status

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

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

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

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

#### Management

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

#### Participating employers

There were 463 participating employers during the year, 30 left in the year, leaving 433 at 31st March 2022 (409 employers as at 31st March 2021) whose employees were entitled to be contributors to the Fund.

#### Membership

Total membership as at 31st March 2022 is 307,797 (31st March 2021 is 298,307).

At 31 March 2021	Profile of membership	At 31 March 2022
101,079	Active members	104,891
100,869	Pensioner members	104,710
96,359	Members with preserved pensions	98,196
<b>298,307</b>	<b>Total members</b>	<b>307,797</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### Benefits payable

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

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

## Note 2. Actuary's Report

### West Yorkshire Pension Fund

### Statement of the Actuary for the year ended 31 March 2023

#### Introduction

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

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

#### Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £17,979.5M) covering 108.5% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

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

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

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

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

The assets were valued at market value.

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

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

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

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations and in line with the Fund's policy, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

## SECTION 10: STATEMENT OF ACCOUNTS

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

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

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

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

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

Aon Solutions UK Limited

**April 2023**

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 3. Accounting policies

#### Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

#### Contributions

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

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

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

#### Transfers in and out of the fund

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

#### Benefits payable

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

#### Management expenses

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

#### Administrative expenses

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

#### Oversight and Governance costs

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

#### Investment management expenses

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Actuarial present value of promised retirement benefits

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

### Cash and cash equivalents

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

### Financial liabilities

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

### Investment income

#### Interest income

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

#### Property related income

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

#### Dividend income

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

#### Distribution from pooled funds

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

### Movement in the net market value of investments

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

### Taxation

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Financial assets

All our financial assets are equities, bonds, properties and cash deposits. Equities, bonds and properties are included in the net assets statement based on fair value through profit and loss (FVTPL) in the Net Assets Statement. All cash, cash deposits, investments debtors and creditors are held to be collected therefore are valued at amortised costs in the Net Assets Statement. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From the date of recognition, any gains or losses arising from changes in the fair value or amortised costs of assets held are recognised in the Net Assets Statement.

The values of investments as shown in the Net Assets Statement have been determined at fair value or amortised costs in accordance with the requirements of the Code and IFRS9 (see note 18). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG / Investment Association, 2016).

### Additional voluntary contributions (AVCs)

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

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

### Currency translation

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

- a. Proceeds of sales of foreign assets are translated into sterling at the exchange rate on the day of sale and recorded in our investment book of records in sterling and in local currency.
- b. Purchase of foreign investments are translated into sterling using the exchange rate at the time of purchase and recorded in our investment book of record at book cost in sterling and local currency.
- c. Balance of foreign currency income accounts are moved daily to capital account using the mid-market rate on the date of movement.
- d. Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.
- e. When currency is sold or purchased the actual trade rate is used and commissions are charged to management expense.

### Acquisition costs of investments

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

### Netting

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Contingent liabilities and contractual commitments

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

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

### Investment transactions

Investment transactions occurring up to 31 March 2022 but not settled until later are accrued in the accounts.

### Note 4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3 above, WYPF has had to make certain critical judgements about complex transactio

- a) Critical judgements in applying accounting policies.

It has been necessary to make immaterial critical judgements due to the Russian war on Ukraine and as a result the market value of assets with Russian exposure are valued at nil.

- b) Assumptions made about the future and other major sources of estimation uncertainty.

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

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as in Note 12 and does not comprise part of the Net Assets Statement. Significant estimates are used in formulating this information, all of which are disclosed in Note 12. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Aon, the Fund's consulting Actuaries are engaged to provide expert advice about the assumptions to be applied.

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 12. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. However, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability.

#### Fair value of investments

In accordance with the Code and IFRS13, the Fund categorises financial investments carried on the Net Assets Statement at fair value using a three-level hierarchy as disclosed in note 18. Financial investments categorised as level 1 and level 2 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial investments categorised as level 3 is determined using the latest investor reports and financial statements provided by the general partners, adjusted for cash flow after the date of the general partners' report. These require management judgement and contain significant estimation uncertainty. Reliance is placed on general partners' to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided. The total value of level 3 investment is £3,149m at 31 March 2022. This consist of the Fund's unlisted private equity, pooled investments, property funds and direct property. In line with the market risk within note 18, there is a risk that the value of the Fund may reduce or increase during 2021/22 reporting period by £953m which represents the potential market movement on value of investment at level 3, the potential market movement is shown in note 18 of the accounts.

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 5. Events after the balance sheet date

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

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period). There has been no adjusting events.
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period). There has been no non adjusting events.

### Note 6. Contributions receivable

	2021/22 £000	2020/21 £000
<b>By category</b>		
Employers	340,809	353,385
Members	134,654	126,785
<b>Total</b>	<b>475,463</b>	<b>480,170</b>
<b>By type of employer</b>		
Administering authority	56,589	52,806
Scheduled bodies	382,105	389,501
Admitted bodies	36,769	37,863
<b>Total</b>	<b>475,463</b>	<b>480,170</b>
<b>By type of contribution</b>		
Employees normal contributions	127,362	122,673
Employees additional contributions	7,292	4,112
Employers normal contributions	338,521	313,057
Employers deficit contributions	2,288	40,328
<b>Total</b>	<b>475,463</b>	<b>480,170</b>

### Employer contribution rates and deficit contributions

Employer contributions receivable in 2021-22 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2019) the Actuary calculates an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

## SECTION 10: STATEMENT OF ACCOUNTS

### Employee contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. The rates for 2021/22 based on pay in the financial year are provided below.

2021/22 Pay	2020/21 Pay	Contribution rate
Up to £14,600	Up to £14,600	5.50%
£14,601 to £22,900	£14,601 to £22,800	5.80%
£22,901 to £37,200	£22,801 to £37,100	6.50%
£37,201 to £47,100	£37,101 to £46,900	6.80%
£47,101 to £65,900	£46,901 to £65,600	8.50%
£65,901 to £93,400	£65,601 to £93,000	9.90%
£93,401 to £110,000	£93,001 to £109,500	10.50%
£110,001 to £165,000	£109,501 to £164,200	11.40%
£165,001 or more	£164,201 or more	12.50%

### Note 7. Transfers in from other pension funds

	2021/22 £000	2020/21 £000
Individual transfers in from other schemes	32,012	25,288
Bulk transfers in from other schemes	0	1,646
<b>Total Transfers In</b>	<b>32,012</b>	<b>26,934</b>

### Note 8. Non-statutory pensions increase and recharges

	2021/22 £000	2020/21 £000
Pensions	20,171	21,019
<b>Total</b>	<b>20,171</b>	<b>21,019</b>

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 9. Benefits payable

	2021/22	2020/21
	£000	£000
<b>Pensions</b>		
Funded pensions – retired employees	(426,763)	(406,808)
Funded pensions – dependants	(33,499)	(33,611)
<b>Total pensions</b>	<b>(460,262)</b>	<b>(440,419)</b>
<b>Lump sums</b>		
Funded lump sums on retirement	(117,537)	(95,919)
Funded lump sums on death	(13,506)	(13,739)
<b>Total lump sums</b>	<b>(131,043)</b>	<b>(109,658)</b>
<b>Total benefits paid in year</b>	<b>(591,305)</b>	<b>(550,077)</b>

	2021/22	2020/21
	£000	£000
<b>Benefits payable by type of employer member body</b>		
<b>Pensions</b>		
Administering authority	(84,132)	(81,348)
Scheduled bodies	(446,975)	(415,221)
Admitted bodies	(60,198)	(53,508)
<b>Total pensions</b>	<b>(591,305)</b>	<b>(550,077)</b>

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

### Note 10. Payments to and on account of leavers

	2021/22	2020/21
	£000	£000
Refund of contributions	(1,488)	(1,266)
Individual transfers	(18,505)	(22,107)
<b>Total</b>	<b>(19,993)</b>	<b>(23,373)</b>

## SECTION 10: STATEMENT OF ACCOUNTS

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

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

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

	2021/22 £000	2020/21 £000 (Restated)
Value of funds at 1 April	40,616	32,865
Contributions received	8,813	7,134
Transfers and withdrawals values	30	145
Interest and bonuses/change in market value of assets	(6,995)	4,998
Sale of investments to settle benefits due to members	(7,930)	(4,526)
<b>Value of funds at 31 March</b>	<b>34,534</b>	<b>40,616</b>

AVC Provider	Members still paying contributions 2021/22 Count	Members 2020/21 Count	2021/22 £000	2020/21 £000
Utmost	191	214	1,980	2,090
Prudential	2,510	2,174	30,896	26,764
Scottish Widows	422	503	1,658	11,762
<b>Total</b>	<b>3,123</b>	<b>2,891</b>	<b>34,534</b>	<b>40,616</b>

Prudential were unable to provide details of contributions made by scheme members or the total value of the fund's invested by Prudential on behalf of members of the West Yorkshire Pension Fund at 31 March 2021. These details have now been received and the total restated.

Additional voluntary contributions are not included in the Fund Account in accordance with regulation 4(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

### Note 12. Actuarial present value of promised retirement benefits

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

#### Introduction

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

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

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

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

### Assumptions

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

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

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

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

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

### Demographic assumptions

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

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Key risks associated with reporting under IAS 26 and sensitivity

#### Volatility of results

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

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

#### Post balance sheet date experience

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

#### Choice of accounting assumptions

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

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

#### Sensitivity of results to key assumptions

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

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

#### Sensitivity analysis

##### Discount rate assumption

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

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### Rate of general increase in salaries

	+0.1%	(0.1%)
	£m	£m
<b>Adjustment to salary increase rate assumption</b>		
£ change to present value of the defined benefit obligation	45.9	(45.4)
% change in present value of defined benefit obligation	0.2%	(0.2%)

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

	+0.1%	(0.1%)
	£m	£m
<b>Adjustment to pension increase rate assumption</b>		
£ change to present value of the defined benefit obligation	434.9	(425.9)
% change in present value of defined benefit obligation	1.8%	(1.8%)

### Post retirement mortality assumption

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

## Note 13. Management expenses

	2021/22	2020/21
	£000	£000
Administrative costs	(4,225)	(4,002)
Investment management expenses	(5,531)	(5,129)
Oversight and governance	(699)	(871)
<b>Total</b>	<b>(10,455)</b>	<b>(10,002)</b>

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The investment management expenses above includes a statutory audit fee of £37.4k (2020/21 £37.4k) is included on oversight and governance. The statutory audit fee does not include fees chargeable to the fund for pension assurance work undertaken at the request of employer auditors. Fees payable for this work total £18k (2020/21 £14.9k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

Investment management expenses are further analysed in Note 14.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above. The costs for the 2021/22 reporting period are £120k (2020/21 £75.6k).

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### Note 14. Investment expenses

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

	2020/21 Total £000	Management fees £000	Performance related fees £000	Transaction costs £000
Bonds	333	333	0	0
Equities	3,315	2,529	0	786
Index-linked securities	186	186	0	0
Pooled investment vehicles	963	936	0	27
Direct property	2	2	0	0
Cash deposits	128	128	0	0
	<b>4,927</b>	<b>4,114</b>	<b>0</b>	<b>813</b>
Custody Fees	202			
<b>Total</b>	<b>5,129</b>			

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

### Note 15. Investment income

	2021/22 £000	2020/21 £000
Income from bonds	39,191	39,418
Dividends from equities	311,676	272,289
Income from index-linked securities	3,475	3,532
Income from pooled funds	69,706	44,287
Income from direct property	662	449
Interest on cash deposits	511	1,184
<b>Total</b>	<b>425,221</b>	<b>361,159</b>

### Note 15a. Tax on income

	2021/22 £000	2020/21 £000
Dividends from equities	(9,942)	(7,919)
Investment tax reclaim	799	0
<b>Total</b>	<b>(9,143)</b>	<b>(7,919)</b>

### Note 16. Direct property holdings

	2021/22 £000	2020/21 £000
Opening balance	7,300	6,675
<b>Additions</b>		
Net increase/ decrease in market value	50	625
<b>Closing balance</b>	<b>7,350</b>	<b>7,300</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 17. Investments

#### Note 17a. Movement in the value of investments

	Opening value at 1 April 2021 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2022 £000
Bonds	1,315,811	321,298	(155,978)	(78,311)	1,402,820
Equities	9,998,808	325,313	(290,052)	833,373	10,867,442
Index linked securities	735,119	7,643	(30,909)	44,087	755,940
Pooled funds	3,702,738	459,521	(458,812)	547,848	4,251,295
Direct property	7,300	0	0	50	7,350
	<b>15,759,776</b>	<b>1,113,775</b>	<b>(935,751)</b>	<b>1,347,047</b>	<b>17,284,847</b>
<b>Cash Debtors Creditors</b>		<b>Increase</b>	<b>Decrease</b>		
Cash Deposits	422,003	134,923	0	0	556,926
Cash at bank re investments	41,592	0	(35,362)	0	6,230
Other investment debtors	58,153	3,427	0	0	61,580
Other investment creditors	(13,990)	13,947	0	0	(43)
	<b>507,758</b>	<b>152,297</b>	<b>(35,362)</b>	<b>0</b>	<b>624,693</b>
<b>Total investments</b>	<b>16,267,534</b>	<b>1,266,072</b>	<b>(971,113)</b>	<b>1,347,047</b>	<b>17,909,540</b>

	Opening value at 1 April 2020 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2021 £000
Bonds	1,387,187	335,004	(425,563)	19,183	1,315,811
Equities	7,675,343	330,603	(260,462)	2,253,324	9,998,808
Index linked securities	736,119	53,160	(52,570)	(1,590)	735,119
Pooled funds	3,071,112	326,236	(259,111)	564,501	3,702,738
Direct property	6,675	0	0	625	7,300
	<b>12,876,436</b>	<b>1,045,003</b>	<b>(997,706)</b>	<b>2,836,043</b>	<b>15,759,776</b>
<b>Cash Debtors Creditors</b>		<b>Increase</b>	<b>Decrease</b>		
Cash Deposits	254,625	167,378	0	0	422,003
Cash at bank re investments	46,842	(5,250)	0	0	41,592
Other investment debtors	53,918	4,235	0	0	58,153
Other investment creditors	(51,239)	37,249	0	0	(13,990)
	<b>304,146</b>	<b>203,612</b>	<b>0</b>	<b>0</b>	<b>507,758</b>
<b>Total investments</b>	<b>13,180,582</b>	<b>1,248,615</b>	<b>(997,706)</b>	<b>2,836,043</b>	<b>16,267,534</b>

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 17b. Investments analysis by security type

	2021/22 £000	2020/21 £000
<b>Bonds</b>		
Public sector quoted	731,966	782,562
Other quoted	670,854	533,249
	<b>1,402,820</b>	<b>1,315,811</b>
<b>Equities</b>	<b>10,867,442</b>	<b>9,998,808</b>
<b>Index-linked securities</b>	<b>755,940</b>	<b>735,119</b>
<b>Pooled funds</b>		
Hedge funds	124,360	105,585
Property	717,807	606,022
Equity	1,125,960	1,220,217
Private equity	1,250,522	1,047,999
Private equity infrastructure	1,032,646	722,915
	<b>4,251,295</b>	<b>3,702,738</b>
<b>Direct property</b>	<b>7,350</b>	<b>7,300</b>
<b>Cash deposits</b>	<b>556,926</b>	<b>422,003</b>
Cash in bank	6,230	41,592
<b>Other Investment assets</b>	<b>61,580</b>	<b>58,153</b>
<b>Other Investment liabilities</b>	<b>(43)</b>	<b>(13,990)</b>
<b>Total</b>	<b>17,909,540</b>	<b>16,267,534</b>

### Note 17c. Stock lending

	2021/22 £000	2020/21 £000
<b>Stock lending</b>		
Income – bonds	185	176
Income – UK equities	235	396
International equities	1,533	1,782
	<b>1,953</b>	<b>2,354</b>
Less – costs	(82)	(76)
<b>Total</b>	<b>1,871</b>	<b>2,278</b>

As at 31 March 2022, the value of stock on loan to market makers was £851m (31 March 2021 £660m) and this was covered by collateral totalling £916m (31 March 2021 £702m) which includes an appropriate margin. The collateral includes a basket of Equities £315 million (31 March 2021 £163 million), United Kingdom Gilts £77million (31 March 2021 £159 million), US Equities £245 million (31 March 2021 £191 million) and Government Debt £50 million (31 March 2021 £17 million).

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 18. Fair value – basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Observable	Not required
Quoted bonds	Level 1	Listed bonds are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange. Market bid prices based on current yield	Observable	Not required
Quoted indexed linked bonds	Level 1	The bid price is multiplied by the relevant inflation factor to give an inflation adjusted bid price	Observable	Not required
Pooled investments, unit trusts and quoted property funds.	Level 2	Where available and published closing bid prices are used.	Observable but not actively traded	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Value is based on the latest investor reports and financial statements provided by the general partners, adjusted for cash flow after the date of the report.	Unobservable	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers – in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ('The Red Book').	Unobservable	Changes in rental growth, vacancy levels or discount rates could affect valuations.

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 18a. Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	17.8%	124.1	146.2	102.0
Property funds	18.6%	717.8	851.3	584.3
Direct property	10.1%	7.4	8.1	6.7
Private equity	34.9%	2,283.2	3,080.0	1,486.4
Other assets	0.5%	10.6	10.7	10.5
<b>Total</b>		<b>3,143.1</b>	<b>4,096.3</b>	<b>2,189.9</b>

The sensitivity analysis figures have been restated for 2020/21 to correct the percentages used in the disclosure. The impact of which can be seen in the tables below:

Restated 2020/21 sensitivity analysis figures.

	Assessed valuation range (+/-) (restated)	Value at 31 March 2021 £m	Value on increase (restated) £m	Value on decrease (restated) £m
Pooled investments – hedge funds	11.2%	105.3	117.1	93.5
Property funds	1.5%	453.1	459.9	446.3
Direct property	16.6%	7.3	8.5	6.1
Private equity	5.4%	1,770.9	1,866.5	1,675.3
Other assets	1.5%	45.5	46.2	44.8
<b>Total</b>		<b>2,382.1</b>	<b>2,498.2</b>	<b>2,266.0</b>

Previously stated 2020/21 sensitivity analysis figures.

	Assessed valuation range (+/-)	Value at 31 March 2021 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	10%	105.3	115.8	94.8
Property funds	10%	453.1	498.4	407.8
Direct property	10%	7.3	8.0	6.6
Private equity	15%	1,770.9	2,036.5	1,505.3
Other assets	10%	45.5	50.1	41.0
<b>Total</b>		<b>2,382.1</b>	<b>2,708.8</b>	<b>2,055.5</b>

## Financial instruments – valuation

### Valuation of financial assets carried at fair value

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

#### Level 1

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

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### Level 2

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

### Level 3

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

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

### Note 18b. Valuation hierarchy

31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	13,453	689	3,136	17,278
Financial assets at amortised cost	720	0	0	720
<b>Total financial assets</b>	<b>14,173</b>	<b>689</b>	<b>3,136</b>	<b>17,998</b>
<b>Non financial assets at fair value through profit and loss</b>				
Direct property	0	0	7	7
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(26)	0	0	(26)
<b>Total financial liabilities</b>	<b>(26)</b>	<b>0</b>	<b>7</b>	<b>(19)</b>
<b>Total</b>	<b>14,147</b>	<b>689</b>	<b>3,143</b>	<b>17,979</b>

31 March 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	12,510	868	2,375	15,753
Financial assets at amortised cost	603	0	0	603
<b>Total financial assets</b>	<b>13,113</b>	<b>868</b>	<b>2,375</b>	<b>16,356</b>
<b>Non financial assets at fair value through profit and loss</b>				
Direct property	0	0	7	7
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(35)	0	0	(35)
<b>Total financial liabilities</b>	<b>(35)</b>	<b>0</b>	<b>7</b>	<b>(28)</b>
<b>Total</b>	<b>13,078</b>	<b>868</b>	<b>2,382</b>	<b>16,328</b>

### Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-21 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-22 £000
Pooled investments - hedge funds	105,328	0	0	18,818	124,146
Property funds	453,078	26,886	(34,910)	272,753	717,807
Direct property	7,300	0	0	50	7,350
Private equity (inc NLGPS)	1,770,914	426,641	(369,051)	454,663	2,283,167
Other assets	45,549	12,038	(213)	(46,758)	10,616
<b>Total</b>	<b>2,382,170</b>	<b>465,565</b>	<b>(404,174)</b>	<b>699,525</b>	<b>3,143,086</b>

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Reconciliation of fair value measurements within level 3	Market value 01-Apr-20 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-21 £000
Pooled investments - hedge funds	94,683	0	0	10,645	105,328
Property funds	455,028	17,088	(7,623)	(11,415)	453,078
Direct property	6,675	0	0	625	7,300
Private equity (inc NLGPs)	1,545,224	303,950	(224,682)	146,422	1,770,914
Other assets	55,244	123	(8,190)	(1,628)	45,549
<b>Total</b>	<b>2,156,854</b>	<b>321,161</b>	<b>(240,495)</b>	<b>144,649</b>	<b>2,382,170</b>

### Note 19. Financial instruments – classification

The following table analyses the carrying value of the financial assets and liabilities by category and by net asset statement heading as at 31 March 2022. The table also includes Direct Property (non-financial instrument) for completeness.

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

31 March 2021	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
<b>Financial assets</b>				
Bonds	1,315,811	0	0	1,315,811
Equities	9,998,808	0	0	9,998,808
Index-linked securities	735,119	0	0	735,119
Pooled investment vehicles	3,702,738	0	0	3,702,738
Cash deposits	0	422,003	0	422,003
Cash at bank	0	41,592	0	41,592
Other investment balances	0	58,153	0	58,153
Debtors	0	81,033	0	81,033
<b>Total financial assets</b>	<b>15,752,476</b>	<b>602,781</b>	<b>0</b>	<b>16,355,257</b>
<b>Financial liabilities</b>				
Other investment balances	0	0	(13,990)	(13,990)
Creditors	0	0	(21,365)	(21,365)
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>(35,355)</b>	<b>(35,355)</b>
<b>Total</b>	<b>15,752,476</b>	<b>602,781</b>	<b>(35,355)</b>	<b>16,319,902</b>
<b>Non financial instruments</b>				
Direct property	7,300	0	0	7,300
<b>Total</b>	<b>15,759,776</b>	<b>602,781</b>	<b>(35,355)</b>	<b>16,327,202</b>

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 20. Current assets – debtors

	2021/22	2020/21
	£000	£000
Contributions due from employers	37,980	29,614
Other debtors	57,683	51,419
<b>Total</b>	<b>95,663</b>	<b>81,033</b>

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

### Note 21. Current liabilities – creditors

	2021/22	2020/21
	£000	£000
Unpaid benefits	(11,278)	(9,811)
Other current liabilities	(14,459)	(11,554)
<b>Total</b>	<b>(25,737)</b>	<b>(21,365)</b>

### Note 22. Related party transactions

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

#### Administering body

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

In 2021/22, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £459k in respect of support services provided (£444k in 2020/21). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

#### Employers

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

#### Members

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

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

#### Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director of the West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £140k (2020/21 £143k). 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.

## SECTION 10: STATEMENT OF ACCOUNTS

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

#### Risk and risk management

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

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

and

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

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

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

#### a. Market risk

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

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

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

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

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

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

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

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

#### b. Price risk

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

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

### 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 2021/22 reporting period.

Asset type	2021/22 Potential market movement +/- (% p.a.)	2020/21 Potential market movement +/- (% p.a .)
UK bonds	1.3	7.0
Overseas bonds	0.3	5.8
UK index-linked	5.9	0.9
Overseas index-linked	5.9	0.9
UK equities	12.2	31.2
Overseas equities	8.1	39.3
Pooled funds UK equities	12.2	31.2
Pooled funds overseas Equities	12.2	39.3
Pooled funds UK properties	18.6	1.7
Pooled funds overseas properties	18.6	1.7
Pooled funds UK hedge fund	17.8	11.2
Pooled funds UK private equities	34.9	5.4
Pooled funds overseas private equities	34.9	5.4
Pooled funds UK private equity infrastructure	12.9	0.8
Pooled funds overseas private equity infrastructure	12.9	0.8
Direct property	10.1	16.6
Cash certificate of deposits	0.5	1.5
Cash bank	0.5	1.5
Other investment assets	0.5	1.5
Other investment liabilities	0.5	1.5

Asset type	Value as at 31-Mar-22 £000	Value as at 31-Mar-21 £000
UK bonds	911,984	991,700
Overseas bonds	490,836	324,111
UK index-linked	659,908	645,331
Overseas index-linked	96,032	89,788
UK equities	4,902,166	4,453,871
Overseas equities	5,965,276	5,544,937
Pooled funds UK equities	546,390	586,529
Pooled funds overseas Equities	579,570	633,687
Pooled funds UK properties	610,566	529,604
Pooled funds overseas properties	86,722	76,419
Pooled funds UK hedge fund	124,360	105,585
Pooled funds UK private equities	832,312	676,465
Pooled funds overseas private equities	438,729	371,534
Pooled funds UK private equity infrastructure	868,183	639,404
Pooled funds overseas private equity infrastructure	164,463	83,511
Direct property	7,350	7,300
Cash certificate of deposits	556,926	422,003
Cash bank	6,230	41,592
Other investment assets	61,580	58,153
Other investment liabilities	(43)	(13,990)
<b>Total Investment Assets</b>	<b>17,909,540</b>	<b>16,267,534</b>

## SECTION 10: STATEMENT OF ACCOUNTS

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

Asset type	Value as at 31-Mar-22 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	911,984	1.30	923,840	900,128
Overseas bonds	490,836	0.30	492,309	489,363
UK index-linked	659,908	5.90	698,843	620,973
Overseas index-linked	96,032	5.90	101,698	90,366
UK equities	4,902,166	12.20	5,500,230	4,304,102
Overseas equities	5,965,276	8.10	6,448,463	5,482,089
Pooled funds UK equities	546,390	12.20	613,050	479,730
Pooled funds overseas Equities	579,570	12.20	650,278	508,862
Pooled funds UK properties	610,566	18.60	724,131	497,001
Pooled funds overseas properties	86,722	18.60	102,852	70,592
Pooled funds UK hedge fund	124,360	17.80	146,496	102,224
Pooled funds UK private equities	832,312	34.90	1,122,789	541,835
Pooled funds overseas private equities	438,729	34.90	591,845	285,613
Pooled funds UK private equity infrastructure	868,183	12.90	980,179	756,187
Pooled funds overseas private equity infrastructure	164,463	12.90	185,679	143,247
Direct property	7,350	10.10	8,092	6,608
Cash certificate of deposits	556,926	0.50	559,711	554,141
Cash bank	6,230	0.50	6,261	6,199
Other investment assets	61,580	0.50	61,888	61,272
Other investment liabilities	(43)	0.50	(43)	(43)
<b>Total Investment Assets</b>	<b>17,909,540</b>		<b>19,918,591</b>	<b>15,900,489</b>
Asset type	Value as at 31-Mar-21 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	991,700	7.00	1,061,119	922,281
Overseas bonds	324,111	5.80	342,909	305,313
UK index-linked	645,331	0.90	651,139	639,523
Overseas index-linked	89,788	0.90	90,596	88,980
UK equities	4,453,871	31.20	5,843,479	3,064,263
Overseas equities	5,544,937	39.30	7,724,097	3,365,777
Pooled funds UK equities	586,529	31.20	769,526	403,532
Pooled funds overseas Equities	633,687	39.30	882,726	384,648
Pooled funds UK properties	529,604	1.70	538,607	520,601
Pooled funds overseas properties	76,419	1.70	77,718	75,120
Pooled funds UK hedge fund	105,585	11.20	117,411	93,759
Pooled funds UK private equities	676,465	5.40	712,994	639,936
Pooled funds overseas private equities	371,534	5.40	391,597	351,471
Pooled funds UK private equity infrastructure	639,404	0.80	644,519	634,289
Pooled funds overseas private equity infrastructure	83,511	0.80	84,179	82,843
Direct property	7,300	16.60	8,512	6,088
Cash certificate of deposits	422,003	1.50	428,333	415,673
Cash bank	41,592	1.50	42,216	40,968
Other investment assets	58,153	1.50	59,025	57,281
Other investment liabilities	(13,990)	1.50	(14,200)	(13,780)
<b>Total Investment Assets</b>	<b>16,267,534</b>		<b>20,456,502</b>	<b>12,078,566</b>

### c. Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the fund and its investment 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 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## SECTION 10: STATEMENT OF ACCOUNTS

Asset type	31 March 2022 £000	31 March 2021 £000
Bonds	1,402,820	1,315,811
Cash deposits	556,926	422,003
Cash at bank	6,230	41,592
<b>Total</b>	<b>1,965,976</b>	<b>1,779,406</b>

### Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 210 basis point (BPS) per annum (100 BPS in 2020/21). 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 +/- 210 BPS change in interest rates.

Asset type	Value as at 31 March 2022 £000	Value on increase +210BPS £000	Value on decrease -210BPS £000
Bonds	1,402,820	1,432,278	1,373,360
Cash deposits	556,926	568,621	545,231
Cash balances	6,230	6,361	6,099
<b>Total</b>	<b>1,965,976</b>	<b>2,007,260</b>	<b>1,924,690</b>

Asset type	Value as at 31 March 2021 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,315,811	1,328,969	1,302,653
Cash deposits	422,003	426,223	417,783
Cash balances	41,592	42,008	41,176
<b>Total</b>	<b>1,779,406</b>	<b>1,797,200</b>	<b>1,761,612</b>

### d. Currency risk

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

The following table summarises the fund's currency exposure as at 31 March 2022 and 31 March 2021.

Currency exposure – asset type	Value as at 31 March 2022 £000	Value as at 31 March 2021 £000
Overseas bonds	490,836	324,111
Overseas index-linked	96,032	89,788
Overseas equities	5,965,276	5,544,937
Pooled funds overseas Equities	579,570	633,687
Pooled funds overseas properties	86,722	76,419
Pooled funds overseas private equities	438,729	371,534
Pooled funds overseas private equity infrastructure	164,463	83,511
<b>Total overseas assets</b>	<b>7,821,628</b>	<b>7,123,987</b>

### Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 3.0%, (2020/21 6.0%). A 3.0% 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.

## SECTION 10: STATEMENT OF ACCOUNTS

Asset type	Value as at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Overseas bonds	490,836	505,561	476,111
Overseas index-linked	96,032	98,913	93,151
Overseas equities	5,965,276	6,144,234	5,786,318
Pooled funds overseas Equities	579,570	596,957	562,183
Pooled funds overseas properties	86,722	89,324	84,120
Pooled funds overseas private equities	438,729	451,891	425,567
Pooled funds overseas private equity infrastructure	164,463	169,397	159,529
<b>Total overseas assets</b>	<b>7,821,628</b>	<b>8,056,277</b>	<b>7,586,979</b>

Asset type	Value as at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Overseas bonds	324,111	343,558	304,664
Overseas index-linked	89,788	95,175	84,401
Overseas equities	5,544,937	5,877,633	5,212,241
Pooled funds overseas Equities	633,687	671,708	595,666
Pooled funds overseas properties	76,419	81,004	71,834
Pooled funds overseas private equities	371,534	393,826	349,242
Pooled funds overseas private equity infrastructure	83,511	88,522	78,500
<b>Total overseas assets</b>	<b>7,123,987</b>	<b>7,551,426</b>	<b>6,696,548</b>

### e. Credit risk

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

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

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

### f. Liquidity risk

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

## Note 24. Contractual commitments

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

At 31 March 2021 the West Yorkshire Pension Fund had the following undrawn commitments.

<b>Asset class</b>	<b>Investment value at 31 March 2021 £m</b>	<b>Undrawn commitments £m</b>
Private equity	1,771	1,237
Property funds	606	76
<b>Total</b>	<b>2,377</b>	<b>1,313</b>

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

### Note 25. Accounting developments

The introduction of, and amendments to, the accounting standards listed below are not expected to have any impact in the financial year and the financial statement of West Yorkshire Pension Fund. The Fund doesn't have any lease transactions resulting in being a lessee or lessor.

IFRS 16 the new leases standard came into effect on 1 January 2019. IFRS 16 Leases may have a significant impact on balance sheet and results. IFRS 16 removes the current classification of leases between operating and finance leases for lessees. Instead, lessees will bring all leases within the scope of IFRS 16 (other than those for which the short term or low value exemptions have been taken) on balance sheet, showing an asset for the right of use and a liability for the discounted amount of future payments.

### Note 26. Investment Strategy Statement

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

# Appendix A: Resolving Complaints

## Internal dispute resolution procedure

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

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

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

The IDRP is a two-stage process.

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

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

## If further help is needed

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

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

## Policing pension schemes

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

# Appendix B: Further Information and Contacts

### WYPF senior management team

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<b>Service Centre Group Head of Service</b>	Grace Kitchen Phone 01274 434266 E-mail <a href="mailto:grace.kitchen@wypf.org.uk">grace.kitchen@wypf.org.uk</a>
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<b>WYPF Investments</b>	
<b>Assistant Director – UK</b>	Joanna Wilkinson Phone 01274 432038 E-mail <a href="mailto:joanna.wilkinson@wypf.org.uk">joanna.wilkinson@wypf.org.uk</a>
<b>Assistant Director (Overseas)</b>	Colin Standish Phone 01274 432748 E-mail <a href="mailto:colin.standish@wypf.org.uk">colin.standish@wypf.org.uk</a>

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

### Company information

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Email **[pensions@wypf.org.uk](mailto:pensions@wypf.org.uk)**

# Appendix C: Glossary of Terms

## Glossary of terms

### Active member

An employee who is currently paying pension contributions.

### Actuarial valuation

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

### Additional voluntary contributions (AVCs)

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

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

### Administering authority

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

### Admission body

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

### Asset allocation

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

### Best Value

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

### Brent oil price

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

### Career average revalued earnings (CARE) pension scheme

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

## Appendix C: Glossary of Terms

### Cash equivalent value (CEV)

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

### Consumer Price Index (CPI)

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

### Contracted out

The LGPS is contracted out of the State Second Pension (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

## Appendix C: Glossary of Terms

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

### Direct property

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

### Eligible councillor

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

### Employer covenant

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

### Equity risk premium

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

### Financial instruments

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

### Fixed income securities

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

### Fund of funds (FoF)

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

### Guaranteed minimum pension (GMP)

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

### General partners

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

### Index-linked bonds

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

# Appendix C: Glossary of Terms

## Internal rates of return (IRR)

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

## Local government

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

## Myners' principles

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

The Myners' principles for defined benefit schemes cover:

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

## Ordinary shares

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

## Pension board

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

## Pension liberation fraud

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

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

## Personal pension

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

## Policy statement

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

## Pooled funds

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

## Appendix C: Glossary of Terms

### Private equity

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

### Quality management

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

### Quantitative easing

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

### Related party transactions

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

### Retail Prices Index

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

### Rule of 85

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

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

### Scheduled body

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

### State Earnings Related Pension Scheme (SERPS)

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

### Spot rate

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

### Stakeholder pension

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

# Appendix C: Glossary of Terms

## State pension age

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

## State Second Pension (S2P)

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

## Statutory compliance

This means following the laws on a given issue.

## Stock lending

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

## Subsumption

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

## Transfer value

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

## Transferred service

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

## Treasury management

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

## Unitised funds

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

## Voting policy

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

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

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

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

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

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

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

## Appendix C: Glossary of Terms

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

West Yorkshire Pension Fund's voting policy is available in full at [www.wypf.org.uk](http://www.wypf.org.uk)

# Appendix D: Pension Administration Strategy

## **Contents**

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

# Appendix D: Pension Administration Strategy

## Regulatory framework and purpose

### 1. The regulations

This strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013. In line with these regulations West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF), Hounslow Pension Fund (HPF) and Barnet Pension Fund (BPF) employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

#### 1.1. Purpose

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

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

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

### 2. Review of the strategy

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

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

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

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

### 3. Liaison and communication

#### 3.1. Authorised contacts for employers

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

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

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

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

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

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

## Appendix D: Pension Administration Strategy

### 3.2. Liaison and communication with employers

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

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

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

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

## 4. Employer duties and responsibilities

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

### 4.1. Events for notification

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

## Appendix D: Pension Administration Strategy

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

## Appendix D: Pension Administration Strategy

### 4.1.2. Notifiable events

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

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

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

## 4.2. Responsibilities

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

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

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

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

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

## 4.3. Discretionary powers

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

## Appendix D: Pension Administration Strategy

### 4.4. Member contribution bands

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

### 4.5. Internal dispute resolution procedure (IDRP)

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

## 5. Payments and charges

### 5.1. Payments by employing authorities

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

### 5.2. Paying contributions

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

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

### 5.3. AVC deductions

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

### 5.4. Late payment

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

### 5.5. Awards of additional pension

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

### 5.6. Early retirement costs

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

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

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

## Appendix D: Pension Administration Strategy

### 5.7. Interest on late payment

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

### 5.8. Employer contributions

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

### 5.9. Actuarial valuation

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

### 5.10. Administration charges

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

## 6. Administering authority duties and responsibilities

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

### 6.1. Scheme administration

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

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

### 6.2. Responsibilities

The administrator will ensure the following functions are carried out.

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

## Appendix D: Pension Administration Strategy

### 6.3. Decisions

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

### 6.4. Discretionary powers

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

### 6.5. Internal dispute resolution procedure (IDRP)

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

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

### 6.6. Fund performance levels

The minimum performance targets are shown below.

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

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

### 7. Unsatisfactory performance

#### 7.1. Measuring performance

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

#### 7.2. Unsatisfactory performance

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

# Appendix D: Pension Administration Strategy

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

### Main contact registration form



### Main contact registration form

<b>Employer name and location code</b>
<b>Employer address</b>

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

#### Strategic contact

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

#### Administration contact

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

#### Finance contact

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

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

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

<b>Date signatures valid from</b>	<b>Signed (by current authorised signatory)</b>
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# Appendix D: Pension Administration Strategy

## Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
<b>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.</b>	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).
<b>2. Contributions to be paid anytime but latest date by 19<sup>th</sup> of month (weekends and bank holidays on the last working day before 19<sup>th</sup>)</b>	Due by 19 <sup>th</sup> of the month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
<b>3. Monthly return due anytime but latest by 19<sup>th</sup> of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.</b>	Due by 19 <sup>th</sup> of the month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
<b>4. Change in member detail</b>	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
<b>5. Early leavers information</b>	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).
<b>6. Retirement notifications</b>	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).
<b>7. Death in membership</b>	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).
<b>8. AVC deducted from pay to be paid anytime but latest date by 19<sup>th</sup> of the month (weekends and bank holidays on the last working day before 19<sup>th</sup>).</b>	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).
<b>9. Re-issue of invoices</b>	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
<b>10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers</b>	Costs of additional work resulting from employer's failure to notify the	Failure to comply by employer, causing additional work for WYPF will result in

## Appendix D: Pension Administration Strategy

	administrator of change in authorised officers list.	admin charge (at Pensions Officer level I).
<b>11. Security breach on system re data protection</b>	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).
<b>12. Pension sharing order</b>	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + VAT for this work.
<b>Miscellaneous items:</b>		
<ul style="list-style-type: none"> <li>• <b>Benefit recalculation</b></li> <li>• <b>Member file search and record prints</b></li> <li>• <b>Supplementary information requests</b></li> </ul>	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. Where the member has more than one known record, the charge is for each record.

## Appendix C – Charging Levels

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

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

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

# Appendix E: Funding Strategy Statement

## Funding Strategy Statement (FSS)

### 1. Introduction

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

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

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

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

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

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

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

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

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

# Appendix E: Funding Strategy Statement

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

- 2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.
- 2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:
- 2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
  - 2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;
  - 2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met;
  - 2.2.4 takes a prudent longer-term view of funding the liabilities
  - 2.2.5 makes use of the provisions of Regulation 64(7A), 64A, and 64B
- 2.3 It should be stressed at the outset that, supplementary to the regulatory requirement to consider the desirability of maintaining a constant primary employer contribution rate as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contributions and, therefore, the degree of risk inherent within the funding targets and associated periods for recovery of deficits or return of surpluses.
- 2.4 The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the Administering Authority to implement and maintain.

## 3. Aims and Purpose of the Pension Fund

- 3.1 The aims of the Fund are to:
- 3.1.1 enable primary employer contribution rates to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies,
  - 3.1.2 enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies whilst achieving and

## Appendix E: Funding Strategy Statement

maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike;

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

3.1.4 maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the Fund is to:

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

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

### 4. Responsibilities of Key Parties

4.1 The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, Scheme employers and the actuary.

#### 4.2 The Administering Authority should: -

4.2.1 operate a pension fund;

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

4.2.3 invest all monies held in accordance with the ISS;

4.2.4 maintain adequate records for each Scheme member;

4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;

4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;

4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;

4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;

4.2.9 provide membership records and financial information to the actuary promptly when required and information required by the Government Actuary's Department in relation to Section 13 of the Public Service Pensions Act 2013;

4.2.10 prepare and maintain a Funding Strategy Statement and Investment Strategy Statement in proper consultation with interested parties;

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

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- 4.2.12 manage the valuation process in consultation with the actuary;
  - 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer;
  - 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference;
  - 4.2.15 ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt agreements and spreading exit payments; 4.2.16 ensure the process of applying those policies is clear and transparent to all fund employers
- 4.3 Individual employers should:**
- 4.3.1 deduct contributions from employees' pay correctly;
  - 4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date (including contributions due under a Deferred Debt Agreement);
  - 4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;
  - 4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;
  - 4.3.5 provide adequate membership records to the Administering Authority promptly as required;
  - 4.3.6 notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding;
  - 4.3.7 notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding;
  - 4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years;
  - 4.3.9 pay any exit payments required in the event of their ceasing participation in the Fund.
- 4.4 The Fund Actuary should:**
- 4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;
  - 4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc.;
  - 4.4.3 provide advice and valuations on the exiting of employers from the Fund;

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- 4.4.4 provide advice to the Administering Authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;
- 4.4.5 assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, in particular in relation to any review of contributions between triennial valuations under Regulation 64A;
- 4.4.6 provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B; and
- 4.4.7 ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

### 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

#### Risk Based Approach

- 5.1 The Fund adopts a risk based approach to funding strategy. In particular, the discount rates from 1 February 2022 are set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rates:
  - 5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
  - 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
  - 5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).
- 5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rates (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

#### Solvency Target

- 5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 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%.

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- 5.5 For all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure, from 1 February 2022 the Solvency Target is set:
- 5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
  - 5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).
- The long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed. The solvency discount rate is therefore of 4% p.a.
- 5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken (ongoing orphan employers). The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.
- 5.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement (DDA) ends.

### Probability of Funding Success

- 5.8 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.
- 5.9 The Probability of Funding Success and Trajectory Period will be set considering whether or not new members will be admitted to the Fund and a risk assessment to enable the Administering Authority to judge an employer's financial security. Scheduled bodies with no guarantee from local or central government and Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, then form the "intermediate" employer category.
- 5.10 With effect from 1 February 2022, the discount rates will be set such that the Fund Actuary estimates that the chance that the Fund would reach or exceed its Solvency Target for each group of employers, over the relevant Trajectory Periods, as set out below:

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	Probability of funding success	Trajectory Period
<b>Secure Scheduled Bodies and admission bodies with a guarantee from such bodies</b>	75%	25 years
<b>Intermediate employers</b>	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	25 years
<b>Already orphaned employers</b>	95%*	15 years*

\* The ongoing orphan funding target will be set taking in to account the exit funding target. The ongoing orphan funding target is used to set ongoing contributions for employers who will leave orphan liabilities upon exit and do not qualify for the intermediate funding target, but it is not the same as the exit funding target.

### Funding Target

- 5.11 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or shortfall, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above). The key assumptions used for assessing the Funding Target at the 2019 Valuation are summarised in Actuary's report on the valuation, based on the methodology set out in the Funding Strategy Statement in force at the time.
- 5.12 For deferred employers where a deferred debt agreement is in place, the ongoing funding target will take into account the funding target at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:
- 5.12.1 the agreed period of the deferred debt agreement;
  - 5.12.2 the type/group of the employer;
  - 5.12.3 the business plans of the employer;
  - 5.12.4 an assessment of the financial covenant of the employer;
  - 5.12.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.13 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

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## Recovery Periods

- 5.14 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme and it is a prudent approach when the Fund's assets are greater than the liabilities (sum of the employers' funding targets). The recovery period is also based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term.
- 5.15 If the assets of the scheme relating to an employer are less than the Funding Target at the date of any actuarial valuation, a recovery plan will be put in place, which is expected to require additional contributions from the employer to meet the deficit. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the period over which any adjustment to the level of contributions in respect of a surplus or deficit relative to the Funding Target for that employer or group of employers is payable.
- 5.16 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: -
- 5.16.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption commitments or suitable guarantees from such bodies - 22 years
  - 5.16.2 open admission bodies without a subsumption commitment or suitable guarantee and no fixed or known term of participation and scheduled bodies with no local or central government guarantee - 22 years, although the Administering Authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant
  - 5.16.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
  - 5.16.4 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)
  - 5.16.5 deferred employers – remaining period of the deferred debt agreement
- 5.17 In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:
- 5.17.1 the type/group of the employer
  - 5.17.2 the size of the funding shortfall or surplus;

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- 5.17.3 the business plans of the employer;
- 5.17.4 the assessment of the financial covenant of the employer;
- 5.17.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.17.6 the views of the subsuming employer where the funding target adopted is dependent upon another employer subsuming the assets and liabilities post-exit.

### Employer Contributions

- 5.18 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in Appendix 2 Amending Employer Contributions between Valuations.
- 5.19 Employer contributions required to meet the cost of future accrual of benefits for members after the valuation date (the "primary contribution rate") are assessed based on each employer or group of employers' membership, funding target and appropriate funding methodology.
- 5.20 Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc.) is stable.
- 5.21 For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.
- 5.22 The primary rates may be reduced if the employer or group's notional share of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a shortfall of assets below the funding target. These past service ("secondary") contributions are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, between the various employers (or groups of employers where employers are pooled) in the Fund, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all active employers. In attributing the overall investment performance achieved on the assets of the Fund to each employer a pro-rata principle has been adopted.

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- 5.23 It is not envisaged that any deferred employers will be in surplus relative to the relevant funding target. If there were a surplus on the exit basis then, as required by Regulation 64(7E)(e), the deferred debt agreement would terminate and an exit valuation would be carried out.
- 5.24 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:
- 5.24.1 a maximum Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- 5.24.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps as long as the regulatory objectives of solvency and long-term cost efficiency are met.
- 5.25 For intermediate and ongoing orphan employers the Administering Authority may without limitation, take into account the following factors when setting the contributions for such employers:
- 5.25.1 the type/group of the employer;
- 5.25.2 the business plans of the employer;
- 5.25.3 an assessment of the financial covenant of the employer;
- 5.25.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.25.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS
- 5.26 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.
  - the employer and Administering Authority will enter into a DDA,
  - the exit payment can be spread over a reasonable period as permitted by Regulation 64B
- Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a deferred debt agreement or to permit spreading of any exit payments are set out in the Policy on New Employers and Exit Valuations document at Appendix 1.
- 5.27 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer's contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all active employers.

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- 5.28 Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:
- 5.28.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2020 will be adopted where appropriate and required;
- 5.28.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.
- 5.29 It may not be possible to adopt the two principles outlined in paragraph 5.26 for some or all of the employers identified in paragraphs 5.14.2, 5.14.3 and 5.14.4, 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.
- 5.30 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 to ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

### Long-term cost efficiency

- 5.31 The Administering Authority believes that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund. In particular, retention of a 22-year recovery period for the majority of employers ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

### Smoothing of Contribution rates for admission bodies

- 5.32 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the Administering Authority requires all admission bodies to be fully self-funding, such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to costs for other participating employers.
- 5.33 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding for admission bodies temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.
- 5.34 The implication of this is that, where justified on affordability grounds, contribution rates for admission bodies subject to the ongoing orphan funding target may be relaxed i.e. set at a level lower than full funding would require. However, where contribution requirements have been relaxed, the bodies should be aware that, all things being equal, this will lead to a

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higher contribution requirement in future. It is expected such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the ongoing funding target plus a contribution towards any shortfall. Should an employer exit the Fund during the period when contribution rates have been relaxed, the full value of the employer's liabilities in the Fund will be taken into account in the exit valuation, i.e. the employer will, in effect, be required to make up any additional underfunding by virtue of contributions having been relaxed.

### Notional sub-funds (unitisation)

- 5.35 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.
- 5.36 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.
- 5.37 With effect from 1 April 2016 a unitised approach has been taken to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the last actuarial valuation) as its starting point and allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. The Administering Authority believes this results in a more accurate and transparent allocation of assets to employers and reduces the likelihood of unintended cross-subsidies between employers than other approaches. Further information on the model and how it operates is available on request.

### Former Participating Bodies

- 5.38 Unless a subsumption arrangement is in place, where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which assumes a stronger (more prudent) funding target than that used for calculating contributions. This is known as the exit funding target. This approach reduces the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. In certain circumstances it may be agreed to enter into a DDA rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. Further details of the Administering Authority's policy for exit valuations and deferred debt agreements are set out in Appendix 2.
- 5.39 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the exit funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

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

- 6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the ISS.
- 6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

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- 6.3 Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations. However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced.
- 6.4 Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time, reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.
- 6.5 The Fund's current benchmark investment strategy, as set out in its ISS, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. The expected rate of return and the target set for investment returns in the ISS are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

### 7. Identification of risks and counter-measures

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

#### Investment risk

- 7.2 This covers items such as the performance of financial markets and the Fund's (pool) investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:
- 7.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
  - 7.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
  - 7.2.3 insufficient funds to meet liabilities as they fall due
  - 7.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
  - 7.2.5 counterparty failure
- 7.3 The specific risks associated with assets and asset classes are:
- 7.3.1 equities – industry, country, size and stock risks
  - 7.3.2 fixed income - yield curve, credit risks, duration risks and market risks
  - 7.3.3 alternative assets – liquidity risks, property risk, alpha risk

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7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

7.4 The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.

7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

### Liability risk

7.6 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks. Some of these risks will affect the amount of benefit payments; others will affect the value of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigations of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements in the Fund, and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

7.9 If significant changes in the value of the liabilities become apparent between valuations, the Administering Authority will notify the affected participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require a review of the bonds that are in place for Admission Bodies. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

7.10 Where it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A. Details of the Administering Authority's policy in this area are set out in Appendix 2.

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## Liquidity and Maturity risk

- 7.11 This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions and employer activity where an employer consolidates its LGPS membership in another fund, leading to a transfer out of the Fund. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,
- 7.11.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
  - 7.11.2 an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed or scheduled employers establish wholly owned companies which do not fully participate in the LGPS),
  - 7.11.3 public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS or in the Fund),
  - 7.11.4 scheme changes and lower member contributions, which may be agreed as part of the Scheme Advisory Board cost management process will lead to lower member contributions which may not be immediately matched by higher employer contributions;
  - 7.11.5 an increase in the take up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund.
- 7.12 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes leading to cashflow or liquidity issues.

## Regulatory and compliance risk

- 7.13 Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. There are a number of uncertainties associated with the benefit structure at the current time including:
- 7.13.1 The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.
  - 7.13.2 The outcome of the cost management process as at 31 March 2020
  - 7.13.3 The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

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- 7.13.4 Redundancy early retirement provisions - with effect from 4 November 2020 a cap on exit payments made by public sector employers came into effect, including the cost of early payment of LGPS pensions for those over age 55. These new Regulations have since been revoked but Government is expected to come forward with new proposals and it is not yet clear what the final provisions will be for the LGPS.
- 7.14 Consultations which have been published but not yet taken forward by Government include changes relating to new Fair Deal arrangements, changes to the valuation cycle (although the Administering Authority understands that the 2022 valuation is going ahead as planned) and changes to the status of HE/FE sector employers.
- 7.15 The Administering Authority will keep abreast of all the changes to the LGPS, both proposed and confirmed and discuss any proposals which may affect funding with the Fund Actuary as required. The Administering Authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

### Employer risk

- 7.16 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 where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic may have adverse consequences in relation to employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.
- 7.17 The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS. It has also developed a framework for analysing the risk posed by the larger Tier 3 employers and introduced additional funding targets at the 2019 valuation to reduce the risk of employers failing and exiting the Fund with a material shortfall relative to the exit liabilities. It does not consider it appropriate (or affordable for the employers concerned) to eliminate the risk of an unmet exit deficit and will ask the Fund Actuary to review the funding position and level of risk of the short term and Tier 3 employers between triennial valuations where it believes this is appropriate. In due course it will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, noting that the Regulations specifically provide for a DDA to end when the Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation (review) date.

### Governance risk

- 7.18 Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, including a wholly owned company which does not participate in the Fund, or only participates for some employees, or an admission body closing the scheme to new entrants.

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- 7.19 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.
- 7.20 To protect the Fund on the admission of a new employer, the existing scheme employer (which should liaise with the Fund) or the Fund if there is no existing scheme employer, will undertake a risk assessment and determine the requirement for a bond or indemnity, which should be reviewed annually. The Fund will commission triennial reviews of any bonds as part of its risk management.
- 7.21 The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers. It may also carry out a risk assessment in relation to employers subject to the intermediate funding target between valuations, which will offer the opportunity for further engagement with employers and a better understanding of their future financial plans.

### Climate Change

- 7.22 The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Statement of compliance with the UK stewardship code for institutional investors. In relation to the funding implications, the Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

## 8. Monitoring and Review

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

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

### 1. Background

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

- considerations in respect of the participation of employers, including Admission Bodies on commencement or admission,
- the methodology for assessment of an exit payment of employers from the Fund; and

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

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

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

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

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

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

### 2. New Employers

#### Types of Admission Body

2.1 The following bodies are types of potential admission body -

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

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

(c) a body representative of-

(i) any Scheme employers, or

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- (ii) local authorities or officers of local authorities;
- (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-
- (i) the transfer of the service or assets by means of a contract or other arrangement,
- (ii) a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- (iii) directions made under section 497A of the Education Act 1996;
- (e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.
- 2.2 An employer who wishes to join the Fund may apply to the Administering Authority for admission. If admitted, that employer becomes an Admission Body and specified categories of its employees can participate as members of the Fund.
- 2.3 The Administering Authority is responsible for deciding whether an application from an employer to become an Admission Body within the Fund should be declined or accepted. The employer must meet the requirements set out in Part 3 of Schedule 2 to the LGPS Regulations, and, where appropriate, the additional requirements set out by the Administering Authority.
- 2.4 The Administering Authority will generally only consider admission if the body in question is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme employer of the Fund, the body has a sound financial standing and appropriate security is in place (see section on bonds, indemnities and guarantees below). The Administering Authority's preference is for a Scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the Fund. Where a subsumption commitment is in place, the funding target for the admission body will generally be the same as that appropriate to the subsuming employer, unless the circumstances dictate otherwise. Where such a commitment is not available, the ongoing orphan body funding target will generally be adopted, for the new admission to protect the Fund as set out in 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.
- 2.5 With effect from 1 April 2020 the Administering Authority is also prepared to admit new contractors on a "pooled pass through" basis which means that for funding and contribution rate purposes the admission body will be grouped (or pooled) with the Scheme employer. It will operate as follows:
- There will be no notional allocation of assets from the Scheme employer to the admission body on commencement of the contract.
  - On admission the contractor will pay the contribution rate payable by the Scheme employer (with any monetary secondary contributions converted to a % of pay as appropriate).
  - Contributions will be set at each triennial valuation (and any other time as appropriate) based on the combined funding position and primary contribution rate for the group/pool (i.e. there will be no separate calculation of funding position or employer contributions for the admission body)

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- There will be no payment due from or to the contractor on exit, with responsibility for funding its liabilities assumed to remain with the Scheme employer unless there is a transfer to another employer.
- 2.6 The contractor will be assumed to be liable for any strain costs or other payments due to the Fund where it grants additional pension under Regulation 31 and strain costs. All other experience will be shared between the members of the Scheme employer group/pool.
- 2.7 Should there be any need to provide a notional asset value for the contractor, e.g. for accounting under FRS102/IAS19, this will be on a pro rata basis, i.e. the group/pool's notional asset share will be allocated to the employers in the pool in proportion to their liabilities calculated on assumptions appropriate to the group's funding target.
- 2.8 A pooled pass through arrangement will be the default option for all new admissions under paragraph 1(d) where the initial contract length is less than 5 years and there are fewer than 100 members transferring to the new admission body.
- 2.9 The Admission Body is required to have an "admission agreement" with the Fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the Fund. The Administering Authority has a template admission agreement which it will generally expect to be entered into without amendment. This will include specific provisions relating to pass through as outlined above. Details are available on request.
- 2.10 Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a new employer, whether an admission body or otherwise, will be re-charged to the employer. These costs will include, where appropriate, the cost of actuarial advice relating to any risk assessment required under the Regulations (see next section).

### 3. Bonds, Indemnities and Guarantees

- 3.1 The Administering Authority will seek to minimise the risks that a new Admission Body might create for the Fund and the other employers in the Fund. These risks will be taken into account by the Administering Authority in considering the application for admission, and the Administering Authority may put in place conditions on any approval of admission to the Fund to minimise these risks, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the Admission Body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.
- 3.2 Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Scheme employer (i.e. the employer letting the contract) and the Administering Authority. Where the Administering Authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. The Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary which can be shared with the Scheme employer on the understanding that the Fund Actuary cannot provide advice to the Scheme employer. Based on this assessment, the Scheme employer and the Administering Authority should decide whether or not to require the admission body to enter into an indemnity or bond

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and if so at what level. The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the Administering Authority.

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

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

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

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

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

b) a person who-

(i) owns, or

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

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

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

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

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

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

3.6 When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within

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the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

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

### 4. Funding Target

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

#### 4.2 Subsumed liabilities

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

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

#### 4.3 Scheduled Bodies

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

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

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund

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

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a scheduled body joining the Fund will be re-charged to the employer.

### 4.4 Orphan liabilities

- 4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, or a Deferred Debt Agreement ends, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.
- 4.4.2 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. From 1 February 2022, to give effect to this, the Administering Authority will seek funding from the outgoing employer which allows for a more prudent solvency target and gives the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy.
- 4.4.3 Ongoing calculations for deferred employers (i.e. those where a Deferred Debt Agreement has been put in place), and employers subject to the ongoing orphan funding target will be carried out using assumptions which are intended to broadly target the eventual exit position.

### 5. Initial notional asset transfer

- 5.1 When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets may be needed from the original employer to the new employer.
- 5.2 Unless a pass through approach applies, when a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.
- 5.3 Another option for the initial notional asset transfer (where required) is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering Authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new academies upon conversion to Academy status.
- 5.4 Unless specific instruction is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority's policy is that an unadjusted share of Fund approach is adopted by the Actuary in notionally re-allocating assets from the Local Education Authority to the academy on conversion in respect of the transferring liabilities subject to a maximum transfer of assets equal to the transferring liabilities. This unadjusted share of the Fund

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approach means there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the 5 main Councils in the Fund which have education responsibilities.

5.5 Where the new employer will participate in a pool of employers, for example where a 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.

5.6 In calculating the notional assets to transfer to a new employer the Actuary will consider the liabilities based on the confirmed benefits of the LGPS at the date of joining. Additional notional assets will be transferred:

- as an approximate allowance for the potential liabilities arising from the McCloud judgement remedy, equal to 0.9% of liabilities upon commencement.
- in respect of confirmed changes to GMP indexation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

However, for new employers joining after 31 March 2019 it may be necessary for the asset transfer to be revisited once the current uncertainties relating to the benefit structure of the LGPS from 1 April 2019 (see paragraph 7.13 above) are resolved.

## 6. Employer Contribution Rate

### 6.1 Initial Rate

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

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

6.1.3 When a new academy joins a multi-academy trust (MAT) where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the MAT until the next triennial Actuarial Valuation at which time the contributions for the MAT will be reviewed. Where the new academy is material relative to the MAT, the contributions for the MAT may be reviewed under Regulation 64A. Where the new academy is not material, the MAT may elect to increase contributions for all employers in the MAT before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

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

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)

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- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary and following discussion with the ceding employer as appropriate.

### 6.2 Review of Employer Contribution Rates

6.2.1 The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

6.2.2 The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where:

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

Details of the Fund's policy on reviewing employer contributions under these provisions are set out in Appendix 2.

6.2.3 The Administering Authority monitors the active membership of closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

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

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

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

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

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

7.3 The assumptions adopted to value the departing employer's liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the cessation valuation will distinguish between

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residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date.

- 7.4 For subsumed liabilities the Administering Authority's policy is that the funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.
- 7.5 In exceptional circumstances the funding target for subsumed liabilities may be varied if deemed appropriate by the Administering Authority, on the advice of the Fund Actuary.
- 7.6 Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation. Any shortfall between the value of the liabilities assessed on the appropriate exit basis and the funding target for the successor body (e.g. if this is being set up fully funding on an orphan admission body funding target) will generally be assumed to be met by the letting authority unless otherwise agreed between the parties, to the satisfaction of the Administering Authority.
- 7.7 For exits, the following refinements will be made to the approach at the 2019 funding valuation:
- approximate allowance will be made for the potential liabilities arising from the McCloud judgement remedy, equal to 0.6% liabilities upon exit, plus 0.7% of assumed salary over the period from 2019 valuation to the date of exit
  - allowance will be made for the confirmed changes to GMP indexation equalisation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

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

- 7.8 Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.
- 7.9 However, where agreed between the parties the deficit (or any exit credit) may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.
- 7.10 If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity. These will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.
- 7.11 At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

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

### 8. Exit payments

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

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

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

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

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

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

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

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

8.7 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level quarterly amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher

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initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

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

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

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

### 9. Exit Credits

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

- (a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)
- (b) the proportion of the surplus which has arisen because of the value of the employer's contributions
- (c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, anybody listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and

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

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

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

### 10. Multi-academy trusts

10.1 Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware to the extent of these 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, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.2 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.

10.3 Where academies move between multi-academy trusts, for example where a MAT winds up and its academies transfer into different MATs (whether existing MATs within the Fund or newly-established MATs), the Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of any academy moving between MATs and of all academies within the exiting MAT. Where the exiting MAT is the scheme employer, and hence an individual funding position has not been maintained for the constituent academies, the assets notionally allocated to each of its academies will be derived by assuming each has the same funding level as the MAT as a whole. The calculation of the assets and liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the assets and liabilities transferring and to ensure

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that the residual position of the exiting MAT (if any of its liabilities are not transferring to a new academy or MAT) is correctly assessed for the purpose of invoking the Department for Education guarantee.

### 11. Suspension notices

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

### 12. Deferred Debt Agreement (DDAs)

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

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

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

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

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

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms

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which should apply. As part of its application for a DDA the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches

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

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

- an undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- a provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- a provision that the DDA will terminate on the first date on which one of the following events occurs-
  - (a) the deferred employer enrolls new active members;
  - (b) the period specified, or as varied, elapses;
  - (c) the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  - (d) the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
  - (e) the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
    - the responsibilities of the deferred employer
    - the circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

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

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

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

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

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

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

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

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

### 13. Responsibilities of employers in the Fund

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

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

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- 13.3 All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:
- an admission body closing to new entrants
  - a scheduled body setting up a wholly owned company to employ new staff, regardless of whether or not that company will participate in the Fund
  - merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
  - an application by a 6th form college to become a 16-19 academy, including whether successful or not
  - a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
  - a large scale redundancy exercise which could materially reduce the employer's active membership
  - any intervention by, or voluntary undertaking provided to, the appropriate regulator
- 13.4 Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

### APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations

#### 1. Background

- 1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund (“the Fund”), administered by City of Bradford Metropolitan District Council (“the Administering Authority”), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.
- 1.2 This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in use of the flexibilities within the Regulations.
- 1.3 The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:
- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
  - it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
  - Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

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

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## 2. 2. Factors used to determine when a review is appropriate

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

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

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

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

## 3. Employer involvement and consultation

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

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

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

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

### **4. Process for requesting a review**

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

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

### **5. Other considerations**

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

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

6.3 The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes

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

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

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

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

# Appendix F: Governance Compliance Statement

## Governance Compliance Statement

### 1. Introduction

- 1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).
- 1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The council has established three bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the council's financial regulations, the Director – West Yorkshire Pension Fund has day-to-day responsibility for the management of the fund. The Strategic Director – Corporate Services at Bradford Council, as the council's Section 151 Officer, has responsibility for signing the fund's year-end accounts.

### 2. Governance and Audit Committee

- 2.1 The Governance and Audit Committee shall comprise five members. 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

- 2.2 The quorum of the committee shall be three members.

#### Roles and functions

- 2.3 The functions of the committee affecting West Yorkshire Pension Fund are to:
- 2.3.1 approve the statement of accounts and related documents in accordance with the Accounts and Audit Regulations 2015
  - 2.3.2 receive matters of a financial nature the external audit request be considered by a member body, including any that may concern the council's governance arrangements
  - 2.3.3 consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements
  - 2.3.4 seek assurance that action is being taken on risk related issues determined by auditors and inspectors
  - 2.3.5 review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit
  - 2.3.6 discharge the function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group
  - 2.3.7 review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary, and

## Appendix F: Governance Compliance Statement

2.3.8 consider the reports of external audit and inspection agencies.

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

### 3. WYPF Investment Advisory Panel

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

3.2 The other nine representatives on the panel comprise of three trade union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – 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 meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

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

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

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

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

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

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

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

3.13 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director – 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.

## Appendix F: Governance Compliance Statement

### 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 receive WYPF’s annual Report and Accounts.
- 4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent councils.
- 4.6 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the group if, in its opinion, the decision is not in the best interests of WYPF.

### 5. WYPF Pension Board

- 5.1 The WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.
- 5.2 The board’s role is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator; and any other such matters as the LGPS regulations may specify.
- 5.3 The WYPF Pension Board comprises eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils, and one employer representative nominated from all the other employers in the fund).
- 5.4 The board meet quarterly on such dates as they determine.
- 5.5 The quorum of the board shall be three (chair plus one employer representative and one member representative).

### 6. Annual meetings

- 6.1 Each year, usually in October, WYPF holds an employer annual meeting and a separate scheme 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.

## **Appendix F: Governance Compliance Statement**

### **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**

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

# Appendix G: Communications Policy

## Communications Policy 2022

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

### Introduction

West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF), Hounslow Pension Fund (HPF) and Barnet Pension Fund entered into collaboration agreements for shared service in April 2015 (LPF), August 2018 (HPF) and October 2020 (BPF). The funds are administered jointly by WYPF, referred to in this policy as 'the administrator'.

This policy has been prepared to meet our objectives about how we communicate with key stakeholders. The administrator currently administers the Local Government Pension Scheme (LGPS) for over 700 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2022 and will be reviewed annually.

### Our stakeholders

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

- members
- representatives of members
- prospective members
- employing authorities
- third-party employer service providers

### Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style and help scheme members understand their pension, the benefits and options it provides
- Use plain English for all our communications with stakeholders
- Identify and use the most appropriate communication method to take account of stakeholders' different needs
- Use technologies to provide convenient, up to date and timely information to stakeholders
- Provide timely and sufficient information to scheme members, allowing access through the channel of their choice, so members can make informed decisions about their benefits
- Engage with our stakeholders face-to-face when appropriate

### Evaluation and continuous development

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

- feedback questionnaires
- monitoring compliments and complaints, and
- customer surveys
- web feedback using hosted services

To ensure continuous development we plan to:

- further develop member self service with Civica's My Pension platform
- broaden our use of digital platforms to engage stakeholders
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts

## Appendix G: Communications Policy

### Communications events 2022 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members and prospective members)			
	Newsletter	2/3 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Annual Pension Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print and web
	Member fact sheets	Constant	Web
	Introduction to WYPF	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person
	Pension surgeries/drop in's	On employer request	Virtual
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
	YouTube channel	Constant	Web
LGPS deferred members (including representatives of deferred members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Deferred Benefit Statement	1 per year	Email
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web
	YouTube channel	Constant	Web

## Appendix G: Communications Policy

LGPS pensioner members (including representatives of retired members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications
	Social media	Constant	Web
	YouTube channel	Constant	Web

## Communications events 2022 – Firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)			
	Newsletter	At least 1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person
	Pension surgeries/drop in's	On employer request	Virtual or in person
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
Firefighter deferred members (including			

## Appendix G: Communications Policy

representatives of deferred members)			
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
Firefighter – pensioner members (including representatives of pensioner members)			
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications

### Communications events 2022 – Councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Deferred Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Virtual/meeting/face-to-face
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web

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### Communications events 2022 – Employing Authorities

Communication	Format	Frequency	Method of distribution
Employing authorities			
	Employer Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
	Website	Constant	Web
	Fact card	1 per year	Web
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face/virtual
	Update sessions	Up to 2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and round-up	12 per year and when required	Wordpress blog and gov. delivery bulk email
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	Weekly	Virtual plus on demand recordings

#### Member contacts

**Phone** (01274) 434999

**Email** [pensions@wypf.org.uk](mailto:pensions@wypf.org.uk)

Due to Covid-19 restrictions face-to-face meetings with members at our contact centre are not possible but members will instead be offered a virtual meeting using MS Teams.

#### Postal address

WYPF  
PO Box 67  
Bradford BD1 1UP

#### WYPF contact centre

Aldermanbury House  
4 Godwin Street  
Bradford  
BD1 2ST

#### LPF satellite office

County Offices  
Newland  
Lincoln LN1 1YL

#### Employer contacts

Ammie Mchugh (Employer Relations Manager) 01274 432763

#### Employer Pension Fund Representatives

David Parrington 01274 433840

Sheryl Clapham 01274 432541

## Appendix G: Communications Policy

Kaele Pilcher	01274 432739
Ahmed Surtee	01274 433517
Richard Quinn	01274 433646

### WYPF Management

Rodney Barton	Director – WYPF
Yunus Gajra	Assistant Director (Finance, Administration and Governance)
Grace Kitchen	Head of Member Services
Ola Ajala	Head of Finance
Caroline Blackburn	Head of Employer Services and Compliance
Elizabeth Boardall	Head of Projects, Communications & IT

### Lincolnshire Pension Fund Management

Jo Ray	Head of Pensions
Claire Machej	Accounting, Investment and Governance Manager

### Hounslow Pension Fund Management

Hitesh Sharma	Strategic Pensions Manager
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### Barnet Pension Fund Management

Mark Fox	Pensions Manager
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### Fire and Rescue Service Pension Scheme Clients

Buckinghamshire & Milton Keynes Fire Authority  
Cambridgeshire Fire & Rescue Service  
County Durham and Darlington Fire and Rescue Service  
Derbyshire Fire & Rescue Service  
Devon & Somerset Fire & Rescue Service  
Dorset & Wiltshire Fire & Rescue Service  
East Sussex Fire and Rescue Service  
Hereford & Worcester Fire & Rescue Service  
Humberside Fire & Rescue Service  
Leicestershire Fire & Rescue Service  
Lincolnshire Fire & Rescue Service  
Norfolk Fire and Rescue Service  
Northamptonshire Fire & Rescue Service  
Northumberland Fire & Rescue Service  
North Yorkshire Fire & Rescue Service  
Nottinghamshire Fire & Rescue Service  
Royal Berkshire Fire and Rescue Service  
South Yorkshire Fire & Rescue  
Staffordshire Fire & Rescue Service  
Tyne & Wear Fire & Rescue Service  
West Yorkshire Fire & Rescue Service

# Appendix H: Investment Strategy Statement

## Investment Strategy Statement

### 1. Introduction

- 1.1. The Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2. City of Bradford Metropolitan District Council became the administering authority of West Yorkshire Pension Fund in 1986. The fund covers the five district councils of West Yorkshire together with numerous other employers.

### 2. Investment decision making process

- 2.1. The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.
- 2.2. The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.
- 2.3. Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

### 3. Variety of investments to be held

- 3.1. The West Yorkshire Pension Fund will hold a diversified portfolio of investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.
- 3.2. A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.
- 3.3. The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.
- 3.4. The Fund will not invest directly in unquoted companies, except where such investment is part of a pooled arrangement or joint venture with one or more pension funds.
- 3.5. Stock lending will be actively pursued up to the 35% limit as originally permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

### 4. Suitability of particular types of investment

- 4.1. The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

## Appendix H: Investment Strategy Statement

- 4.2. Bonds, Alternative Investments, Property and Cash Deposits will make up the balance of the portfolio, generating regular income. The distribution of investments between the asset classes will vary based on perceived economic and market conditions. Bonds, Alternative Investments, Property and Cash Deposits will make up the balance of the portfolio, generating regular income. *In addition, the Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.* The distribution of investments between the asset classes will vary based on perceived economic and market.
- 4.3. The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2021/22 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
<b>Bonds – total</b>	<b>10–25</b>
UK Fixed-interest gilts	2–5
UK Index-linked gilts	2–5
Corporate bonds	5–10
Global bonds	2–5
<b>Equities – total</b>	<b>50–70</b>
UK equities	20–30
Overseas equities	30–40
<b>Property</b>	<b>3–10</b>
<b>Private equity</b>	<b>4–8</b>
<b>Private infrastructure</b>	<b>4–8</b>
<b>Hedge funds</b>	<b>0–1</b>
<b>Listed alternatives UK</b>	<b>1–3</b>
<b>Cash</b>	<b>0-5</b>

## 5. Risk

- 5.1. To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.
- 5.2. Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.
- 5.3. The fund recognises the risks and opportunities associated with climate change, and will seek to measure carbon exposure within the equity portfolio and reduce that exposure over time. The fund will continue to increase investment in low carbon technology and renewable energy in order to encourage and facilitate further progression toward a cleaner economy.
- 5.4. Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.
- 5.5. Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary.
- 5.6. Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

## 6. Expected return on investments

The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

# Appendix H: Investment Strategy Statement

## 7. Collaborative investment and pooling

- 7.1. WYPF has signed a memorandum of understanding with the Greater Manchester and Merseyside Pension Funds to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by government on 25 November 2015.
- 7.2. The three funds submitted their pooling proposal to government in July 2016 and the Department for Communities and Local Government provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on the website
- 7.3. Following the issue of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the plans for the Northern LGPS evolved from the July 2016 proposal.
- 7.4. The vast majority of the benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets, where there is greatest scope to generate further economies of scale, and to combine resources to increase direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criteria set by Government most effectively, the Northern LGPS should focus resource on making collective investments in alternative assets such as private equity and direct infrastructure. The private equity and direct infrastructure investments would initially be made via joint ventures and partnerships to enable pooled investments to be made and start generating material cost savings from an early stage. Such structures would in all cases be compliant with relevant financial services law.
- 7.5. The Scale and Strong Governance and Decision Making criteria are met by:
  - the joint committee providing monitoring and oversight of the operations of the Northern LGPS, with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
  - appointing a FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and act as master record-keeper for all pool assets.
- 7.6. Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool was £35.4billion, which is in excess of the £25bn criteria set by Government. Strategic asset allocation will continue to be set by each fund's pension committee (Investment Advisory Panel for WYPF) with the selection of individual investments and investment managers for external mandates carried out by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.
- 7.7. All public-market assets and new commitments to private equity and direct infrastructure, as well as legacy investments, will be monitored and overseen by the Northern LGPS Joint Committee, with all assets other than day-to-day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund
- 7.8. In accordance with the 2015 pooling criteria and guidance, legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.
- 7.9. It is intended that the Northern LGPS will externally procure the following services:
  - External fund management for certain mandates
  - Common custodian for Pool (plus depositaries & fund administrators where required for any pooled funds that are established for non-listed assets)
  - Investment management systems
  - Audit services
  - Performance analytics
  - Responsible Investment advisory services
  - Value for money reviews of structure
  - Other professional advice

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- 7.10. The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:
- provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
  - to oversee reporting to the participating authorities' pension committees.
  - act as a forum for the participating authorities to express the views of their pension committees;
  - ensure segregation of duties in investment decision making between elected members and officers.
  - Monitor performance of portfolios
  - Monitor the appointment of investment managers.
- 7.11. Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Joint Committee, which will be discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.
- 7.12. The Northern LGPS governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. WYPF's approach to pooling set out above will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.
- 7.13. A report on the progress of asset transfers will be made to the Scheme Advisory Board annually.

### 8. Transaction costs

- 8.1. The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and overseas share transactions are at competitive rates negotiated by the in-house investment managers.
- 8.2. Transaction fees and custody fees are paid to Northern Trust for transactions on terms agreed with Northern Trust under the contract for banking and custody services.

### 9. Environmental, Social and Corporate Governance Policy ESG Statement

Under the terms of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 WYPF is obliged to describe in its Investment Strategy Statement its attitude to Environmental, Social & Governance factors that may adversely impact the value of our investments.

In recognition that Responsible Investing is a rapidly evolving field we have adopted a set of overarching principles which guide our processes and goals. While the principles will be retained over the intended three-year time horizon of the Investment Strategy Statement, the goals will be reviewed annually in light of our progress as an asset owner, industry developments and the evolution of best practice. Our goals will be published annually in a separate Responsible Investment report in which we will also highlight some of the major ESG themes we consider to be relevant.

#### Who we are defines our beliefs

We believe that the following characteristics combine to shape our ESG principles:

- We are a large local government pension fund based in the North of England. Our primary aim is to generate an appropriate investment return to provide our members and their families financial security in their retirement.
- We are a Defined Benefit scheme funded by local authority employers, admitted bodies and contributions from members. We are inherently long-term in our thinking and conservative in our attitude to risk.
- We believe in actively managing the pension fund and invest in a range of UK and international equities, fixed income, private equity, infrastructure and real estate assets. By holding a diversified portfolio of uncorrelated assets we are able to deliver sufficient long-term risk adjusted returns.
- Distinct from many LGPS funds, WYPF manages its funds internally relying on an in-house team of investment specialists rather than third party providers. This approach has produced strong investment returns while maintaining our investment cost per scheme member as one of the lowest of all LGPS.

## Appendix H: Investment Strategy Statement

- In 2016 the government introduced reforms designed to improve the efficiency of LGPS and to broaden the scope of the permissible assets, specifically designed to encourage investments in infrastructure. Central to these reforms were the creation of investment pools allowing LGPS to invest collectively to benefit from specialised knowledge and improved economies of scale. As a result, WYPF joined with the LGPS of Merseyside and Greater Manchester to form the Northern LGPS.
- As a LGPS fund we are subject to a variety of legislation including the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. We have also considered guidance from the Law Commission, Department of Work and Pensions and Department for Leveling Up, Housing and Communities (DLUHC) in developing this policy. We have also taken on board the recommendations and framework of the United Nations Principles of Responsible investment (UN-PRI) and the UK Stewardship Code.

### Our ESG Principles

**Principle #1. WYPF recognises that Environmental, Social and Governance (ESG) factors can profoundly impact an individual company's long-term sustainability.** The ESG profile of companies reflects a significant number of individual 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. We understand that the importance of individual factors varies considerably between companies and sectors and we therefore seek to focus on material factors likely to make a long term impact on the business. The assessment of a companies' ESG characteristics is a fundamental component of our investment process. A brief summary of the factors we consider include:

- **Environmental.** WYPF believes that climate change represents an existentialist threat to the world. The dangers of climate change have been flagged by central bankers and an increasing amount of regulation is based on the idea that climate risk is financial risk. Climate change has the potential to directly impact the value of the fund in two main ways: the physical impact that rising sea levels, the increasing frequency of extreme weather conditions and higher temperatures may have on a company's assets, workforce or markets; secondly, the risk that the transition to a low carbon economy may "strand" certain assets or businesses by making them uneconomic. We think carbon intensive companies must swiftly formulate and embrace strategies to aggressively and realistically cut green-house gas emissions. We are committed to meeting the Paris Agreement to achieve net zero carbon emissions by 2050 and exploring the feasibility of a 2030 target in line with the IPCC's 1.5-degree pathway. The transition to the low carbon economy presents not only risks, but also opportunities for the fund and we will actively seek to invest in low carbon and renewable energy technology. Environmental factors are broader than solely carbon emissions: we believe companies need to control negative externalities such as water or air pollution, and act to protect biodiversity.
- **Social.** We believe that companies need to act upon a broader array of stakeholder interests, not solely those of its shareholders. Companies should seek to make a positive contribution to the welfare of employees, the communities in which they operate, to the economy and society more broadly. We believe that employees should be treated fairly in respect of compensation, working conditions, equality of opportunity and have the right to join or form trade unions. Companies should also seek to understand and acknowledge their responsibilities to their supply chains. Companies should not aggressively seek to minimise their taxation through the use of transfer pricing, loopholes or low tax regimes.
- **Governance.** We believe that companies must commit to organise themselves in line with corporate governance best practise. Boards must be sufficiently capable, diverse, and independent to appropriately scrutinise management strategy, compensation and appointments. We encourage companies to develop cultures and processes that ensure that both the interests of managers are closely aligned to those of the shareholders and that managers feel accountable to the board. Executives should be rewarded appropriately for their contribution to the long-term success of the company. Compensation should reflect progress on both financial and ESG targets as well as median employee pay. Auditors must be able to independently, fairly and impartially to review and report on financial statements. We view non-audit work on the same company a potential conflict of interest and support regular rotation of auditors.

**Principle #2 We don't believe that there is a trade-off between the investment performance of a financial asset and investing in a company that is behaving in a responsible and sustainable manner.** Companies that are inherently short-term in their outlook, behave irresponsibly or unethically will not provide the necessary long-term performance that the fund needs to fund its members' pensions. In this respect we view ESG investing not from an ethical standpoint but as a way to control investment risk. This approach is consistent with our fiduciary duties to our members.

**Principle #3. WYPF chooses to be an informed and active manager.** As such we will take care to thoroughly understand a company's business model, investment case, relative valuation and ESG risks prior to investment. We will diligently monitor investments already in the portfolio and seek to maintain an optimal allocation between asset classes.

## Appendix H: Investment Strategy Statement

**Principle #4. WYPF recognises its stewardship responsibilities through engagement and voting.** While we recognise that most companies attempt to manage ESG risks, where we believe there to be evidence of business or ESG risk the Fund will communicate such concerns to management. If we fail to receive satisfactory explanation or evidence of behavioural improvement, we may choose to escalate our action and use our voting rights to enact positive change. We strongly hold the view that as owners of a company's capital, management are our agents and should act in the long-term interests of the company. To engage efficiently we may choose to do so with other like-minded shareholders. We exercise our voting rights and commit to reporting our voting record in a transparent manner.

**Principle #5. Positive Engagement for Change.** As a final step WYPF retains the option to divest from any given investment. In recent years the fund has been petitioned by many parties in this regard, however we strongly prefer to engage rather than divest for three reasons:

- As a pension-fund we have a multi-generational investment horizon; we are uniquely well placed as long-term custodians of capital to ensure that companies are sustainable.
- Our power to influence companies is derived from our economic interest: if we sell our shares we abdicate our responsibility.
- Engagement works! The global oil industry has adopted wide-ranging changes to its business model largely due to multi-year shareholder engagement.

### 10. Exercise of rights attached to investments

- 10.1. The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity, are published on the Fund's website.
- 10.2. Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.
- 10.3. The fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

### 11. Effective Decision-Making

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

### 12. Clear objectives

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

### 13. Risk and liabilities

Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

## Appendix H: Investment Strategy Statement

### 14. Performance assessment

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

### 15. Responsible ownership

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

### 16. Transparency and reporting

The Investment Strategy Statement is regularly updated and is available on the Fund's website. <https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/>

Details of the Fund's voting policy and voting activity are also published on the website <https://www.wypf.org.uk/investments/wypf-investments/voting-policy/>.

# Appendix I: Conflict of Interest Policy

## 1. Introduction

- 1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.
- 1.3 This is the conflict of interest policy of West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of WYPF whether directly or in an advisory capacity.
- 1.4 This conflict of interest policy is established to guide Joint Advisory Group, Investment Advisory Panel, pension board members, officers and advisers. Along with other constitutional documents, including the various codes of conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the fund otherwise.

## 2. Aims and objectives

- 2.1 In relation to the governance of the fund, the administering authority's objectives are to ensure that:
  - 2.1.1 all staff and Joint Advisory Group, Investment Advisory Panel and pension board members charged with the financial administration and decision-making with regard to the fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
  - 2.1.2 the fund is open in all its dealings and readily provides information to interested parties
  - 2.1.3 all relevant legislation is understood and complied with
  - 2.1.4 the fund is at the forefront of best practice for LGPS funds, and
  - 2.1.5 all conflicts of interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the administering authority achieving its governance objectives.

## 3. Application of this policy

- 3.1 This conflict of interest policy applies to all Joint Advisory Group, Investment Advisory Panel and pension board members, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF management team.
- 3.2 This policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.
- 3.3 The Director – WYPF will monitor potential conflicts for less senior officers involved in the daily management of the pension fund and highlight this policy to them as appropriate.

# Appendix I: Conflict of Interest Policy

- 3.4 This policy also applies to all advisers and suppliers to the fund, whether advising the Joint Advisory Group, Investment Advisory Panel, pension board or fund officers, in relation to their role in advising or supplying the fund.

In this policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the administering authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third-party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to 'advisers' is to the lead adviser(s) responsible for the delivery of advice and services to the administering authority rather than the firm as a whole.

- 3.5 In accepting any role covered by this policy, those individuals agree that they must:
- 3.5.1 acknowledge any potential conflict of interest they may have
  - 3.5.2 be open with the administering authority on any conflicts of interest they may have
  - 3.5.3 adopt practical solutions to managing those conflicts, and
  - 3.5.4 plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.
- 3.6 The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

## 4. Legislative and related context

- 4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

## 5. Other administering authority requirements

- 5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:
- 5.1.1 Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
  - 5.1.2 employees who are required to adhere to the CBMDC Employees' Code of Conduct
  - 5.1.3 advisers who are expected to have their own policies or protocols.
- 5.2 Further information is provided in Appendix 2.

## 6. What is a conflict or potential conflict and how will it be managed?

- 6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:
- 6.1.1 has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
  - 6.1.2 at the same time, has:
    - 6.1.2.1 a separate personal interest (financial or otherwise) or
    - 6.1.2.2 another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.
- 6.2 Some examples of potential conflicts are included in Appendix 3.
- 6.3 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

# Appendix I: Conflict of Interest Policy

- 6.4 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise. Ways in which conflicts of interest may be managed include:
- 6.4.1 the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
  - 6.4.2 the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue
  - 6.4.3 a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)
- 6.5 Provided that the administering authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

## 7. Responsibility

- 7.1 The administering authority for the WYPF fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director – WYPF is the designated individual for ensuring the procedure outlined below is adhered to.
- 7.2 However, it is the responsibility of each individual covered by this policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

## 8. Operational procedures

- 8.1 Declaration at appointment
  - 8.1.1 On appointment to their role or on the commencement of this policy if later, all individuals will be provided with a copy of this policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the pension fund's register of conflicts of interest.
- 8.2 Declaration at meetings
  - 8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, pension board or other formal meeting where pension fund matters are to be discussed, the chair will ask all those present who are covered by this policy to declare any new potential conflicts.
  - 8.2.2 These will be recorded in the fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director – WYPF to the chair of every meeting prior to that meeting.
  - 8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the chair and the Director – WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The chair, in consultation with the Director – WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.
  - 8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the chair of that meeting. The Director – WYPF, in consultation with the chair where relevant, will consider any necessary action to manage the potential or actual conflict.
  - 8.2.5 Where information relating to any potential or actual conflict has been provided, the Director – WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.
  - 8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the fund's Register of Conflicts of Interest.
- 8.3 Annual declaration
  - 8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the register is correct or highlighting any changes that need to be made to the declaration.

# Appendix I: Conflict of Interest Policy

## 8.4 Conduct at meetings:

There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The administering authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a pension board or Joint Advisory Group or Investment Advisory Panel meeting, and that this will be recorded in the minutes.

## 9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

9.1.1 be provided with a copy of this policy on appointment and whenever it is updated

9.1.2 adhere to the principles of this policy

9.1.3 provide, on request, information to Director – WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as administering authority, and

9.1.4 notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the fund's Register of Conflicts of Interest.

## 10. Monitoring and reporting

10.1 The fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition, information relating to conflicts of interest will be published in the fund's annual Report and Accounts.

10.2 In order to identify whether the objectives of this policy are being met, the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

## 11. Key risks

11.1 The key risks to the delivery of this policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Director – WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required. The key risks are:

11.1.1 insufficient training or poor understanding in relation to individuals' roles on pension fund matters

11.1.2 Insufficient training or failure to communicate the requirements of this policy

11.1.3 Absence of the individual nominated to manage the operational aspects of this policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this policy, and

11.1.4 Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

## 12. Costs

12.1 All costs related to the operation and implementation of this policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this policy.

# Appendix J: Risk Management Report

## WYPF Risk Management Report

### Introduction

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

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

### The process

### Risk identification

The first of five stages of the risk management cycle require risk identification. This has been achieved through discussion with senior Managers and covers 15 categories of risk as shown below.



# Appendix J:Risk Management Report

## Identified risks

### Economic

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
16	Lack of Admissions and Guarantors

### Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

### Technological

Scenario	Short name
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
7	Current software providers pull out of the market or are taken over
39	Disaster recovery
40	Internal Fraud
42	Loss of sensitive personal data
45	Cyber Crime

### Legislative/Regulatory

Scenario	Short name
8	Failure to administer the scheme in line with regulations and policies
25	Failure to adhere to relevant statutory regulations and guidance.
46	Compliance with GDPR requirements
48	Failure to include all required information issued to members under disclosure regulations

### People

Scenario	Short name
9	Greater level of support expected by district councils than other employers
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
44	Access to sensitive/personal data by staff

### Financial

Scenario	Short name
10	Finance aren't always involved in other sections' decision making processes
12	External Fraud

## Appendix J: Risk Management Report

13	Admin costs increase above budgeted costs
15	Prompt payment of pensions on the due date.
17	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers

### Physical

Scenario	Short name

### Competitive

Scenario	Short name
11	National and local KPI's are not being met

### Customer

Scenario	Short name
14	Customer Satisfaction below acceptable levels
47	Failure to communicate adequately with scheme members

### Social

Scenario	Short name

### Partnership / Contractual

Scenario	Short name
18	Provision of shared services to Fire Authorities and other LGPS Funds

### Governance

Scenario	Short name
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.
38	Pension Fund investments may not be accurately valued.

# Appendix J: Risk Management Report

## Investment Strategy

Scenario	Short name
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.

## Responsible Investment

Scenario	Short name
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken.

## Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
9	Greater level of support expected by district councils than other employers
14	Customer Satisfaction below acceptable levels
15	Prompt payment of pensions on the due date.
18	Provision of shared services to Fire Authorities and other LGPS Funds
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
25	Failure to adhere to relevant statutory regulations and guidance.
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.

## Appendix J: Risk Management Report

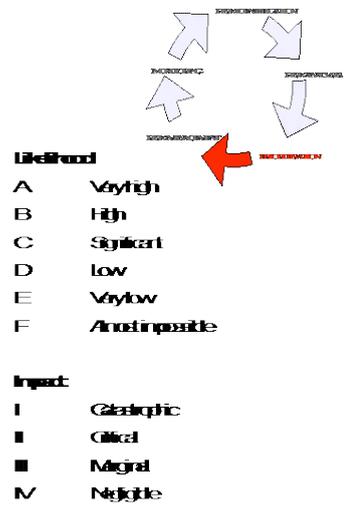
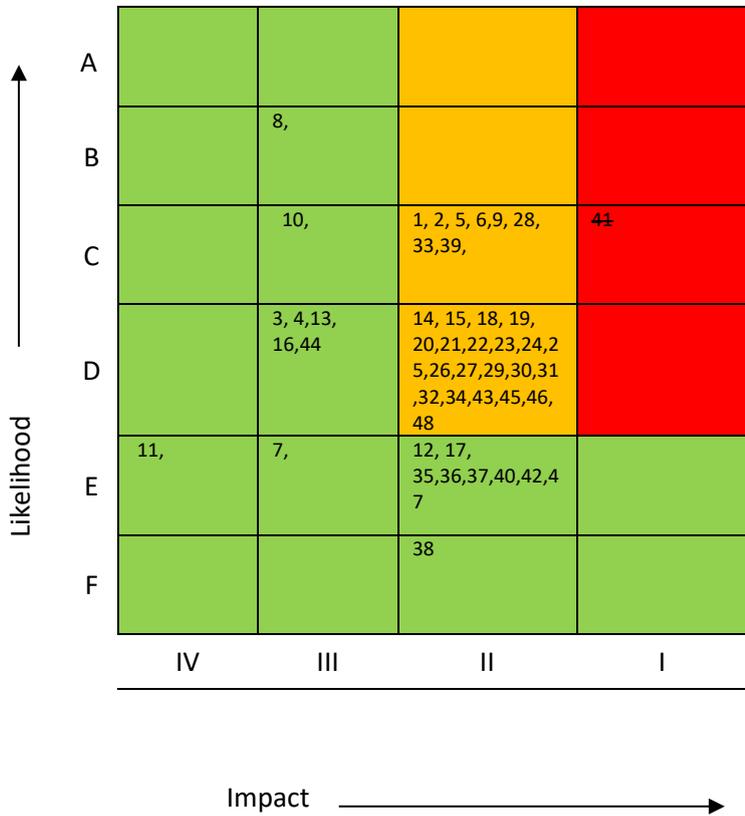
Scenario	Short name
28	Investment returns achieved fall below that required by the actuarial valuation.
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30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
38	Pension Fund investments may not be accurately valued.
39	Disaster recovery
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements

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

# Appendix J: Risk Management Report

As part of a regular review, 48 risks have been identified and framed into scenarios. The risks identified have been rated, 30 of these above their acceptable tolerance level, 18 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – January 2022



## Risk management and monitoring

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

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

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

# Appendix J:Risk Management Report

## Management Action Plans

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
1	C II	<p>Valuation registers a deficit in the Fund.</p> <p>Triennial Valuation undertaken on the Fund using a range of financial assumptions as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least :</p> <ul style="list-style-type: none"> <li>• Falls in expected investment returns</li> <li>• Fall in markets values</li> <li>• Rising inflation</li> <li>• members living longer</li> </ul> <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as - monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years - 31 March 2022	
2	C II	Reduction in proportion of active members	<p>Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy.</p> <p>Introduction of Auto Enrolment has increased membership.</p>	<p>Fund becomes more mature due to ageing and reduction in active members by outsourcing.</p> <p>Client base nationwide – employers 400+ including 5 district councils.</p>	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Fund continues to show as positive cashflow</li> <li>• The ISS is regularly reviewed to ensure its consistent with maturity profile of the Fund</li> </ul>	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
5	D II	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management.  Representation on various user groups: <ul style="list-style-type: none"> <li>• Civica user group</li> <li>• LGPS group</li> <li>• Payroll user group</li> </ul>	Ensure regular attendance and report back from the User Groups/Meetings as necessary.	Assistant Director (Finance, Administration and Governance)	Improved systems, costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations  Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market,  Effective and efficient system, with scalable capacity to support shared services.
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing.  Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
14	D II	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: Pensions Administration Strategy, Communication Strategy	Assistant Director (Finance, Administration and Governance) JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	Annually	Attract new business to the Fund
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYFP reputation</li> <li>• Increase in number of complaints</li> <li>• Callers/Visitors</li> </ul>	DII	Finance	Prompt payment of pensions on the due date.

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
18	D II	Partnership/ Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads WYPF not being able to meet contractual obligations	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service</li> <li>• Will not be able to pay pensions or process work</li> <li>• Staff leave</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> <li>•</li> </ul>	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads
19	D II	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments. <b>Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.</b>	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	-
20	D II	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose. Detrimental decisions made in relation to investments. <b>Annual Review of delegations.</b>	Control is adequate, annual review when Independent Advisor reports on IAP Governance Arrangements.	Director to consider changes required following Annual Governance Report.	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	D II	<p>Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. Members fail to act in the best interests of the fund.</p> <p><b>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences The IAP is very experienced and knowledgeable and monitors the performance of the Fund</b></p>	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing	.	
22	D II	<p>The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions.</p> <p><b>As per risk 3 above.</b></p>	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
23	D II	<p>Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.</p> <p><b>All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.</b></p>	Control is adequate.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Director	Decisions to be in the best interest of the Fund.	Quarterly		
24	D II	<p>Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF. Detrimental decisions made in relation to investments.</p> <p><b>Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.</b></p>	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Director	CPD confirmation obtained.	Annual.		

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
25	D II	<p>Failure to adhere to relevant statutory regulations and guidance. Fund not invested in accordance with requirements. Reputational damage to fund within sector and investment markets.</p> <p><b>An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates</b></p>	Control is adequate.	Technical team to flag investment regulatory changes proposed at consultation stage. Investment team to maintain contacts within the sector to identify non LGPS specific regulatory changes.	Assistant Directors	Full compliance with all regulatory requirements.	Ongoing		
26	D II	<p>Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.</p> <p><b>Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.</b></p>	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding	Triennial	Receipt of 2022 valuation	

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
27	D II	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility. <b>As per risk 12 above.</b>	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
28	C II	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. <b>Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.</b>	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
29	D II	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value. <b>Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.</b>	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Director Head of Finance	Cash resources maintained at an appropriate level.	Ongoing		

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
30	D II	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels. <b>The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.</b>	Control is adequate.	ESG policies are based on a set of overarching environmental , social and governance principles which guide our processes and goals.	IAP	Fund assets safeguarded and returns achieved.	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. <b>Engagement is unsuccessful and does not promote change.</b>	Control is adequate.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. <b>The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.</b>	Control is adequate.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. <b>Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.</b>	Control depends on quality of external data.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	Ongoing		

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
34	DII	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken. <b>The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.</b>	Control is adequate.	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	Director, Assistant Directors and Investment Managers	Fund assets safeguarded and returns achieved.	Ongoing		Investment in developing sectors diversifies the portfolio and improves returns.
39	CII	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems (refer to Business Continuity Plan).	Staff enabled to work from home with access to all systems.	Assistant Director (Finance, Administration and Governance)	Full disaster recovery plan in place which enables business to operate as usual during any disaster	Annual	Ongoing	System resilience, essential in providing 3 <sup>rd</sup> party services – shared services.
41	CI	Recruitment and retention of experienced staff	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure. Restructure of WYPF completed September 2020	Monitor salaries in both public and private sector. Increase flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Director Assistant Director (Finance, Administration and Governance) Director of HR	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades.  Attractive flexible working, home working and mobile working
43	DII	Key staff on long term absence	Document all procedures to ensure cover is available from other staff.	Monitor absences and take action at key dates. Delegation and succession planning.	Senior Managers	No effect on service provision	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
45	D II	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 <sup>rd</sup> parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		

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

## **Appendix J:Risk Management Report**

### **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.

## Risks register

### PENSIONS ADMINISTRATION RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C II	Economic	Valuation registers a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions  Rise in longevity  (Funding level remains the main comparator)	<ul style="list-style-type: none"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>• Political impact</li> <li>• Customer complaints about 'pension pay-offs'</li> </ul>
2	C II	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and ISS become out of date</li> <li>• Less time to make up any deficits so more unstable contribution rates</li> </ul>
3	D III	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> <li>• Loss of control over budget spend</li> <li>• Imposition of "Bradford" systems inappropriate to WYPF</li> <li>• Politicises JAG and Investment Panel</li> <li>• Service delivery reduced</li> <li>• Diversion from core activity</li> </ul>

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	D III	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds  Could be asked to compete against other LG Funds or the private sector	Becomes Government policy	<ul style="list-style-type: none"> <li>Admin costs rise to unacceptable levels</li> <li>Culture change</li> <li>Cost pressure</li> <li>Fail to become provider for Yorkshire region</li> <li>Staff relocation</li> <li>Staff redundancies</li> <li>Bad publicity for Bradford</li> <li>Become provider for Yorkshire</li> <li>Increased resource requirement</li> <li>Good publicity</li> </ul>
5	D II	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> <li>E-government cannot be supported</li> <li>Increased time and support needed for number crunching</li> <li>Less added value support</li> </ul>
6	C II	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis  Deadlines not met	<ul style="list-style-type: none"> <li>People can't access vital information in a timely manner</li> <li>Sustainability issues</li> <li>Transcription errors</li> <li>Delays</li> <li>Invalid employer contribution rates set</li> <li>Invalid ABS's sent to members</li> <li>ABS's not sent to members</li> <li>Non compliance</li> <li>Bad publicity</li> <li>Key objective not met</li> </ul>
7	E III	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> <li>other systems available but enforced change time consuming</li> <li>pressure on staff</li> </ul>
8	B III	Legislative / Regulatory	Failure to administer the scheme in line with regulations and policies	Lots of legislative/regulatory change resulting in additional work. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/regulatory changes adequately	<ul style="list-style-type: none"> <li>Benchmarking costs rise</li> <li>Increased pressure on staff</li> <li>Don't adopt legislation</li> <li>Service criticised</li> <li>Duties and responsibilities not fully adopted</li> <li>Ombudsman cases</li> <li>Incorrect payment of benefits</li> <li>Growing complexity of administration</li> <li>Risk of non compliance</li> <li>Key objective not met</li> <li>general pensions knowledge declines</li> <li>pressure on staff</li> </ul>

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• staff don't have up to date, consistent knowledge and understanding</li> <li>• recalculations of pensions to do</li> </ul>
9	C II	People	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> <li>• Staff frustrated</li> <li>• Reduced level of service to other employers</li> </ul>
10	C III	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> <li>• Act 'ultra vires'</li> <li>• Promises made that can't be met</li> </ul>
11	E IV	Competitive	National and local KPI's are not being met		Poor performance leading to complaints and reduction in service to stakeholders	<ul style="list-style-type: none"> <li>• Can't manage performance effectively</li> <li>• Fail to meet explicit objective</li> </ul>
12	E II	Finance	External Fraud	Pensions paid where here is no entitlement	Returned payments/payslips, non return of life certificates, flagged by NFI	<ul style="list-style-type: none"> <li>• overpaid pensions</li> <li>• court cases</li> <li>• time commitment</li> <li>• key objective not met</li> </ul>
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	<ul style="list-style-type: none"> <li>• Inefficiencies in operations</li> <li>• Lack of automation</li> <li>• Poor benchmarking returns</li> </ul>	<ul style="list-style-type: none"> <li>• Review in-house provision</li> <li>• Budget cuts</li> <li>• Service cuts</li> <li>• Partnership arrangements</li> <li>• Bad publicity</li> </ul>
14	D II	Customer	Customer Satisfaction below acceptable levels	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> <li>• Fines</li> <li>• Bad publicity</li> <li>• Shrinking user base</li> </ul>

## Appendix J:Risk Management Report

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYPF reputation</li> <li>• Increase in number of complaints. Callers/Visitors</li> </ul>
16	D III	Economic	Lack of Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> <li>• Increase in employer contribution rate across the Fund</li> <li>• Increase in liabilities across the Fund</li> </ul> Possible bad publicity
17	E II	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> <li>• Funds might go bust resulting in losses for the Fund</li> </ul>
18	D II	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads	WYPF not being able to meet contractual obligations	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service</li> <li>• Will not be able to pay pensions or process work</li> <li>• Staff leave</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> <li>•</li> </ul>
47	E II	Customer	Failure to communicate adequately with scheme members	<ul style="list-style-type: none"> <li>• Website regularly updated.</li> <li>• Newsletters are published at least annually,</li> <li>• Annual Benefit Statements and Deferred benefit Statements issued annually</li> </ul>	Complaints or cases going to IDRP	<ul style="list-style-type: none"> <li>• Fines from TPR</li> <li>• Bad publicity</li> <li>• Members not able to make timely decisions</li> <li>• Reduction in value of pension benefits</li> </ul>
48	D II	Legislation	Failure to include all required information issued to members under disclosure regulations	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.		<ul style="list-style-type: none"> <li>• Fines from TPR</li> <li>• Bad publicity</li> <li>• Members not able to make timely decisions</li> </ul>

# Appendix J: Risk Management Report

## INVESTMENT RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments.	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Review of roles or constitution	<ul style="list-style-type: none"> <li>• Detrimental decisions made in relation to investments.</li> </ul>
20	D II	Governance	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.		Annual Review of delegations	<ul style="list-style-type: none"> <li>• Detrimental decisions made in relation to investments.</li> </ul>
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		<ul style="list-style-type: none"> <li>• Members fail to act in the best interests of the fund.</li> </ul>
22	D II	Governance	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		<ul style="list-style-type: none"> <li>• Members fail to act in the best interests of the fund.</li> </ul>
23	D II	Governance	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.	<ul style="list-style-type: none"> <li>• Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.</li> </ul>

## Appendix J: Risk Management Report

24	D II	Governance	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.	Detrimental decisions made in relation to investments.	Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	<ul style="list-style-type: none"> <li>• Advice of poor quality or not tailored to WYPF.</li> <li>• Detrimental decisions made in relation to investments.</li> </ul>
25	D II	Legislative /Regulatory	Failure to adhere to relevant statutory regulations and guidance.	An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates	Changes in regulations	<ul style="list-style-type: none"> <li>• Fund not invested in accordance with requirements.</li> <li>• Reputational damage to fund within sector and investment markets.</li> </ul>
26	D II	Investment Strategy	Strategic benchmark not set to meet the return required by the actuarial valuation.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> <li>• Funding shortfall has to be made good by employer contribution increases.</li> </ul>
27	D II	Investment Strategy	Lack of asset class diversification in the strategic benchmark.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> <li>• Increased risk of a funding shortfall due to excessive portfolio volatility.</li> </ul>
28	C II	Investment Strategy	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.	Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Valuation	<ul style="list-style-type: none"> <li>• Funding shortfall has to be made good by employer contribution increases.</li> <li>•</li> </ul>
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value.	Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Negative cashflow	<ul style="list-style-type: none"> <li>• Fund has to sell investment at an inopportune time, risking a loss of value.</li> </ul>
30	D II	Responsible Investment	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels.	The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	<ul style="list-style-type: none"> <li>• Expected returns not achieved</li> <li>• Asset values decrease</li> </ul>
31	D II	Responsible Investment	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	<ul style="list-style-type: none"> <li>• Actions not agreed where engagement has failed.</li> </ul>

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32	D II	Responsible Investment	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Loss of value of assets or volatility in the value	<ul style="list-style-type: none"> <li>The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.</li> </ul>
33	C II	Responsible Investment	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> <li>Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.</li> </ul>
34	D II	Responsible Investment	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> <li>The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.</li> </ul>
35	E II	Governance	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.	Complete and authorised agreements are in place with external custodian as part of NLGSPS. External custodian is in compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations, and report presented to IAP annually. Regular reconciliations carried out to check external custodian records to nominal ledger.	Regular reconciliations carried out to check external custodian records to nominal ledger.	<ul style="list-style-type: none"> <li>Fund assets not safeguarded</li> </ul>
36	E II	Governance	Stock lending counterparty failure. Fund assets at risk.	Credit rating of counterparties verified before adding to approved list. Guarantee from external custodian for all stock on loan.	Verify credit ratings of approved counterparties. Ensure custodian agreement fully documented.	<ul style="list-style-type: none"> <li>Losses on stock lending</li> </ul>
37	E II	Governance	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.	A robust framework of controls, including separation of investment managers from settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	Settlement and reconciliation processes maintained and verified.	<ul style="list-style-type: none"> <li>Fund assets at risk, fraud.</li> </ul>
38	F II	Governance	Pension Fund investments may not be accurately valued. Strategic asset allocation not delivered as a result, poor investment decisions on future investment, fund assets at risk.	Investments are valued using current prices obtained from independent pricing sources wherever possible. Unlisted valuations provided by managers monitored to ensure any sales are above manager valuation. Quarterly valuations reconciled to custodian valuation. Internal and external audit verification work completed for year-end valuation. Portfolio valuations are completed and reported to the IAP	Internal valuation reconciled to custodian data. Unlisted valuations from external managers reviewed for reasonableness and consistency over time or on sale.	<ul style="list-style-type: none"> <li>poor investment decisions on future investment,</li> <li>fund assets at risk</li> </ul>

# Appendix J: Risk Management Report

## JOINT ADMINISTRATION AND INVESTMENT RISKS.

39	C II	Technological	Disaster recovery	<p>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</p> <p>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.</p> <p>System failure – protected by service and maintenance contracts</p> <p>WYPF is dependent on CBMDC for virus protection and firewalls etc.</p>	<p>Minor incident occurs</p> <p>Major incident occurs</p>	<ul style="list-style-type: none"> <li>• Can't back up the data</li> <li>• Loss of service</li> <li>• Permanent data loss</li> <li>• Loss of income</li> <li>• Inability to pay pensioners</li> </ul>
40	E II	Technological	Internal Fraud	<p>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.</p>	fraud	<ul style="list-style-type: none"> <li>• Loss of data</li> <li>• Corrupt data</li> <li>• Incorrect payments</li> <li>• Breach of DP Act</li> </ul>
41	C I	People	Recruitment and retention of experienced staff	<p>Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age</p> <p>Difficulties in attracting staff to Bradford</p>	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> <li>• Adverse impact on service delivery</li> <li>• Loss of experienced staff</li> <li>• Stagnation</li> <li>• Carrying vacancies</li> </ul>
42	E II	Technological	Loss of sensitive personal data	<p>Data on laptops/USB devices and data sent by email is encrypted</p>	Loss of data	<ul style="list-style-type: none"> <li>• Data falls in the wrong hands and used for criminal purposes</li> <li>• Bad publicity</li> <li>• Loss of trust and confidence in WYPF</li> </ul>
43	D II	People	Key staff on long term absence	<p>The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence</p>	Absence Management	<ul style="list-style-type: none"> <li>• Impact on service provision (Staff, Employers, Scheme Members etc)</li> <li>• Crucial tasks are not performed</li> </ul>
44	D III	People	Access to sensitive/personal data by staff	<p>All new staff undergo a DBS check, Access to certain records is restricted</p>	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> <li>• Information could be passed on</li> <li>• Records updated inappropriately</li> <li>• Contravene DP Act</li> </ul>
45	D II	Technological	Cyber Crime	<p>A cyber attack will put data at risk and data may fall in the wrong hands.</p>	A successful cyber attack	<ul style="list-style-type: none"> <li>• Vulnerable to extortion</li> <li>• Damage to WYPF reputation</li> <li>• Impact on service delivery</li> <li>• Bad publicity</li> <li>• Fines by tPR</li> </ul>
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	<p>Documents and processes are not updated with requirements.</p>	A breach of GDPR	<ul style="list-style-type: none"> <li>• Massive fines by the ICO</li> <li>• Damage to WYPF reputation</li> <li>• Bad publicity</li> <li>• Loss of contracts</li> </ul>

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

## 1. Legislative requirements

- 1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:
  - 1.1.1 the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
  - 1.1.2 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.
- 1.2 Board members should also have knowledge and understanding of:
  - 1.2.1 the law relating to pensions, and
  - 1.2.2 such other matters as may be prescribed.
- 1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.
- 1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.
- 1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.
- 1.6 The Scheme Manager is required to maintain and develop the framework.

## 2. Degree of knowledge and understanding

- 2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.
- 2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.
- 2.3 The rules of the LGPS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.
- 2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to service for further full terms in accordance with the terms of reference.

## 3. Induction training

- 3.1 As part of the induction training, board members are required to undertake the Pensions Regulator’s online toolkit training. This training will enable board members to learn about meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.
- 3.2 The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector Toolkit compulsory learning modules.
- 3.3 The nine Essential Learning for Trustees compulsory modules test pension board members’ knowledge in the following areas.
  - 3.3.1 Introducing pension schemes
  - 3.3.2 The trustee’s role
  - 3.3.3 Running a scheme
  - 3.3.4 An introduction to investment
  - 3.3.5 How a defined benefit scheme works
  - 3.3.6 Funding your defined benefit scheme
  - 3.3.7 Defined benefit recovery plans. Contributions and funding principles
  - 3.3.8 Investment in a defined benefitscheme
- 3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.
  - 3.4.1 Conflicts of Interest
  - 3.4.2 Managing risk and internal controls
  - 3.4.3 Maintaining accurate member data
  - 3.4.4 Maintaining member contributions
  - 3.4.5 Providing information to members and others
  - 3.4.6 Resolving internal disputes
  - 3.4.7 Reporting breaches of the law
- 3.5 The Pensions Regulator website is [www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)
- 3.6 A document which will help identify training needs and be used to record and reflect on the training once completed can be found at [www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc](http://www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc)

## 4. Training

- 4.1 Board members are expected to attend regular training events.
- 4.2 In addition to the Pensions Regulator Toolkit, pension board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.
- 4.3 Training will be delivered through a variety of methods including:
  - 4.3.1 in-house training days provided by officers and/or external providers
  - 4.3.2 training as part of meetings provided by officers and/or external advisers
  - 4.3.3 external training events
  - 4.3.4 circulation of reading material

## Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

4.3.5 attendance at seminars and conferences offered by industry-wide bodies, and

4.3.6 links to online training.

### 5. CIPFA Knowledge and Skills Framework

5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework

5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions:

5.2.1 pensions legislative and governance context

5.2.2 pensions accounting and auditing standards

5.2.3 financial services procurement and relationship management

5.2.4 investment performance and risk management

5.2.5 financial markets and products knowledge, and

5.2.6 actuarial methods, standards and practices.

5.3 Training Needs Analysis can be used to help assist board members and scheme managers to identify areas of the CIPFA Knowledge and Understanding Framework where training is required.

## Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the fund's policies and procedures, including AVC guides).	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>
<b>Relevant policies</b>	
Conflicts of Interest Policy	<a href="https://www.wypf.org.uk/pension-boards/wypf-index/conflict-of-interest/">https://www.wypf.org.uk/pension-boards/wypf-index/conflict-of-interest/</a>
Internal Dispute Resolution Procedure	<a href="https://www.wypf.org.uk/media/2956/idrp-booklet-nov-2020-1.pdf">https://www.wypf.org.uk/media/2956/idrp-booklet-nov-2020-1.pdf</a>
Reporting of Breaches Procedure	<a href="https://www.wypf.org.uk/pension-boards/wypf-index/reporting-breaches/">https://www.wypf.org.uk/pension-boards/wypf-index/reporting-breaches/</a>
<b>WYPF policy statements</b>	
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	<a href="https://www.wypf.org.uk/publications/policy-home/wypf-index/">https://www.wypf.org.uk/publications/policy-home/wypf-index/</a>
<b>Governance Compliance Statement</b>	
WYPF Discretionary Policy Statement	Supplied on request
<b>Others</b>	
actuarial valuation Report and Rates and Adjustment Certificate	<a href="https://www.wypf.org.uk/publications/valuations/wypf-valuation/">https://www.wypf.org.uk/publications/valuations/wypf-valuation/</a>
WYPF Risk Register	Supplied on request
Annual Report and Accounts	<a href="https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/">https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/</a>

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

Investment management and activity

<https://www.wypf.org.uk/investments/wypf-investments/>

## Appendix B

Pension Knowledge and Understanding training analysis

	Training required Yes/No	Date training received
<b>Background and understanding of the legislative framework of the LGPS</b>		
Differences between public service pension schemes like the LGPS and private sector trust-based schemes		
Role of the IPSPC and its recommendations		
Key provisions of the 2013 Act		
The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers		
An overview of local authority law and how administering authorities are constituted and operate		
LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)		
<b>General pensions legislation applicable to the LGPS</b>		
Differences between public service pension schemes like the LGPS and private sector trust-based schemes		
Role of the IPSPC and its recommendations		
Key provisions of the 2013 Act		
The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers		
An overview of local authority law and how administering authorities are constituted and operate		
LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)		
<b>Role and responsibilities of the local pension board</b>		
Role of the local pension board		
Conduct and conflicts		
Reporting of breaches		
Knowledge and understanding		
Data protection		
<b>Role and responsibilities of the administering authority</b>		
Membership and eligibility		
Benefits and the payment of benefits		
Decisions and discretions		
Disclosure of information		
Record keeping		
Internal controls		
Internal dispute resolution		
Reporting of breaches		
Statements, reports and accounts		
<b>Funding and Investment</b>		
Requirement for triennial and other valuations		
Rates and adjustments certificate		
Funding strategy statement		
Bulk transfers		
Permitted investments		
Restrictions on investments		
Statement of investment principles		
CIPFA guidance		

## Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

Appointment of investment managers
Role of the custodian
<b>Role and responsibilities of scheme employers</b>
Explanation of different types of employers
Additional requirements for admission bodies
Automatic enrolment
Deduction and payment of contributions
Special contributions
Employer decisions and discretions
Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)
TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)
<b>Tax and contracting out</b>
Finance Act 2004
Role of HMRC
Registration
Role of 'scheme administrator'
Tax relief on contributions
Taxation
<b>Role of advisers and key persons</b>
Officers of the administering authority
Fund actuary
Auditor
Lawyers
Investment managers
Custodians
Administrators – in house versus third party
Procurement of services
Contracts with third parties
<b>Key bodies connected to the LGPS</b>
An understanding of the roles and powers of:
Courts
Financial Services Authority
HMRC
Information Commissioner
Pensions Advisory Service
Pensions Ombudsman
The Pensions Regulator

# Appendix L: WYPF Pension Board – Terms of Reference

## 1. Introduction

- 1.1 City of Bradford Metropolitan District Council (referred to as ‘the council’), as scheme manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The council has established two bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the council is required to establish a pension board. The WYPF Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.3 This document sets out the terms of reference for the WYPF Pension Board.

## 2. Objectives

- 2.1 The role of the pension board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including:
  - 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS
  - 2.1.2 SECURING compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and
  - 2.1.3 any other such matters as the LGPS regulations may specify.

## 3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

## 4. Membership and appointment for pension board members

- 4.1 Membership of the pension board shall be eight in number. The pension board will consist of equal numbers of member and employer representatives.
- 4.2 Pension board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

## 5. Employer representatives

- 5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.
  - 5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.
  - 5.1.2 One representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

## 6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

## Appendix L: WYPF Pension Board – Terms of Reference

- 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.

# Appendix L: WYPF Pension Board – Terms of Reference

## 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: <https://www.bradford.gov.uk/your-council/about-bradford-council/councils-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:

## Appendix L: WYPF Pension Board – Terms of Reference

- 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.

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### 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).