



West Yorkshire Pension Fund

Pension

WINTER 2023 • DEFERRED MEMBER NEWSLETTER

Fund report 2023

The McCloud judgement and remedy

The role of the Investment Advisory Panel

Free pre-retirement courses

Annual meeting report

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

The role of the Investment Advisory Panel

Who does what?

A report by Chris Greaves, Retired Member Representative

The fund exists to receive contributions from active members and invest them so when members retire there are funds available to pay our pensions. We have over 300,000 members, the fund has around £18 billion invested for that purpose. It is essential that the money is invested wisely to meet this objective.

Investment decisions are made at two levels, strategic and operational. Strategic decisions are made by the Investment Advisory Panel (Councillors, Trade Union and other stakeholder representatives) and operational decisions are made by our in house Investment Team (Officers). The policy document that sets out the roles and responsibilities of each group is our Investment Strategy Statement. It is available on the website [here](#).

In summary the Panel sets the investment policy and strategy and monitors the Investment Team's performance against their targets and benchmarks. To make those decisions the Panel takes advice

from both in house and independent experts and also undertakes training, again both in house and externally. One of the main strategic objectives is to spread risk by investing in different asset classes (for example equities, bonds, property etc) and different markets (for example the UK, America, Europe etc). We receive detailed reports at every meeting and we do ask questions about performance and investments.

When we have set the strategy the specific selection and allocation of new individual investments together with purchases and sales within the existing portfolio is the responsibility of Investment Team Officers. It is important that the Panel does not interfere with this process. Stock selection is very time consuming and it requires a special expertise to pick the most likely successful investments out of the tens of thousands that are out there. The Team is judged on their performance so must be given freedom to make the operational judgments within the overall strategy set by the Panel.

October 2023

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

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

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



Retirement courses 2023/24

If you're starting to think more seriously about your retirement plans, why not join Affinity Connect, our pre-retirement partner, for an informative **online retirement planning session**. Keeping your retirement plans on track is really important, so it's always best to start planning early! Feedback tells us that members who have

attended past courses wished that they would have attended sooner. This course is perfect for you if you are within up to ten years of retirement and want more information about how to maximise retirement savings.

Workshops cover **estate planning, managing change, income in retirement, state pension and other benefits, personal taxation, money management, budgeting in retirement, making your money last, wellbeing, lifestyle** and more.

Course dates (more coming)

[Click here to book online](#)

2024	11 January	9:30am - 12:00pm
	13 February	1:00pm - 3:30pm
	29 February	9:30am - 12:00pm
	20 March	1:00pm - 3:30pm
	27 March	9:30am - 12:00pm
	8 April	1:00pm - 3:30pm
	3 May	9:30am - 12:00pm

These workshops provide information only and will not include or constitute financial advice.

FUND REPORT

2023



Introduction by Euan Miller, WYPF's Managing Director

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

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

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

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

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

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

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

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

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

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

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

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

Fund account

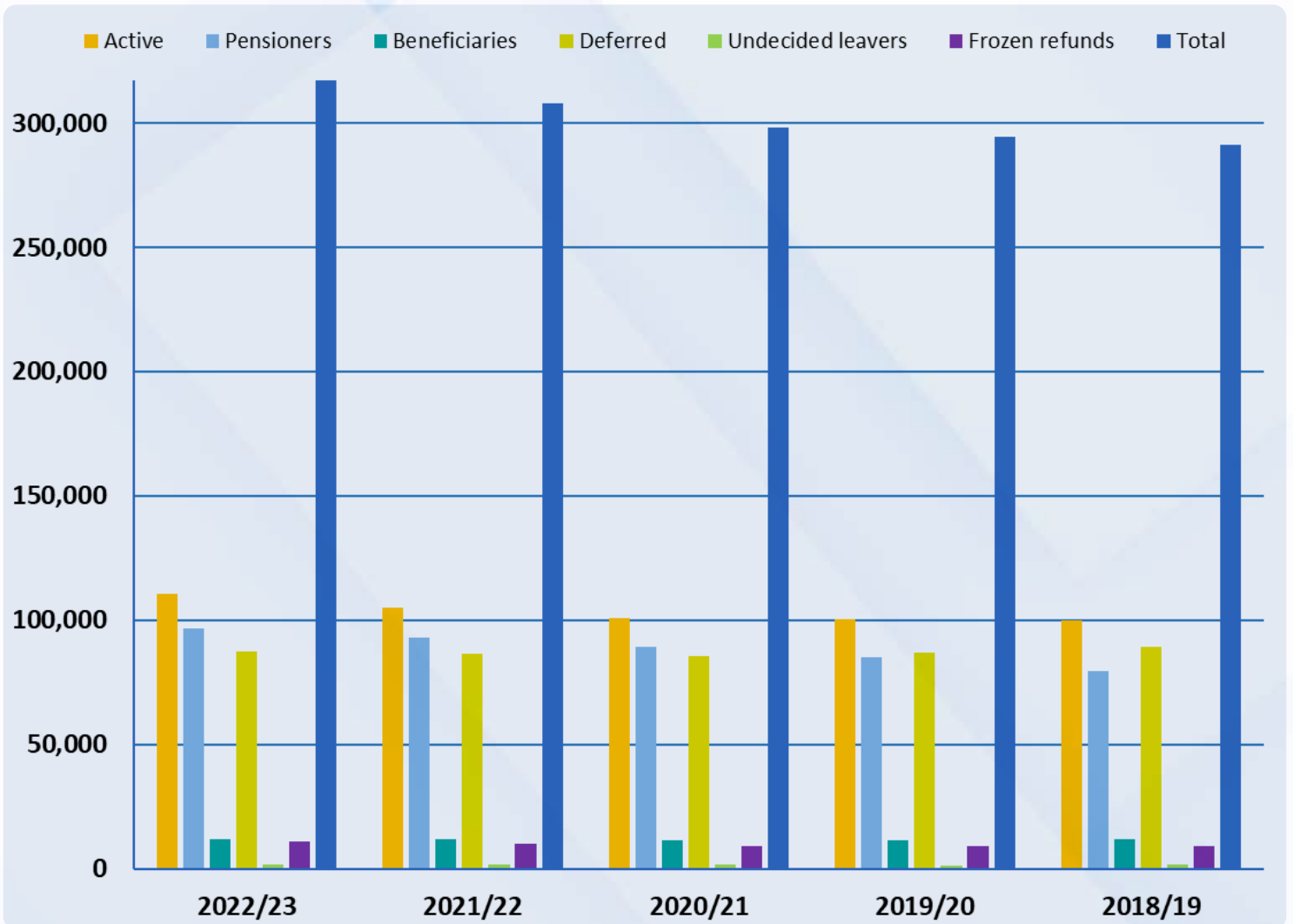
For the year ended 31 March 2023

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

Membership trends

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

Membership over a five year period



Performance

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

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

Medium- to long-term performance

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

2022/23 WYPF cost per member

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

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



Responsible investment

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

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

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

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

The McCloud judgement and remedy



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

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

You may be affected if:

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

Background

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

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

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

What do I need to do?

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

Will my pension increase?

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

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

Transfer time limits matter

If you're thinking about transferring your deferred LGPS pension to another provider, don't leave it too late. You would have to choose to transfer your pension **at least one year before your normal pension age (NPA)**. That's most likely your state retirement age, but some members have a protected NPA of age 60 or 65.

Always be aware of pension scams and don't make rash decisions. Fall foul of a scam and you could lose some or all of your money. See pension-scams.com or fca.org.uk/scamsmart

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Have you checked your deferred pension statement?

You can see your latest deferred statement and your previous statements by signing in to your online MyPension account.

www.wypf.org.uk/mypension

Privacy and your data

Read about how we use the data we hold about you.

www.wypf.org.uk/privacy



It's time to go online

View your pension record and deferred statements with our online My Pension service. **NEW FEATURE** – get an instant estimate of your pension for your chosen retirement date.

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

Moving house?

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

Pension scams and how to take action

Pension scams continue to be a very real threat. They can take many forms and could be about insurance policies, pensions transfers, or high-return investment opportunities. Scammers are sophisticated and opportunistic and will try many things. They're very likely to target the vulnerable. As always, beware of investments that seem too good to be true.

Report suspected scams to Action Fraud straightaway on **0300 123 2040** or with the online reporting tool at www.actionfraud.police.uk/reporting-fraud-and-cyber-crime

We have self-certified to The Pensions Regulator that we meet the standards of the pledge to combat pension scams.



Who gets your death grant?

A death grant is a one-off tax-free lump sum on top of any pension your husband, wife, partner or children would be due if you died. How much is paid depends when you left your job. If it was before 1 April 2008, we pay your deferred lump sum, including cost of living increases, as a death grant. Otherwise, we pay 5x your deferred annual pension. This may be different if you have active membership elsewhere in the LGPS. If you haven't done it yet, you can **download a form** from our website.

Your LGPS pension is protected

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

Contact us

Phone **01274 434999**

Monday to Friday 8.45am to 4.30pm

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

Our postal address is PO Box 67 Bradford BD1 1UP

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