West Yorkshire Pension Fund

Report and Accounts
for the year ended
31 March 2024

REPORT & ACCOUNTS

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

Contents

FOREWORD

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 2024 WYPF had 323,414 members and 409 active employers across the UK. The largest employers in the fund are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

WYPF also provide shared service administration arrangements to three other LGPS funds and twenty-four Fire and Rescue Authorities.

In total, with the Shared Service administration arrangements, WYPF serves 509,352 members and over 950 active employers.

2024 has been a general election year, with how pension schemes can help drive UK economic growth being a key priority of both main parties. In many respects the LGPS has led the way in this area with WYPF and its partner funds in the Northern LGPS Pool having already made a number of investments that are expected to both provide an attractive return for the pension fund whilst generating social and/or economic benefits.

There is also increasing focus on consolidation and collaboration in order to generate further efficiencies. Arguably WYPF's most high-profile collaboration is the Northern LGPS Pool's GLIL direct infrastructure partnership, developed alongside the LPP Pool, which now has committed funds of approximately £4 billion and also has the UK's largest defined contribution scheme, NEST, as an investor. New GLIL investments over the last year include Lyceum Solar - a portfolio comprised of 58 operating solar farms and Cornerstone - a nationwide network of mobile phone towers.

2023/24 was a relatively good year for investments, with many stock markets around the globe delivering positive returns, due in part to inflation expectations falling back towards central bank targets and speculation building as to when interest rates may start to reduce.

WYPF's provisional investment return for the year is 8.6%, which is materially above the assumption made by the actuary at the 2022 valuation and the fourth consecutive year of positive returns. WYPF's assets were valued at a record year-end high of nearly £19.3 billion at the end of March 2024.

During the Scheme year the WYPF Investment Advisory Panel (IAP) undertook a strategic asset allocation review and consulted on changes to its Investment Strategy Statement (ISS) with stakeholders, including fund members. The updated Investment Strategy Statement is available to view on the WYPF website.

The IAP also reviewed its investment beliefs and agreed three key investment themes that it has embedded within its updated ISS, based around the United Nations' Sustainable Development Goals:

- **Increased investment in climate solutions** to help meet the Fund's 2050 net zero target.
- **Sustainable Cities and Communities** to support for example; investment in sustainable and affordable transport, the building of affordable and energy efficient homes, retro fitting existing housing stock and developing brown field sites.
- **Economic growth driving decent work** to support greater investment in innovation and infrastructure to address today's challenges and creating better job opportunities for all.

To reinforce its commitment to increased investment in climate solutions, WYPF has made clear that it will not use WYPF assets to fund new fossil fuel developments. In particular, WYPF will not be lending to the oil, gas and coal sector and will continue to work with other like-minded investors to demand a similar approach from the banking industry. The fund is also currently undertaking a review of its equity holdings in the oil and gas sector.

During the forthcoming year the fund hopes to see the new Government formally introduce requirements for LGPS funds to report on climate-change risks and also to implement the recommendations of the LGPS Scheme Advisory Board's Good Governance review, which will help ensure best-practice across both the investment and administration aspects of operating a LGPS fund.

WYPF's administration service continues to perform to a very high standard in a continually challenging environment. The fund is in the process of implementing the much talked-about McCloud remedy and is making excellent progress in preparing for the launch of pensions dashboards. An updated WYPF website will be launched in the near future. This has been tested with member focus groups, whilst working closely with WYPF's shared service partners to enhance the content and branding. These developments will help to drive an increasingly digital member offering.

WYPF is also seeing increasing focus on delivering economies of scale and efficiencies in LGPS administration. The fund has demonstrated the benefits of collaboration in its shared service. Administration costs per member were £18.73 in 2023/24. This will once again be one of the lowest costs in the LGPS. However, low cost does not come at the expense of serving members and reassuringly WYPF continues to score very highly on quality in the CEM benchmarking studies that it participates in each year.

As WYPF completes its 2023/24 year, 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.

Councillor Andrew Thornton

Chair Joint Advisory Group and Investment Advisory Panel

MANAGEMENT STRUCTURE

SECTION 2: MANAGEMENT STRUCTURE

Members of the WYPF Joint Advisory Group

Bradford Council		
Cllr A Thornton **Chair**	Cllr P Clarke **Deputy Chair**	Cllr M Alipoor
Calderdale Council		
Cllr P Caffrey	Cllr C Hutchinson	Cllr J Lynn
Kirklees Council		
Cllr M Crook	Cllr E Firth	Cllr J Ramsay
Leeds Council		
Cllr A Scopes	Cllr R Stephenson	Cllr E Bromley
Wakefield Council		
Cllr K Swift	Cllr D Nicholls	Cllr J Speight
Trade union representatives		
L Bailey – UNISON	T Chard – GMB	A Goring – UNISON
Scheme member representatives		
M Warren – Wakefield District Housing		
Representative from Finance Directors of the councils of West Yorkshire		
S Mair – Interim Director of Finance/S151 Officer, Bradford Council (From Jan 2024)		
C Kinsella – Interim Director of Finance/S151 Officer, Bradford Council (Until Jan 2024)		

Members of the WYPF Investment Advisory Panel

Bradford Council		
Cllr A Thornton **Chair**	Cllr P Clarke	
Calderdale Council		
Cllr C Hutchinson	Cllr J Lynn	
Kirklees Council		
Cllr E Firth	Cllr J Ramsay	
Leeds Council		
Cllr A Scopes	Cllr R Stephenson	
Wakefield Council		
Cllr H Mitchell	Cllr D Nicholls	
Trade union representatives		
L Bailey – UNISON	T Chard – GMB	A Goring – UNISON
West Yorkshire Pension Fund		
E Millier - Managing Director		
External advisors		
M George	P Hebson	M Stevens
Representative from the Finance Directors of the councils of West Yorkshire		
V Bradshaw – Chief Financial Officer, Leeds Council		
Scheme member representatives		
P Cole	C Greaves	

SECTION 2: MANAGEMENT STRUCTURE

Members of the WYPF Local Pension Board

Employer representatives Cllr S Lal **Chair** Bradford MDC D Butcher Leeds Trinity	Cllr C France-Mir Leeds City Council	Cllr D Pickersgill Wakefield MDC
Member representatives M Binks – Unison Vacancy - Unite	P Charlton - GMB	I Dziya - Unison

Appointed service providers and advisers

Actuarial services	Aon 1 Redcliff Street Bristol BS1 6NP	
AVC providers	Utmost Life and Pensions Walton Street Aylesbury Bucks HP21 7QW Prudential Lancing BN15 8GB	Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU
Auditors	Forvis Mazars LLP 5th Floor 3 Wellington Place Leeds LS1 4AP	
Banking Services	HSBC 8 Canada Square Canary Wharf London E14 5HQ	
Custodial Services	Northern Trust One Canada Square Canary Wharf London E14 5AB	
Independent Investment Advisors	Marian George, Philip Hebson, Mark Stevens.	Contact at WYPF, Ground Floor, Aldermanbury House, 4 Godwin Street, Bradford. BD1 2ST
Legal Adviser	J Field - Director of Legal and Governance City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY	
Pensions Administration Software	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD	

SECTION 2: MANAGEMENT STRUCTURE

Section 151 officer	S Mair – Interim Director of Finance/S151 Officer, Bradford Council City of Bradford Metropolitan District Council Britannia House Bradford BD1 1HX

LOCAL PENSION BOARD ANNUAL REPORT

Annual Report of the West Yorkshire Pension Fund Pension Board 2023/2024

Introduction

I am pleased to present the report of the Local Pension Board for West Yorkshire Pension Fund (WYPF) for the year 2023/2024. 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 (Appendix F) which can also be found on the funds website at: https://www.wypf.org.uk/wypf/wypf-documents-and-boards/

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 2023/24 one of the Member Representative left the Board – Mark Morris from Unite. Also Employer Representatives Councillor Martin from Leeds CC and Councillor Malkin from Wakefield MDC gave notice they would leave the Board. I would like to thank them all for their support during their tenure.

The Board had an Employer Representative vacancy from the previous year, 2022/23, meaning the Board had 3 Employer Representative vacancies. I'm very pleased to inform you that all 3 vacancies were filled by new members during the year – David Butcher from Leeds Trinity, Councillor Pickersgill from Wakefield MDC and Councillor France – Mir from Leeds CC. The Employer Representative vacancy will be filled by Unite prior to the next Board meeting in July 2024.

The membership of the board at the end of 2023/24 is listed below:

Employer Representatives

- Councillor Shakeela Lal (Chair) – City of Bradford MDC
- Councillor Pickersgill Wakefield MDC (joined June 2023)
- David Butcher Leeds Trinity (joined June 2023)
- Councillor France-Mir – Leeds CC (joined March 2024)
- Councillor L Martin – Leeds CC (left November 2023)
- Councillor L Malkin – Wakefield MDC (left February 2024)

Member Representatives

- Mick Binks – Unison
- Isaac Dziya – Unison
- Phillip Charlton – GMB
- Mark Morris – Unite (left January 2024)

SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

Information about the board members and their contact details, are available on the WYPF website via the following link:
https://www.wypf.org.uk/wypf/wypf-documents-and-boards/

Meetings

During the year the board held four meetings:

- 26 July 2023
- 13 September 2023
- 13 December 2023
- 20 March 2024

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

WYPF Pension Board member training

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, WYPF officers have a vast amount of experience which can be shared with members. Members are encouraged to contact WYPF officers 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.

In addition, all pension board members are required to undertake the Pensions Regulator Toolkit training (7 Modules) and Hymans learning Academy training (6 modules), both of which are an online learning programmes 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.

Additionally, all Board Members were asked to complete an additional TPR Toolkit training module regarding pension scams. This has enabled WYPF to sign up to the TPR scams pledge, joining 400 other UK pension schemes in protecting scheme members against pension scammers.

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
- 2023/24 WYPF Service Budget
- Training conferences and seminars
- Minutes of Investment Advisory Panel
- Report and Accounts
- Audit Plan
- 2023 Annual Benefit Statement Exercise
- Data Improvement Plan
- McCloud Planning
- Risk Register
- Communication Strategy
- Pensions Dashboard
- WYPF Pensions Administration report
- Training Strategy
- TPR General Code of Practice
- Death Grants
- CEM Benchmarking
- TPR Supervisory Report

Training delivered during Pension Board meetings:

- Employer Roles and responsibilities
- WYPF Investments

Pension Board attendance and training completed in 2023/24

	Pension Board Attendance	TPR Toolkit (7 modules)	TPR Toolkit (Scams Module)	LOLA (6 modules)	In Board Training	Fundamentals LGA Training	Conferences	National Knowledge Assessment	Valuation Training
Employer Representative									
Cllr Lal	4		✓		1	✓	Governance, LGC Investment Conference, PLSA	✓	✓
Cllr Martin (Left November 2023)		✓	✓	2 modules				✓	✓
David Butcher (Joined June 2023)	3	✓	✓		1				
Cllr Mahalla France-Mir (Joined March 2024)	1		✓						
Cllr Pickersgill (Joined June 2023)	3				1		Governance		

	Pension Board Attendance	TPR Toolkit (7 modules)	TPR Toolkit (Scams Module)	LOLA (6 modules)	In Board Training	Fundamentals LGA Training	Conferences	National Knowledge Assessment	Valuation Training
Member Representative									
Mick Binks	3	✓	✓	✓	1			✓	✓
Phillip Charlton	4	✓	✓	✓	1	✓	Governance		✓
Isaac Dzyia	2		✓				CIPFA, LGC, PLSA, LAPPF PLSA Trusteeship Part 1 PLSA Trusteeship Part 2		
Mark Morris (Left Dec 2023)	3		✓		1				

Conclusion

This is the eighth report of the WYPF Pension Board. WYPF's membership, employer base and administration service will continue to evolve, as will the role of the Board in providing support and constructive challenge. I would like to thank all members of the Board for their valuable contributions over the year and 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 Levelling 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

Annual meetings in 2023/24

WYPF held its eighteenth annual meeting for Fund members on Thursday 26th October 2023, it was held online and recordings made available on our website. Pension fund members logged onto a video feed of the meeting.

https://www.wypf.org.uk/wypf/fund-events/

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. There were presentations from WYPF lead officers Euan Miller - Managing Director and Leandros Kalisperas – Chief Investment Officer; and WYPF external investment advisor Philip Hebson.

Our employers' annual meeting was also held virtually on Wednesday 1 November 2023. Topics covered were the triennial actuarial valuation, updates on the Fund including its investments and administration, and the general economic and financial market climate.

Employer training during 2023/24

We launched our employer webcasts in 2020 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
- Monthly pension contribution management (Phase 3) access to web portal
- Monthly pension contribution management (Phase 3) user management & MFA
- Monthly pension contribution management (Phase 3) data spreadsheet upload
- Monthly pension contribution management (Phase 3) clearing any errors & warnings
- Monthly pension contribution management (Phase 3) submitting data file
- Monthly pension contribution management (Phase 3) help & support

- Online forms
- Processing Pension Statement
- Term time only or not!
- The ill health process
- Understanding Additional Pension Contributions
- 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

Member engagement during 2023/24

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 in recent years with plans to move to a hybrid delivery model in future. We have also relatively recently restructured our Employer Relations and Communications functions splitting the responsibilities into two dedicated teams in WYPF.

Pension increase 2023/24

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 typically increased in line with CPI. For the financial year 2023/24 the CPI of 10.1% for September 2022 was applied on 10th April 2023. Pension increase for 2022/23 was 3.1%.

Pension administration and cost 2023/24

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 shared service administration partners. 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 shared service administration partners 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 £14.75 p.a. This is the 4th lowest cost amongst 86 LGPS funds and well below the national average of £27.85.

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 shared service administration partners 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 partners. This brings the total number of Fire Authorities we provide administration for to twenty seven with three LGPS partners - Lincolnshire Pension Fund, Hounslow Pension Fund and Barnet Pension Fund and twenty three fire authorities.

Data quality

The Fund is required to report on 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. The latest available figures for common data accuracy are set out in the table below.

Data Type	%
Forename	100.00
Surname	100.00
Membership status	100.00
Date of birth	100.00
NI number	99.88
Postcode	99.97
Address	96.68

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.

Communications

Our Contact Centre is opened to visitors and we have continued to provide a full telephone service. Since the pandemic contact through emails and our secure member portal has increased.

WYPF produced 99.95% of annual pension benefit statements for members by the regulatory deadline of 31 August 2022. The 0.05% not produced was due to delays with employers and pension management processes. We continued to produced benefit statements after the deadline to ensure all benefit statements that can be produced are produced. This process provides members with useful information on their pension 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.

LAPF Investment Awards

WYPF was shortlisted under the following categories:

- LGPS Fund of the Year
- Scheme Administration Award

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 VMWare. The servers and data are replicated between the VMWare hosts utilizing site recovery manager 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 regularly depending on the importance of the data. In the event of serious system failures, WYPF would re-provision testing hardware and the infrastructure environment for live running.
- WYPF regularly test our site recovery manager by conducting an non-disruptive test.
- WYPF conducted Disaster Recovery test in September 2022 and proved systems are available from Disaster Recovery site.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices, 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.

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. A LinkedIn page is also maintained.

https://twitter.com/wypf_lgps

www.facebook.com/westyorkshirepensionfund

https://uk.linkedin.com/company/west-yorkshire-pension-fund

Privacy policy

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

https://www.wypf.org.uk/privacy-policy/

FINANCIAL MANAGEMENT AND PERFORMANCE

Financial Performance – analytical review

The following table identifies movements in the fund account based on expenditure between 31 March 2022 and 31 March 2024 and provides reasons for variances. The full financial statements are within section 10 – Statement of accounts of this document.

Statutory accounts financial performance variance 2024 versus 2023

Table A – dealing with members and employers

Dealings with members, employers and others directly involved in the fund	31-Mar-24 £000	31-Mar-23 £000	Variance £000	Notes on significant variances
Contributions receivable	521,117	527,987	(6,870)	Increased number of active members, average employer rate has reduced.
Transfers In	46,694	36,686	10,008	Increased number of new members joining WYPF employers and transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	20,708	19,820	888	No significant change.
Benefits payable	(689,430)	(606,566)	(82,864)	Increased number of members in receipt of pension benefits and significant pension inflation increase of 10.1% compared to 3.1% in 2022/23.
Non-statutory pensions and pensions increase	(20,708)	(19,820)	(888)	No significant change.
Payments to and on account of leavers	(29,548)	(29,654)	106	No significant change.
Management expenses	(14,421)	(13,606)	(815)	Impact of increased investment in pension services. In addition, there has been an increase in investment activities.

Table B – fund assets performance

Returns on investments	31-Mar-24 £000	31-Mar-23 £000	Variance £000	Notes on significant variances
Investment income	571,926	498,917	73,009	Increased dividend payout from companies and increased number of assets globally.
Taxes on income	(7,739)	(6,363)	(1,376)	Increased tax from increased income
Profit and losses on disposal and changes in value of investments	980,466	(415,959)	1,396,425	Positive movement due to market performance in the year driven by equities.
Stock lending	1,448	2,212	(764)	Stock lending activities has decreased.
Net return on investments	**1,546,101**	**78,807**	**1,467,294**	Positive market impact of investment asset values.
Net increase/(decrease) in the net assets	**1,380,513**	**(6,348)**	**1,386,861**	Positive market impact of investment asset values.
Opening net assets of the fund	**17,973,118**	**17,979,465**	**(6,348)**	Minimal decrease is net asset of the fund as a result of the static global financial market.
Closing net assets of the fund	**19,353,631**	**17,973,118**	**1,380,513**	£1.2 billion increases in net asset value as at 31 March 2024 as a result of positive global financial market

Fund account three-year forecast and two-year outturn

The table below shows a three-year budget estimate 2024/25 to 2026/27 and outturn figures for 2022/23 and 2023/24.

Fund account – estimates and actual	2026/27 Estimate	2025/26 Estimate	2024/25 Estimate	2023/24 Outturn	2022/23 Outturn
	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions receivable	536,900	531,600	526,300	521,117	527,987
Transfers in	48,200	47,700	47,200	46,694	36,686
Non-statutory pensions and pensions increases recharged	21,300	21,100	20,900	20,708	19,820
Total income from members and employers	**606,400**	**600,400**	**594,400**	**588,519**	**584,493**
Benefits payable	(798,100)	(760,100)	(723,900)	(689,430)	(606,566)
Non-statutory pensions and pensions increase	(21,300)	(21,100)	(20,900)	(20,708)	(19,820)
Payments to and on account of leavers	(34,200)	(32,600)	(31,000)	(29,548)	(29,654)
Total payments to members	**(853,600)**	**(813,800)**	**(775,800)**	**(739,686)**	**(656,040)**
Management expenses	**(16,700)**	**(15,900)**	**(15,100)**	**(14,421)**	**(13,606)**
Returns on investments					
Investment income	662,000	630,500	600,500	571,926	498,917
Taxes on income	(8,900)	(8,500)	(8,100)	(7,739)	(6,363)
Profit and losses on disposal of and changes in value of investments	590,500	562,400	535,600	980,466	(415,959)
Stock lending	1,700	1,600	1,500	1,448	2,212
Net return on investments	**1,245,300**	**1,186,000**	**1,129,500**	**1,546,101**	**78,807**
Net increase in the net assets available for benefits during the year	**981,400**	**956,700**	**933,000**	**1,380,513**	**(6,346)**
Opening net assets of the	**21,243,331**	**20,286,631**	**19,353,631**	**17,973,118**	**17,979,466**
Closing net assets of the fund	**22,224,731**	**21,243,331**	**20,286,631**	**19,353,631**	**17,973,118**
% Increase in net assets	**4.62%**	**4.72%**	**4.82%**	**7.68%**	**(0.04)%**

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.

Management expenses forecast and outturn report

The table below gives the management cost forecast for 2023/24 to 2026/27 and outturn figures for 2022/23 and 2023/24.

	2026/27	2025/26	2024/25	2023/24	2023/24	2023/24	2022/23
	Estimate	Estimate	Estimate	Estimate	outturn	Variance	outturn
	£000	£000	£000	£000	£000	£000	£000
Expenditure							
Accommodation	470	450	424	371	441	(70)	345
Actuary	220	210	200	301	286	15	317
CBMDC Support Services	930	890	851	567	604	(37)	559
Computer	2,560	2,440	2,328	1,893	2,165	(272)	1,902
Contingency - Invest to save	830	790	750	750	0	750	0
Employees	14,620	13,920	13,253	12,240	11,214	1,026	9,842
External Management Cost	560	530	500	0	117	(117)	0
Other Running Costs	1,380	1,310	1,244	1,060	1,303	(243)	1,179
Printing & stationery	410	390	376	350	426	(76)	402
Transaction Costs	2,480	2,360	2,250	2,500	1,620	880	2,320
Total expenditure	**24,460**	**23,290**	**22,176**	**20,032**	**18,176**	**1,856**	**16,866**
Income							
Other Income	(290)	(280)	(271)	(200)	(298)	98	(237)
Shared Service Income	(3,760)	(3,580)	(3,408)	(3,222)	(3,457)	235	(3,024)
Total income	**(4,050)**	**(3,860)**	**(3,679)**	**(3,422)**	**(3,755)**	**333**	**(3,261)**
Total	**20,410**	**19,430**	**18,497**	**16,610**	**14,421**	**2,189**	**13,605**

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 2022/23 are mainly due to:

- **Accommodation**: overspent of £70k due to increased cost of utilities and planned repairs.
- **Actuary cost:** underspend of £15k due to process improvements, moving related individual employers' activities to bulk work processes and positive impact of unitisation activities. In addition, we are able to use our actuary for key projects such as business planning and investment strategy reviews and we are able to deliver all these services below the allocated budget.
- **CBMDC Support Services:** overspend of £37k, this is due to increased cost of services provided by Bradford, this is against the background of general extreme cost pressure in all services. We have also increased our staff numbers compared to 2022/23, whilst staff numbers in Bradford reduced.
- **Computer:** overspend of £272k, due to general price increases, contractual RPI increases and increased number of staff across WYPF. Where we can we have renegotiated services in order to reduce escalating costs and improve services.
- **Invest to save resources**: None of the £750k was used because there was sufficient underspend to fund service improvements across services.
- **Employees**: underspend of £1,026k. Whilst, we have made steady improvements in recruiting staff, at the end of March 2024, we still have over 22 FTE posts to fill across all services, hence the significant underspend.
- **External Management Cost**: Spend of £117k. This service was launched in January 2024 and we have seen good progress.
- **Other running costs:** overspend of £243k, due to increased banking charges, professional and legal fees.
- **Printing and stationery:** overspend of £76k, due to increased printed communications for new shared service partners' general member communication and cost of posting starter pack. Postage charges have increased significantly.
- **Transaction costs**: underspend of £880k. This cost is very difficult to forecast, and it is reflective of our buying and selling of financial assets and overall investment strategies depending on financial market dynamics.
- **Other income:** extra income of £98k.
- **Shared service income:** extra income of £235k, this is due to increased number of partners. It is important to note that in general the number of members is not increasing, the increased member number reported is mainly due to new shared service partners joining WYPF shared service during 2023/24.

Participating employers

Analysis of employers summarised by type

There were 448 participating employers during the year, 39 left in the year, leaving 409 active at 31st March 2024 (In 2022/23 there were 443 participating employers during the year, 49 left in the year leaving 394 active employers as at 31st March 2023) whose employees were entitled to be contributors to the Fund.

Employers	2023/24 Active	2023/24 Ceased	2023/24 Total	2022/23 Active	2022/23 Ceased	2022/23 Total
Admitted body	142	29	171	121	40	161
Scheduled body	267	10	277	273	9	282
Total	**409**	**39**	**448**	**394**	**49**	**443**

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. No statutory late payment interest was charged on any of the late payments.

Contribution payment performance	2023/24 Total	2023/24 Received on time	2023/24 Received on time	2023/24 Received late	2023/24 Received late	2022/23 Total	2022/23 Received late	2022/23 Received late
	£000	£000	%	£000	%	£000	£000	%
Employer contributions	362,480	360,690	99.51	1,790	0.49	381,697	823	0.22
Employee contributions	158,637	157,864	99.51	773	0.49	146,290	739	0.51
Total	**521,117**	**518,554**	**99.51**	**2,563**	**0.49**	**527,987**	**1,562**	**0.30**

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	2023/24	%	2022/23	%	2021/22	%	2020/21
Number of returns expected in the year from all employers	11,688	100	11,760	100	11,400	100	9,822
Number of returns received by 19 April	10,621	90.871	11,137	94.702	11,100	97.368	9,798
Number of returns not received by 31 May	1,067	9.129	623	5.298	300	2.632	24
Returns processed within 10 working days	9,397	80.399	10,049	85.451	9,992	87.649	9,193
Number of records on return	1,699,656	100	1,755,872	100	1,680,170	100	1,553,903
Number of new member records set up using monthly return	30,573	0.018	34,807	0.020	29,375	0.017	21,005
Number of leaver notifications processed using monthly returns	17,169	0.010	19,354	0.011	15,105	0.009	9,865

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

Employers who made contributions to the fund during 2023/24

PARTICIPATING EMPLOYERS		
Bradford M.D.C	Bradford Children and Families Trust Ltd	CBRE Managed Services Limited
Leeds City Council	Bradford College	Chief Constable For West Yorkshire
Calderdale M.B.C	Bradford Diocesan Academies Trust	Churchill Contract Services (Outwood Grange Academies Trust)
Kirklees M.C	Bradford District Credit Union	Churchill Contract Services Ltd (West Yorkshire Fire & Rescue)
Wakefield M.D.C	Bradshaw Primary School	Clapgate Primary School
Abbey Multi Academy Trust	Bramley St Peters C of E School	Clayton Parish Council
Accomplish MAT	Brighouse Academy	Coalfields Regeneration Trust
Accord Multi Academy Trust	Brigshaw Learning Partnership	Cockburn Multi Academy Trust
Ackworth Parish Council	Brodetsky Jewish (VA) Primary School	Collaborative Learning Trust
Addingham Parish Council	Bronte Academy Trust	Collingham Lady Elizabeth Hastings
Adel St John The Baptist C E (VA) Primary School	Bulloughs (Temple Learning Academy RKLT)	Community Accord
Affinity Trust	Bulloughs Cleaning Services Limited (Exceed Academies Trust)	Compass (Leeds PFI Schools)
Alder Tree Primary Academy (WRAT)	Bulloughs Cleaning Services Limited (Share MAT)	Compass Contract Services (UK) Ltd
All Saints C E J & I School	Bulloughs Cleaning Services Limited (WRAT)	Compass Contract Services (UK) Ltd (Share MAT)
All Saints Richmond Hill Church of England Primary School	Bulloughs Cleaning Services Ltd (Poplar Farm Primary School)	Consultant Cleaners Limited (W Y Fire)
Amey Community Ltd Bradford Bsf Phase 2 FM Services	Burley Parish Council	Cookridge Holy Trinity C E Primary School
Amey Community Ltd FM Services	Burnley Road Academy	Corpus Christi Catholic Primary School
Amey Infrastructure Services Ltd (Wakefield)	C and K Careers Ltd	Cottingley Primary Academy
Apcoa Parking (UK) Limited	Cafcass	Craft Centre & Design Gal. Ltd
Aramark Limited	Calder High School	Creative Support Limited
Aramark Limited (Greenhead College)	Calderdale College	Crescent Purchasing Ltd
Arcadis (UK) Ltd	Calverley C of E Primary School	Crigglestone St James CE Primary Academy
Arts Council England	Cardinal Heenan Catholic High School	Crossley Street Primary School
Aspens Services Limited (Batley Multi Academy Trust)	Care Quality Commission	Darrington C of E Primary School
Aspens Services Ltd	Carlton Academy Trust	Deighton Gates Primary Foundation School
Aspens Services Ltd (Northern Star Academies Trust)	Carr Manor Community School	Delta Academies Trust
Aspire Community Benefit Society Ltd	Carr-Gomm Society	Denby Dale Parish Council
Aspire-Igen Group Ltd	Carroll Cleaning Company (Nessfield Primary School)	Dixons Academies Charitable Trust Ltd
Atalian Servest (Mast Academy Trust)	Carroll Cleaning Company Limited (Frizinghall)	Dolce Limited (Bishop Konstant C.A.T)
Atalian Servest (St John Fisher Catholic Academy)	Carroll Cleaning Company Limited (Horbury St Peters & Clifton School)	Dolce Limited (Stanley St Peters School)
Baildon Town Council	Carroll Cleaning Company Limited (Ryhill Junior Infant Nursery School)	Education Bradford
Bankside Primary School	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Education Leeds Limited
Basketball England	Carroll Cleaning Company Ltd (Holy Trinity Primary)	Elevate Multi Academy Trust
Batley Grammar Free School	Carroll Cleaning Company Ltd (Peel Park Primary School)	Enhance Academy Trust
Batley Multi Academy Trust	Carroll Cleaning Company Ltd (Saltaire Primary)	Enviroserve (Allerton Primary)
Beckfoot Trust	Carroll Cleaning Company Ltd (Southmere Primary Academy)	Enviroserve (Priestley Academy Trust)
Beeston Hill St Lukes C E Primary School	Carroll Cleaning Company Ltd (St Johns Wakefield)	Enviroserve (St Pauls Primary School)
Beeston Primary Trust	Carroll Cleaning Company Ltd (Wakefield)	Equans Services Ltd
Belle Isle Tenant Management Org	Carroll Cleaning Company Ltd (Whetley)	Ethos Academy Trust
Betterclean Services (Carlton Academy Trust)	Carrwood Primary School	Evolve Academy (Ethos Academy Trust)
Bid Services	Castleford Academy Trust	Exceed Academies Trust
Bingley Grammar School	Caterlink (Abbey Multi Academy Trust)	Falcon Education Academies Trust
Birstall Primary Academy	Caterlink Limited (Kettlethorpe High)	Feversham Education Trust
Blessed Christopher Wharton Academy Trust	Caterlink Limited (Outwood Academy City Fields)	Feversham Primary Academy
Blessed Peter Snow Catholic Academy Trust (Calderdale)	Caterlink Limited (Outwood Academy Hemsworth)	Fieldhead Junior Infant and Nursery Academy
Blessed Peter Snow Catholic Academy Trust (Kirklees)	Caterlink Limited (Outwood Grange Academy)	First West Yorkshire Ltd
Boothroyd Primary Academy	Caterlink Limited (Outwood Primary Academy Greenhill)	Fleet Factors Ltd
Bradford Academy	Caterlink Limited (South Pennine Academies)	Foxhill Primary School

PARTICIPATING EMPLOYERS		
Future Cleaning Services Limited (Calder High)	Killinghall Primary School	Mellors Catering Services (Share MAT)
Great Heights Academy Trust	King James's School	Mellors Catering Services Limited (Appleton Academy)
Great Heights Academy Trust (The M F G and Marsden)	Kirkburton Parish Council	Mellors Catering Services Limited (Elevate MAT)
Greenhead Sixth Form College	Kirklees Active Leisure	Mellors Catering Services Limited (Exceed Academies Trust)
Groundwork Leeds	Kirklees Citizens Advice and Law Centre	Mellors Catering Services Limited (Heckmondwike Grammar School)
Groundwork Wakefield	Kirklees College	Mellors Catering Services Limited (Priestley Academy Trust)
Guiseley Infants	Kirklees Neighbourhood Housing Ltd	Mellors Catering Services Limited (Star Academies)
Guiseley School	Kirkstall St Stephens C E (VA) Primary School	Mellors Catering Services Ltd (Baildon Glen Primary School)
Halifax Opportunities Trust (Calderdale)	Lady Elizabeth Hastings School	Mellors Catering Services Ltd (Cavendish Primary)
Harden Village Council	Laisterdyke Leadership Academy	Mellors Catering Services Ltd (WRAT)
Hawksworth C E (VA) Primary School	Lane End Primary Trust	Meltham Town Council
Heaton St Barnabas C of E Primary School	Learning Accord Multi Academy Trust	Menston Parish Council
Hebden Royd Town Council	Leeds Appropriate Adult Service	Micklefield Parish Council
Heckmondwike GS Academy Trust	Leeds Arts University	Midshire Signature Services Ltd (Bronte Academy Trust)
Heckmondwike Primary School	Leeds Beckett University	Midshire Signature Services Ltd (Co-Op Academy Smithies Moor)
Hemsworth Town Council	Leeds Centre For Integrated Living	Midshire Signature Services Ltd (Guiseley School)
Hepworth Gallery Trust	Leeds City Academy	Minsthorpe Academy Trust
Hill Top First School	Leeds City College	Miriam Lord Primary School (Priestley Academy Trust)
Holme Valley Parish Council	Leeds College of Building	Mitie Catering Services Limited
Holy Family Catholic (VA) Primary School	Leeds College of Music	Mitie FM Ltd
Holy Trinity Primary C of E Academy	Leeds Diocesan Learning Trust	Mitie FM Ltd (P.C.C For West Yorkshire)
Horbury Bridge CE J and I School	Leeds East Primary Partnership Trust	Mitie Integrated Services Ltd
Horsforth School Academy	Leeds Family Service Unit	Mitie Limited (Leeds Schools PFI)
Horsforth Town Council	Leeds Grand Theatre & Opera House	Moorlands Learning Trust
Horton Housing Association (Bradford)	Leeds Jewish Free School	Morley Town Council
Huddersfield New College	Leeds Metropolitan University	Mount St Marys Catholic High School
Hugh Gaitskell Primary School Trust	Leeds North West Education Partnership	Mountain Healthcare Ltd (W Y Police)
Humankind Charity (Leeds)	Leeds Society For The Deaf & Blind	Myrtle Park Primary School
Hunslet St Josephs Catholic (VA) Primary School	Leeds Trinity University	N.I.C. Services Group Limited (Middleton St Marys Leeds)
Hutchison Catering (RKLT)	Leodis Academies Trust	National Coal Mining Museum For England
Hutchison Catering Limited (Iveson)	Liberty Gas Outer West	Nell Bank Charitable Trust
Hutchison Catering Ltd (Cottingley Primary Academy)	Liberty Gas West	New Collaborative Learning Trust
Hutchison Catering Ltd (Feversham Primary Academy)	Lidget Green Community Co-Operative Learning Trust	Ninelands Primary School
Hutchison Catering Ltd (Guiseley School)	Lighthouse School	Normanton Town Council
I S S Mediclean Ltd	Lindley C E Infant Academy	Norse Group Limited (Wellspring Academy Trust)
I.S.S. Mediclean Ltd (Outwood Academy Freeston)	Lindley Junior School Academy Trust	North Halifax Grammar Academy
ICS Cleaning Services (Garforth Academy)	Littlemoor Primary	North Halifax Partnership Ltd
ICS Ltd (Outwood At)	Littletown Junior School	Northern Ambition Academies Trust
Ilkley Parish Council	Locala	Northern Education Trust
Impact Education Multi Academy Trust	Locala (Calderdale)	Northern School of Contemporary Dance
Incommunities	Longroyde Junior School	Northern Star Academies Trust
Inspire Partnership Multi Academy Trust	Low Moor Primary School	Notre Dame Sixth Form College
Interaction and Communication Academy Trust	LPM Cleaning Limited	NPS (North East) Ltd
Interaction and Communication Academy Trust (High Park)	Mast Academy Trust	NPS Leeds Limited
Iqra Academy (Feversham Education Trust)	Maxim (Oulton Academy)	Nurture Academies Trust
JPL Catering Ltd (The Brigshaw Learning Partnership)	Maxim Facilities Management Limited (Southfield Grange)	Oasis Academy Lister Park
Keelham Primary School	Maxim Facilities Management Ltd (Ireland Wood Primary School)	Old Earth Academy
Keepmoat Property Services Limited	Meanwood C E (VA) Primary School	One In A Million Free School
Keighley Town Council	Mears Ltd (West)	Ossett Trust

PARTICIPATING EMPLOYERS

Otley Town Council	Rufford Park Primary	The Bishop Konstant Catholic Trust
Oulton Academy (Falcon Education Academies Trust)	Russell Hall First School	The Bishop Wheeler Catholic Academy Trust
Our Lady of Good Counsel Catholic Primary School	Ryhill Parish Council	The Cellar Trust Ltd (Bradford Wellbeing Service)
Our Learning Cloud (BDAT)	Salendine Nook Academy Trust	The Co-Operative Academies Trust
Outwood Academy Freeston	Sandy Lane Parish Council	The Crossley Heath Academy Trust
Outwood Academy Greenhill	SBFM Limited (Bradford College)	The Family of Learning Trust
Outwood Academy Hemsworth	Scout Road Academy	The Gorse Academies Trust
Outwood Academy Wakefield City	Sea Fish Industry Authority	The Lantern Learning Trust
Outwood Grange Academy	Share Multi Academy Trust	The MFG Academies Trust
Outwood Primary Academy Bell Lane	Shibden Head Primary Academy	Thornhill Junior and Infant School
Outwood Primary Academy Kirkhamgate	Shipley College	Thornton Primary School
Outwood Primary Academy Ledger Lane	Shipley Town Council	Thorp Arch Lady Elizabeth Hastings C E (VA) Primary School
Outwood Primary Academy Lofthouse Gate	Shirley Manor Primary Academy	TNS Catering (SPTA)
Outwood Primary Academy Newstead Green	Sitlington Parish Council	Together Housing Association Ltd (Greenvale)
Outwood Primary Academy Park Hill	Skills For Care Limited	Together Housing Association Ltd (Pennine)
Owlcotes Multi Academy Trust	Sodexo Ltd	Together Learning Trust
Oxenhope Village Council	Sodexo Ltd (Oasis Academy Lister Park)	Tong Leadership Academy
Pennine Academies Yorkshire	South Elmsall Town Council	Tranmere Park Primary
Pinnacle (W Y Police)	South Hiendley Parish Council	Trinity Academy Halifax
Pinnacle FM Limited (Kirklees)	South Kirkby and Moorthorpe Town Council	Turning Lives Around
Pinnacle FM Ltd	South Ossett Infants Academy	Turning Point
Polaris M.A.T	South Pennine Academies	United Response
Pontefract Academies Trust	Spie Ltd	University Academy Keighley
Pool Parish Council	SSE Contracting Ltd	University of Bradford
Possabilities CIC	St Anne's (Bradford) Community Services	University of Huddersfield
Priestley Academy Trust	St Anne's Community Services	University Technical College Leeds
Primley Wood Primary School	St Anthonys Catholic (VA) Primary School	W.Y. Fire & Rescue Authority
Primrose Lane Primary Foundation School	St Bedes and St Josephs Catholic College	Wakefield & District Housing Ltd
Progress To Change (Cardigan House)	St Edwards Catholic (VA) Primary School	Wakefield College
Progress To Change (Ripon House)	St Francis Catholic Primary School	Wakefield College Selby
Prov Caterlink Limited (Mackie Hill Primary)	St Gregory The Great Catholic Academy Trust	Waterton Academy Trust
Prov Aspens Services Ltd (Ninelands Primary School)	St John's (CE) Primary Academy Trust	Wellspring Academy Trust
Prov ICS Ltd (Green Lane)	St John's Approved Premises Limited	West Yorkshire Combined Authority
Prov Mellors Catering Services Ltd (Ashlands Primary School)	St John's Primary Academy Rishworth	West. Yorks. Police Civilian
Prov School-Led Development Trust	St Josephs Catholic (VA) Primary School Wetherby	Westwood Primary School Trust
Prov Taylor Shaw (PAT)	St Josephs RC Primary School (Todmorden) RCAT	Wetherby High School
Pudsey Grangefield School	St Matthews C E Primary School	Wetherby Town Council
Pudsey Southroyd Primary School Trust	St Michael & All Angels J & I	Whinmoor St Pauls C E Primary School
Queensway Primary	St Nicholas Catholic Primary School	Whitehill Community Academy
Rainbow Primary Leadership Academy	St Oswalds Church of England Primary School	William Henry Smith School
Rawdon Parish Council	St Patricks Catholic (VA) Primary School	Wilsden Primary School
RCCN Limited (Chellow Heights School)	St Peters C E Primary School	Wolseley UK Ltd
RCCN Limited (Delta Academies)	St Philips Catholic Primary School	Woodside Academy
RCCN Limited (Rodillian)	St Theresas Catholic Primary School	Worth Valley Primary School
Red Kite Learning Trust (Harrogate HR Hub)	Star Academies Trust	WRAT - Leeds East Academy
Red Kite Learning Trust (Leeds East HR Hub)	Strawberry Fields Primary School	WRAT - Leeds West Academy
Reevy Hill Primary School	Suez Recycling and Recovery Uk Limited	Wrose Parish Council
Renewi Uk Services Limited	Taylor Shaw (RKLT)	WY Magistrates Court Service
RFM Group Services Limited (Sandy Lane Primary School)	Taylor Shaw Limited (Gorse Academies Trust)	Yeadon Westfield Infants
Rodillian Multi Academy Trust	Taylor Shaw Limited (Gorse At Elliott Hudson College)	Yeadon Westfield Junior
Rook's Nest Academy	Taylor Shaw Ltd (Gorse Boston Primary School)	Yorkshire Purchasing Organisation
Rothwell St Marys Catholic (VA) Primary School	Taylorshaw Ltd (Swarcliffe Primary School)	
Roundhay St Johns C E (VA) Primary School	The Anah Project	

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 27 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
25	FIRE	Shropshire Fire
26	FIRE	Warwickshire Fire
27	FIRE	Avon Fire

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

The combined shared service membership for the 2023/24 financial year is shown in the following table.

	Service type	Shared service partners	2023/24 Active	2023/24 Pensioners	2023/24 B'ficiaries	2023/24 Deferred	2023/24 Undecided	2023/24 Frozen	2023/24 Total	2022/23 Total
	LGPS	W Yorkshire PF	107,102	100,644	12,136	90,524	2,019	10,989	323,414	319,484
1	LGPS	Lincolnshire PF	25,973	25,915	2,698	26,116	586	2,661	83,949	82,776
2	LGPS	LB Hounslow PF	6,899	7,568	974	7,775	74	1,351	24,641	24,445
3	FIRE	LB Barnet PF	9,464	9,002	1,095	9,903	281	1,382	31,127	30,825
4	FIRE	West Yorkshire Fire	1,026	2,034	373	324	5	3	3,765	3,744
5	FIRE	South Yorkshire Fire	664	1,128	215	167	11	12	2,197	2,157
6	FIRE	North Yorkshire Fire	693	539	106	461	23	12	1,834	1,777
7	FIRE	Humberside Fire Authority	792	952	168	317	18	4	2,251	2,181
8	FIRE	Lincolnshire Fire	600	372	62	677	96	36	1,843	1,807
9	FIRE	Royal Berkshire Fire	414	460	60	242	19	3	1,198	1,170
10	FIRE	Bucks and MK Fire	432	409	80	372	18	6	1,317	1,263
11	FIRE	Devon and Somerset Fire	1,635	1,332	197	1,219	63	17	4,463	4,411
12	FIRE	Dorset and Wiltshire Fire	1,004	912	128	784	45	7	2,880	2,797
13	FIRE	Tyne and Wear Fire	567	1,221	201	139	6	0	2,134	2,156
14	FIRE	Northumberland Fire	344	332	54	239	5	2	976	926
15	FIRE	Norfolk Fire	678	499	94	353	27	7	1,658	1,603
16	FIRE	Staffordshire Fire	629	707	129	720	13	17	2,215	2,138
17	FIRE	Hereford and Worcester Fire	604	493	77	437	22	4	1,637	1,592
18	FIRE	Durham and Darlington Fire	453	529	97	279	12	0	1,370	1,337
19	FIRE	East Sussex Fire Total	556	581	111	371	60	5	1,684	1,669
20	FIRE	Derbyshire Fire Total	696	706	114	422	14	13	1,965	1,940
21	FIRE	Leicestershire Fire Total	568	644	88	351	29	10	1,690	1,669
22	FIRE	Nottinghamshire Fire Total	631	838	140	406	7	7	2,029	1,986
23	FIRE	Cambridgeshire Fire	480	462	53	475	5	11	1,486	1,444
24	FIRE	Northamptonshire Fire	422	386	58	353	16	14	1,249	1,202
25	FIRE	Shropshire Fire	448	348	56	306	29	8	1,195	1,141
26	FIRE	Warwickshire Fire	398	376	74	270	18	5	1,141	1,104
27	FIRE	Avon Fire	652	899	145	348	0	0	2,044	0
		Total	**164,824**	**160,288**	**19,783**	**144,350**	**3,521**	**16,586**	**509,352**	**500,744**

Benefits paid

West Yorkshire Pension Fund pays almost 109,000 pensioners and beneficiaries with a gross pension payroll in excess of £50m each month for West Yorkshire members. The Fund also pays pensions to members of pension funds participating in our shared services administration arrangements. Only payments to West Yorkshire Pension Fund members are charged to the account in this financial statement.

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.

Overpayments	2023/24 £000	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000
Annual payroll	689,430	606,566	591,305	550,077	553,082	506,461
Overpayments	1,258	642	409	440	331	626
Overpayments written off	0	0	0	8	27	7
Overpayments recovered	223	265	175	238	62	359

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

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

Analysis of overpayments	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
	No. of	No. of	No. of	No. of	No. of	No. of
	payments	payments	payments	payments	payments	payments
Number of pensions paid	1,319,475	1,271,730	1,227,740	1,173,770	1,160,604	1,096,524
Number of cases overpaid	535	628	435	375	295	365
Number of cases written off	0	0	0	0	36	6
Number of cases recovered	395	437	317	295	225	270

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 %	Overpay-ments	Overpayments %	Possible Frauds	Mismatches carried forward at 31 March
2023/24	338,572	1,591	0.47	26	0.00	2	17
2022/23	329,082	2,379	0.72	24	0.01	0	10
2021/22	288,636	1,685	0.58	15	0.01	0	22
2020/21	286,429	963	0.34	4	0.00	0	1
2019/20	277,293	3,845	1.39	17	0.01	2	10
2018/19	260,387	3,339	1.28	3	0.00	2	2

Internal audits completed during 2023/24

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 2023/24.

Exiting Employers

The West Yorkshire Pension Fund's Funding Strategy Statement details the Fund's policy and approach with regard to Exit Valuations including Exit Payments and Exit Credits for those employers exiting the Fund. This audit was a high level review, which focused on a small sample of exiting employers, to assess how well this process was controlled and managed. The control environment was found to be of a good standard with a small number of recommendations made to further improve the process.

Northern LGPS Collaborative Work – GLIL Infrastructure

GLIL Infrastructure was established in 2015 by Greater Manchester Pension Fund (GMPF) and the London Pensions Fund Authority (LPFA). In 2016, Lancashire County Pension Fund (LCPF), Merseyside Pension Fund (MPF) and West Yorkshire Pension Fund (WYPF) were admitted as members thereby increasing committed capital. GLIL Infrastructure is an Alternative Investment Fund and is authorised and regulated by the Financial Conduct Authority (FCA). This audit reviewed the systems and controls which exist within the GLIL investment operations 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 an excellent standard with no recommendations being required.

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

New Pensions and Lump Sums – Ill Health Benefits

This audit examined the pension benefit calculations of members who have had to retire as a result of ill health and are entitled to immediate payment of their pension benefits. The control environment was deemed to be of an excellent standard with no recommendations being required.

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 found to be generally of a good standard. However, a number of recommendations were found necessary to improve the process further.

Review of the West Yorkshire Pension Fund 2022/23 Accounts

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

Pensioners Payroll

The pensioner's payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to over 150,000 pensioners. The process was generally well controlled with a small number of recommendations for improvement being made.

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 well controlled with no recommendations for improvement being made.

Fire Service New Pensions and Lump Sums – Ill Health and Death Benefits

At the time of the audit, West Yorkshire Pension Fund provided an administration service for 24 fire and rescue authority pension funds. This audit examined the pension benefit calculations of members who have had to retire as a result of ill health and are entitled to immediate payment of their pension benefits or have died in service. The control environment was largely as required resulting in three recommendations for improvement.

Internal Dispute Resolution Process

At the request management Internal Audit were requested to examine the circumstances around an overpayment made as a result of a flexible retirement. A number of recommendations were made to prevent a reoccurrence which were fully accepted by management.

Global Bonds

The arrangements in place for the investment in Global Bonds were reviewed. Control of this asset class was found to be of a good standard with one recommendation arising from the work carried out.

Compliance with Investment Advisory Panel Decisions and Policies

This audit looks to ensure that investments are made in compliance with the decisions of the Investment Advisory Panel and in accordance with WYPF Policies. No issues were identified during the course of this work, with the control environment considered to be excellent.

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.

Infrastructure

The arrangements in place for the investment in Infrastructure were reviewed. Control of this asset class was found to be largely as expected with just one recommendation being made to further enhance control in this area of activity.

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

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
- Holding regular service review meetings to review service performance and quality issues.

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:

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

	Work type	Total cases 2023/24	Target days 2023/24	Target cases met 2023/24	KPI target 2023/24 %	Actual KPI 2023/24 %	Actual KPI 2022/23 %	Actual KPI 2021/22 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	2,160,852	Paid on due days	2,160,852	100.00	100.00	100.00	100.00
2	Change of address	2,737	20	2,728	85.00	99.67	96.95	95.77
3	Change to bank details	1,694	20	1,683	85.00	99.35	97.78	94.24
4	Death grant nomination	655	10	556	85.00	84.89	90.50	78.71
5	Death grant payments	3,068	10	2,686	85.00	87.55	90.81	91.76
6	Death in retirement	167	10	152	85.00	91.02	88.64	81.59
7	Deferred benefits	12,277	20	6,736	85.00	54.87	82.61	90.93
8	Deferred benefits into payment actual	3,089	10	2,941	90.00	95.21	98.68	95.32
9	Divorce quote	561	40	541	85.00	96.43	98.50	90.93
10	Life certificate received	1,536	10	1,122	85.00	73.05	73.05	80.00
11	Monthly posting	4,842	10	3,930	95.00	81.16	95.00	94.19
12	Payroll changes	2,751	20	2,744	85.00	99.75	99.56	97.68
13	Pension estimate	2,367	10	1,787	90.00	75.50	77.47	83.06
14	Refund payment	2,836	10	2,834	90.00	99.93	99.23	99.41
15	Refund quote	4,670	35	4,628	85.00	99.10	91.52	99.73
16	Retirement actual	3,430	10	3,236	90.00	94.34	99.66	97.20
17	Transfer out payment	1,644	10	1,573	85.00	95.68	87.69	86.98
18	Transfer-in payment	431	35	297	85.00	68.91	92.93	94.48
19	Transfer-out quote	1,692	35	1,412	85.00	83.45	96.92	92.44
20	Update Member Details	10,552	20	10,258	100.00	97.21	99.78	100.00

Value for money

Cost per member

Cost per member	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	LGPS Average
	2023/24	**2022/23**	**2022/23**	**2022/23**	**2022/23**	**2022/23**
	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	£18.01	4th	£16.55	£7.63	£142.11	£27.85
Investment cost per member	£23.74	2nd	£22.97	£4.49	£1,276.17	£265.89
Oversight and governance	£2.84	2nd	£3.17	£0.77	£93.37	£15.22
Total cost per member	**£44.59**	**1st**	**£42.68**			
Lowest / Highest / Average (not a sum of figures in the table above)				**£42.68**	**£1,342.64**	**£308.96**

2023/24 WYPF cost per member

The 2023/24 annual cost per member for the West Yorkshire Pension Fund for pension administration is £18.01, investment management £23.74 and oversight and governance £2.84 giving a total management cost per member of £44.59. 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 is shown in the table above.

2022/23 administration cost per member

From the latest data provided by government, WYPF's pension administration cost of £16.55 per member is the 4th lowest amongst LGPS fund in England and Wales for 2022/23. The lowest cost is £7.63 and the highest is £142.11.

2022/23 investment management cost per member

WYPF's investment management cost per member in the latest result is £22.97, this is the 2nd lowest cost. The lowest cost is £4.49 and the highest £1,276.17. The reason for this low cost is primarily that WYPF has relatively simple investment arrangements – all assets are managed internally, with a small number of mandates and a centralised office support for both investment management and pension administration.

2022/23 oversight and governance cost per member

On oversight and governance, WYPF's is the 2nd lowest cost at £3.17. The highest is £93.37.

2022/23 total cost per member

WYPF has the lowest total cost per member (administration, investment, and oversight & governance) at £44.59. The national average for the LGPS in 2022/23 is £308.96 and the highest is £1,342.64

Staff numbers

	2023/24 FTE	2022/23 FTE	2021/22 FTE	2020/21 FTE	2019/20 FTE
Investments	32.1	28.8	28.5	23.91	22.7
Service centre staff	70.6	65.3	57.7	52.44	54.8
Payroll	22.9	22.4	21.4	17.3	16.1
ICT/UPM staff	17.6	14.6	12.6	14.43	15.4
Finance staff	20.8	19.8	15.8	11.81	12
Business support staff	38.4	39.1	35.1	27.39	28.4
Technical	5.7	5.6	5.6	4.95	4.9
Total	**208.2**	**195.6**	**176.8**	**152.23**	**154.3**

Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 323,414 as at 31 March 2024. Active members are employed by 409 separate organisations.

	2023/24	% change	2022/23	% change	2021/22	% change	2020/21	% change	2019/20
Active members	107,102	(3.25)%	110,704	5.54%	104,890	3.77%	101,079	0.80%	100,281
Pensioners	100,644	4.23%	96,561	3.93%	92,906	3.98%	89,346	4.72%	85,323
Beneficiaries	12,136	0.55%	12,070	2.25%	11,804	2.44%	11,523	1.13%	11,394
Deferred members	90,524	3.71%	87,284	0.72%	86,657	1.12%	85,696	(1.30)%	86,821
Undecided leavers	2,019	5.71%	1,910	17.61%	1,624	(3.22)%	1,678	33.60%	1,256
Frozen refunds	10,989	0.31%	10,955	10.49%	9,915	10.35%	8,985	(4.13)%	9,372
Total	**323,414**	**1.23%**	**319,484**	**3.80%**	**307,796**	**3.18%**	**298,307**	**1.31%**	**294,447**

Admissions to the fund

Employees joining the fund were as follows.

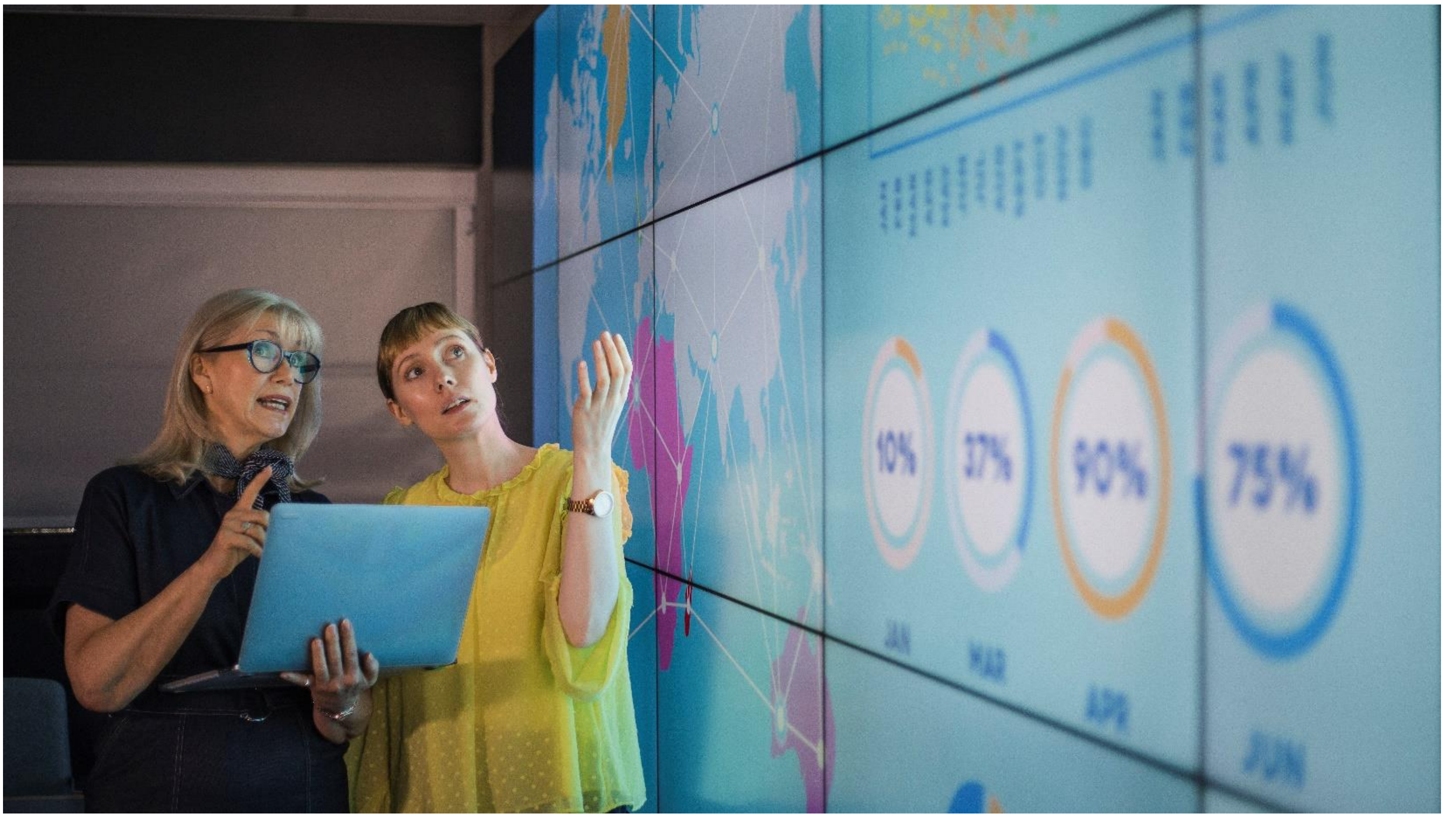
	2023/24	2022/23	2021/22	2020/21	2019/20
Employees joining with no previous service	27,473	25,185	21,007	20,306	21,153
Employees with transfers from other pension schemes	37	65	20	23	42
Other pension schemes	201	248	248	249	415
Total	**27,711**	**25,498**	**21,275**	**20,578**	**21,610**

Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2023/24	2022/23	2021/22	2020/21	2019/20
Members awarded immediate retirement benefits	3,390	2,982	3,298	3,151	2,801
Benefits awarded on death in service	125	113	106	117	94
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	10,770	6,676	6,465	5,602	7,560
Total	**14,285**	**9,771**	**9,869**	**8,870**	**10,455**

INVESTMENT REPORT



Investment Advisory Panel – operational review

Financial year closed with strong equity performance

The first quarter 2024 delivered a strong set of returns for equity investors as robust corporate earnings and economic data, particularly in the US drove returns as investors began to anticipate the difficult to achieve 'soft landing' as the most likely outcome for most economies. This outcome was not something that was obvious or indeed likely if we think back a year, when the global economy was experiencing very high levels of inflation and central banks were rapidly tightening trying to get ahead of the curve.

Japanese Tokyo Price Index (Topix) top the league

Once again, the US equity index delivered strong performance with the S&P 500 up 10.6%. However, it was the Japanese Topix that produced the strongest returns up 18.1% in local currency. Europe ex UK rose 9.7% with Emerging markets were held back by on going concerns about the Chinese economy. Although there was a rally from the January lows in Chinese equity overall EM equity returned just 2.4% for the quarter. Unfortunately, UK equity was once again a relative underperformer although the All-Share index did gain 3.6% despite news that the UK had fallen into a technical recession. The outperformance of 'growth' verses 'value' equity over the quarter was a headwind for the UK which has a value bias.

Inflation is slowly reducing

It was inevitable that the markets were going to react to each new data point on the evolution of inflation and signals from central banks about the timing and magnitude of expected rate cuts. In contrast to equity the Bloomberg Global bond index fell -2.1% over the quarter as data pointed to some "stickiness" to the inflationary outlook. The US Federal reserve indicated that it might take "some time" to hit the 2% inflation target, notwithstanding February's core inflation declining to 3.8%. The latest extremely robust non-farm payroll data did cause some concern from investors but indications that three quarter point cuts are still likely this year in the US did settle nerves (this 3/4pt cut is still significantly down from the expectations as we entered the year however).

Economic growth - mixed picture

Elsewhere as expected both the ECB and the Bank of England left rates unchanged with core inflation continuing to head downwards. Although flat economic growth in Q4 2023 avoided a technical recession in the EU (just) it was confirmed that the UK did contract during the fourth quarter. Manufacturing PMI continues to paint a poor picture with the Eurozone March number falling to 45.7 indicating further contraction (Germany reads 41.6). By contrast the UK did show some improvement, with latest March number rising to 49.9 close to a neutral reading and the best figure for over a year.

Japanese Yen's impact on stock performance

Before moving away from Central Banks and the economic picture it is worth mentioning that a major driver in the stellar performance of the Japanese equity market over the last year has been the weakness of the Yen which recently hit a 34 year low against the $. This despite the Bank of Japan abandoning its negative interest rate policy and raising rates for the first time since 2007. Certainly, the differential in rates to other major currencies remains significant and further falls in the Yen may trigger an intervention from the BOJ. Whatever eventually transpires, I think it can be said the end of the negative rate era and tight yield curve control will usher in a more volatile period for the Japanese currency (and markets). From a WYPF perspective exposure to the Yen remains small.

The magnificent seven

Before moving away from equity valuations, I thought it would be worth returning to the dominant feature of the US market in recent times, I am talking about the 'magnificent seven' of course. These

seven technologies focused companies, two of which are individually larger in market capitalisation than the FTSE100 have driven the strong performance of the US equity market over the last year and have together just reported earnings up 30%. Of concern is that the S&P performance has become notably concentrated in these seven stocks. Another way of looking at this concentration issue is to compare it to the height of the "dot com" boom. At the peak (March 2000) the largest seven tech companies in the S&P500 represented about 19% of the market capitalisation and 7.5% of earnings. As of now the 'magnificent seven' are 30% of the market capitalisation and 19% of total earnings. Even considering the better earnings characteristics of today's tech giants, the concentration within the index remains a concern in terms of risk. The standout performer was NVIDIA which recently delivered stellar returns with full year revenue up 126% and earnings per share (GAAP) up over 580%.

At the other end of the spectrum is Tesla that missed analyst forecasts with EPS falling despite revenue being 19% higher as slowing EV demand, price cuts and Chinese competition continue to take a toll. A number of these magnificent seven have undergone issues in the recent past including Apple and Meta so the risks to setbacks in any or all are not beyond the realms of possibly.

Bonds

The outlook for bonds despite the negative returns for government bonds in the last quarter remains interesting and certainly given starting yields and the expectation for rate cuts this year much more compelling than for many years. Strong investor demand and healthy running yields combined with a good risk/return framework in a world of possible slowing growth and expected rate cuts later in the year is an interesting prospect. Although there may be some exciting opportunities in various niche sectors such as Agency MBS and EM Debt and there does appear to be some value available in Corporate IG particularly in American/Europe and that is something perhaps to think about in the future.

Longer term issues in Government finances.

Though this is not likely to have an immediate impact on WYPF, certainly not in the short term and maybe not even in the medium term. However, over the long-term issue of ever-growing government borrowing and debt will eventually have an impact on the fiscal headroom of many Western governments. The cost of servicing these debts have already grown into the third largest cost line in the US budget and in the UK it’s a similar picture with debt interest already higher than the state pension cost or education for instance.

For this level of government spending and borrowing to occur in a peacetime economy is really quite remarkable and as a growing number of investors and regulators are commenting is of growing concern. The US Congressional Budget Office (CBO) recently predicated the 2025 US debt interest costs to GDP will exceed those experienced in WW2. The medium term is going to have implications on the price of debt particularly at longer durations. With long rates settling at higher levels than would normally be expected given growth and inflation expectations.

Does any of this matter? Well as mentioned in the introduction probably not for a while, but we saw as recently as last October what can happen when markets get spooked over excess supply. The 1980’s term “bond vigilante’s” or a buyer’s strike were mooted at the time to explain the very significant sell off in Treasuries in September/October. Now as we all know this quickly evaporated, buyers returned and with the prospect of rate cuts Treasury yields fell sharpy.

Productivity changing demographics and impact of AI

This other issue relevant to the outlook for government finances into the future is that of demographics. If Western working age populations were growing fast and economic growth was forecast to be strong, then to an extent the ability to generate the ever-growing amounts of tax to fund government expenditure could be seen as feasible. However, as things are currently understood the complete opposite is true.

Working age populations are expected to start declining in most of the Western world and the situation in Japan and indeed China is very similar (or worse). In fact, when combined with an ageing population expected to require an ever- increasing level of health care spending it’s easy to become concerned. The good news of course is that in Europe very large amounts of GDP is spent on defence which is expected to decline as the world gets ever safer, if at all. One ray of light in what appears a potentially serious developing situation is the emergence of AI and whether this will provide the necessary tools to allow a systemic uplift in productively akin to the industrial revolution. If this becomes a reality perhaps the low growth outlook currently anticipated could be challenged.

Elections

Although there are a very large number of elections taking place over the year including here in the UK, the US election that will arguably have the biggest impact both economically and geopolitically than any other. the result of the UK election seems very predictable. However, it seems that WYPF will still face the same economic issues whatever the result and any government will struggle to significantly change the dial on the long-term issues facing the UK’s economy, tax and health systems. The outcome of the US election however is both far more difficult to call and in terms of geopolitics much more significant than anything that happens in the UK.

War and peace

Going forward, with a number of notable individuals describing Europe as already in a “pre-war era” with Russia any significant policy shift from the US away from NATO or military support would be worrying. Who is US President matters for the world. In addition to Russia and Ukraine, we have conflict in the Middle East, which despite the current serious situation could get significantly worse, particularly if Iran becomes directly (rather than by proxy) involved. I have no idea which aged President would be a better leader, but I am certain that if the situation in the Middle East is still volatile next year it will matter a lot.

Outlook

As a very long-term investors it is probably reasonable to look at longer term themes on occasions, even if they have little immediate impact on the current asset allocation of WYPF.

Turning to the here and now the balance of the year is expected to be one of low economic growth, moderately falling inflation but importantly no sharp downturn in employment levels. With rate cuts expected to be second half loaded the so called “soft landing” at this time in April 2024 still seems the most likely scenario certainly for the US. The US as is often the case will lead the way and economically appears the most robust. The expectation is if there to be greater dispersion in terms of economic performance and central bank policy over the next year when compared to the recent past. Equities offer some further upside assuming the economic soft landing. However, much is already priced in and there is little room for disappointment at these levels.

Non-government bonds on the other hand do seem to offer some good possibilities in terms of risk reward given the available yields and the protection these offer from any disappointment in the timing of rate cuts. Good quality credits also offer some protection from a slowing economy and should benefit from any rate cuts arriving later in the year. My concerns over long rates in the future due to high levels of government debt are not relevant to this.

WYPF progressing steadily

For WYPF the internal changes to both the team and the systems have been quite impressive given the fact that the leadership team has been in place for little over a year. The changes to the SAA are being implemented via a steady risk and cost aware processes and much has been achieved already. The decision to reweight the regional equity blocks into 30/30/30/10, i.e. not capitalisation weighted, seems particularly prescient given the emerging concerns over the US equity market concentration risks (see above).

Progress is being made on many fronts with additional expertise added in real estate (an asset class I have not had time to cover this time). Pleasingly resource in the internal team is evolving at pace and many fresh faces have arrived. The Panel have a sense of the beginning of an exciting new era for the WYPF and its internal team. An era that should see positive developments not just for the WYPF but for the wider Northern Pool.

INVESTMENT MANAGEMENT AND STRATEGY

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Investment management and strategy

Investment strategy and asset allocation are agreed at quarterly meetings of the Investment Advisory Panel. There are nineteen professional investment managers and twelve administration settlement staff in the in-house investment team.

Within the Northern LGPS Pool arrangements (NLGPS) the fund's investment portfolio continues to be managed in-house on a day-to-day basis, supported by the fund's external advisers. NLGPS is set up to for the three fund partners to work collaboratively and provide the most effective solutions investment management. All NLGPS partners use a common custody provider and are delivering at scale infrastructure investment via GLIL and private equity investment using the Northern Private Equity (NPEP) vehicle. The tables on page 38 and 39 provides the following key information for WYPF:

- Asset market values for NPEP + GLIL
- Asset market values held in NLGPS common custody
- Cash holding
- Investment performance
- Asset allocations and control range

The Northern LGPS – Annual Report 2023/2024 is provided on page 42 to 50.

The panel has adopted a fund-specific benchmark 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.

The global inflationary pressures and the continued Russian aggression in 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 2023/24 our investments made a positive return of 8.6%, against a benchmark return of 8.5%. This performance is 0.1% above our benchmark. Our medium to long-term performance is as follows - three years 6.5% (15th percentile), five years 6.8% (38th percentile), ten years 7.8% (29th percentile) and thirty years 7.80% (12th percentile), exceeding our benchmark at all of these time periods.

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, private credit and property. 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

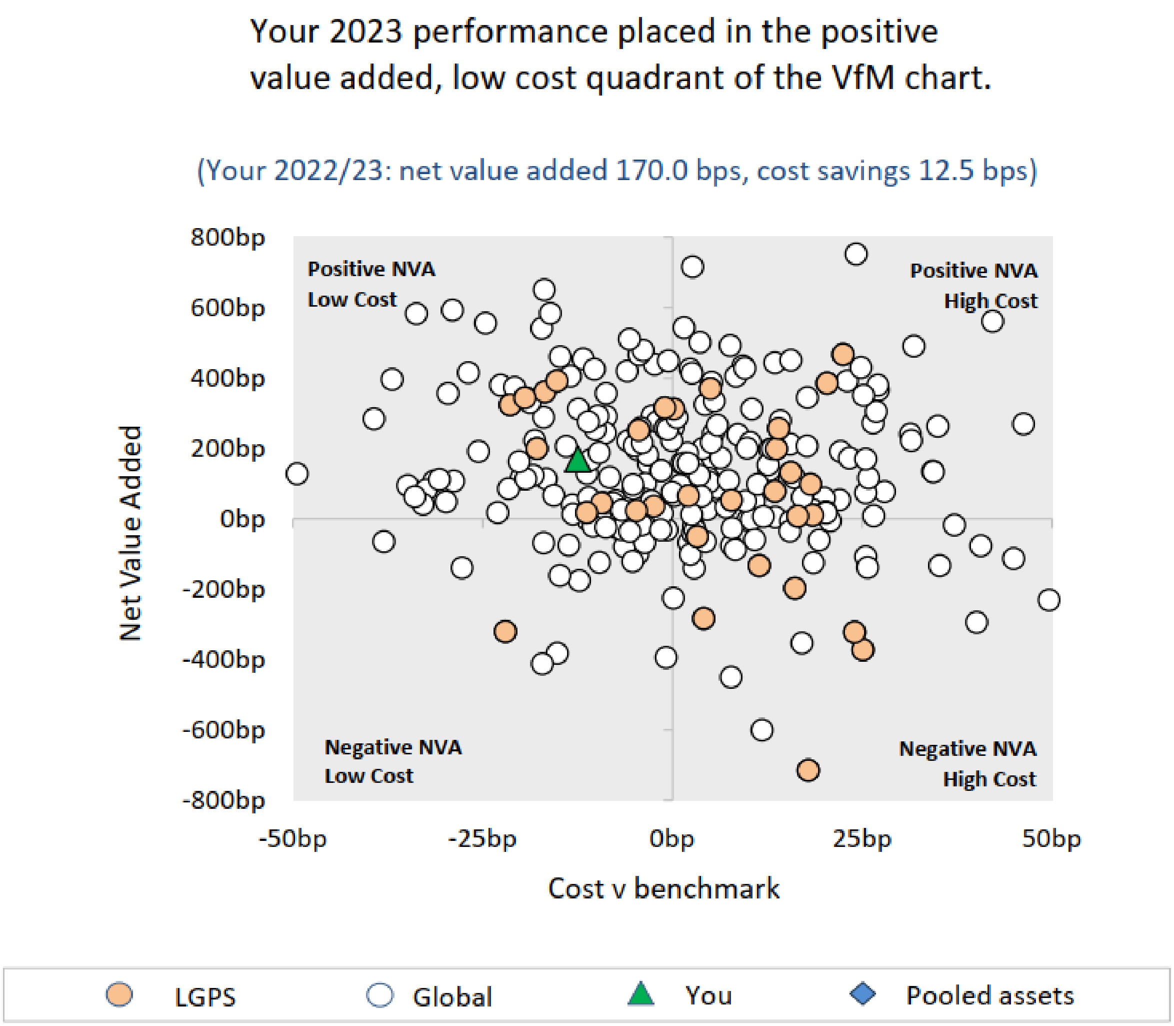
Value for money

The latest government LGPS data released in late 2023 for 2022/23 financial year shows the fund's investment management costs were £17.97 (£17.25 in 2020/21) per scheme member. Our total cost per member is 2nd lowest for all local authority pension funds and compares exceptionally well with the average LGPS cost for 2021/22 of £265.89 (£282.32 in 2021/22).

Independent assessment of WYPF investment value for money

WYPF takes part in the annual Global CEM investment management benchmarking, comparing funds costs globally. The latest exercise for 2022/23 financial year compared WYPF (£18.0 billion assets) with peer funds globally with assets under management ranging from £6.2 billion to £27.1 billion). The summary result for WYPF is:

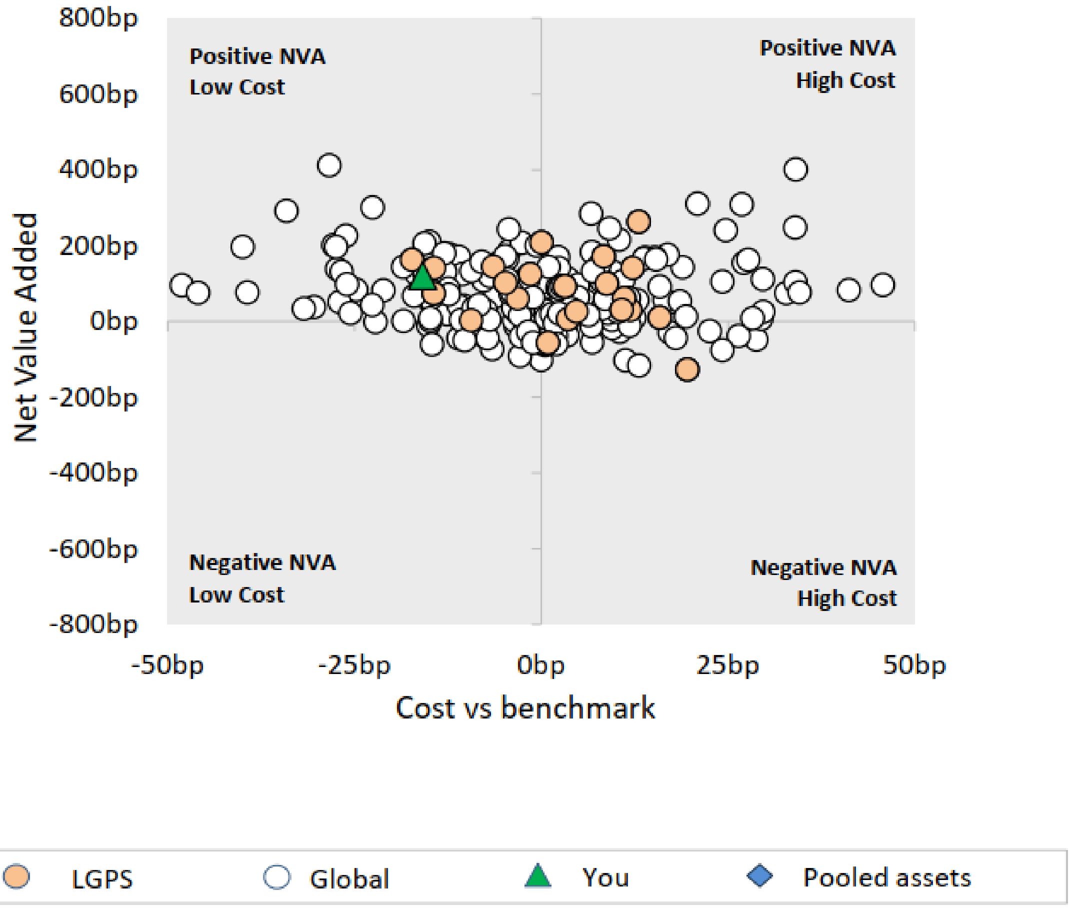
1. **Cost** – like for like cost for 2022/23 including direct cost and indirect cost for private assets is 43.7bps, this is below 56.2bps for peer organisation globally. WYPF has a lower implementation cost, however a small number of areas WYPF may be paying more cost.
2. **Performance** – for 2022/23 5year net return of 6.3% is close to the median for peer organisations.
3. **Value added** – 2022/23 5year value added was 1.2% (£1,054m), peer organisations average was 0.9%.
4. **Cost effectiveness** – 2022/23 5year performance showed positive value added with low cost on the VFM chart.



SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Your 5-year performance placed in the positive value added, low cost quadrant of the VfM chart.

(Your 5-year: net value added 121.3 bps, cost savings 15.9 bps)



Total	**2023**	**2022**	**2021**	**2020**	**2019**	**5-year**
Net value added (bps)	170.0	230.0	210.0	(50.0)	80.0	121.3
Your relative cost (bps)	(12.5)	(11.6)	(26.2)	(13.6)	(15.6)	(15.9)

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Investment strategy and performance March 2024

WYPF ASSET CLASS	Managed via NLGPS Pool	NLGPS via Custody	Not Pooled	Total WYPF market value	WYPF Invest Perf	Ending weight	Policy weight	Control range
	£ Million	£ Million	£ Million	£ Million	%	%	%	%
Total equities	**0**	**11,979**	**0**	**11,979**	**13.96**	**62.23**	**59.10**	**51.6-66.6**
UK equities	0	4,646	0	4,646	8.56	24.13	24.10	19.1-29.1
Overseas equities	0	7,333	0	7,333	18.18	38.10	35.00	27.5-42.5
North America	0	2,871	0	2,871	27.29	14.91	12.60	7.6-17.6
Europe (Ex UK)	0	2,060	0	2,060	12.83	10.70	9.20	4.2-14.2
Japan	0	867	0	867	15.11	4.50	4.10	1.6-6.6
Asia Pacific (Ex Japan)	0	552	0	552	3.49	2.87	3.60	1.1-6.1
Emerging markets	0	983	0	983	13.77	5.11	5.50	3-8
Total bonds	**0**	**2,577**	**0**	**2,577**	**2.14**	**13.38**	**17.50**	**15-20**
UK govt. bonds	0	595	0	595	1.34	3.09	4.00	1.5-6.5
UK govt. index linked	0	884	0	884	-5.41	4.59	3.50	1-6
UK corporate bonds	0	476	0	476	11.40	2.47	5.00	4-6
Global govt. bonds	0	110	0	110	-3.89	0.57	2.50	1.5-3.5
Global corporate bonds	0	513	0	513	8.80	2.66	2.50	0.00
Total alternatives	**1,133**	**2,128**	**0**	**3,261**	**-0.04**	**16.94**	**16.60**	**14.1-19.1**
UK Hedge funds	0	159	0	159	1.40	0.83	0.70	0.2-1.2
Private equity funds	0	846	0	846	1.40	4.39	5.50	4-7
Private credit	0	154	0	154	8.80	0.80	1.00	0-2
Northern LGPS private equity pool UK	469	0	0	469	-0.16	2.44	1.50	0.5-2.5
Private equity infrastructure	0	617	0	617	-0.71	3.20	3.10	1.6-4.6
Northern LGPS GLIL infrastructure UK	664	0	0	664	-0.20	3.45	2.50	1-4
Listed alternatives	0	352	0	352	-6.37	1.83	2.30	0.8-3.8
Property	**0**	**565**	**0**	**565**	**-0.17**	**2.93**	**4.80**	**3.3-6.3**
Cash	**0**	**0**	**868**	**868**	**3.45**	**4.51**	**2.00**	**0.5-3.5**
Total WYPF financial assets	**1,133**	**17,249**	**868**	**19,250**	**8.61**	**99.99**	**100.00**	
Non Financial Assets (debtors + creditors)	**0**	**0**	**104**	**104**				
WYPF net assets statement	**1,133**	**17,249**	**972**	**19,354**				

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Investment strategy and performance March 2024 UK highlights

WYPF ASSET CLASS	Managed via NLGPS Pool	NLGPS via Custody	Not Pooled	Total WYPF market value	WYPF Invest Perf	Ending weight	Policy weight	Control range
	£ Million	£ Million	£ Million	£ Million	%	%	%	%
Total UK equities	**0**	**4,646**	**0**	**4,646**	**8.56**	**24.13**	**24.10**	**19.1-29.1**
Total UK bonds	**0**	**1,955**	**0**	**1,955**	**0.74**	**10.15**	**12.50**	**10-15**
UK govt. bonds	0	595	0	595	1.34	3.09	4.00	1.5-6.5
UK govt. index linked	0	884	0	884	-5.41	4.59	3.50	1-6
UK corporate bonds	0	476	0	476	11.40	2.47	5.00	4-6
Total UK alternatives	**1,133**	**1,512**	**0**	**2,645**	**-0.04**	**13.75**	**16.60**	**14.1-19.1**
UK Hedge funds	0	159	0	159	1.40	0.83	0.70	0.2-1.2
UK Private equity funds	0	467	0	467	1.40	2.42	5.50	4-7
UK Private credit	0	122	0	122	8.80	0.64	1.00	0-2
UK Northern LGPS private equity pool	469	0	0	469	-0.16	2.44	1.50	0.5-2.5
UK Private equity infrastructure	0	412	0	412	-0.71	2.14	3.10	1.6-4.6
UK Northern LGPS GLIL infrastructure	664	0	0	664	-0.20	3.45	2.50	1-4
UK Listed alternatives	0	352	0	352	-6.37	1.83	2.30	0.8-3.8
UK Property	**0**	**512**	**0**	**512**	**-0.17**	**2.66**	**4.40**	**2.9-6.3**
Cash	**0**	**0**	**868**	**868**	**3.45**	**4.51**	**2.00**	**0.5-3.5**
Total WYPF UK financial assets	**1,133**	**8,625**	**868**	**10,626**	**2.29**	**55.20**	**59.60**	
Total WYPF overseas financial assets	**0**	**8,623**	**0**	**8,624**	**6.32**	**44.79**	**40.40**	
Total WYPF financial assets	**1,133**	**17,249**	**868**	**19,250**		**99.99**	**100.00**	
Non Financial Assets (debtors + creditors)	**0**	**0**	**104**	**104**				
Total WYPF net assets statement	**1,133**	**17,249**	**972**	**19,354**				

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Northern Local Government Pension Scheme Pool

In 2015 the Ministry of Housing, Communities and Local Government (MHCLG) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. There are ongoing consultations by the Government the future pension investment with stakeholders. At the time of writing, that consultation has not been responded to by the Government.

The Northern Local Government Pension Scheme Pool (NLGPS) was set up with Grater Manchester Pension Fund (GMPF) and Merseyside Pension Fund (MPF) as a partnership. The NLGPS Pool is focused on effectiveness, long term investment performance and cost management. LGPS funds across England and Wales have come together to form eight asset pools. The NLGPS is one of the largest pools with assets undermanagement of approximately £60 billion.

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SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Northern LGPS Pool

Report of the Chair

As Chairman of the Northern LGPS Pool Joint Committee I am once again delighted to update all stakeholders on the progress made by the Northern LGPS Pool over the year, highlight some key achievements and look ahead to 2025 and beyond.

Whilst 2023/24 was a very turbulent year geopolitically, investment markets generally performed strongly with several large equity markets, in particular the USA, driven by its 'Magnificent Seven' mega-cap stocks, hitting all-time highs.

Whist there are clearly exceptions to the rule, private markets typically performed less strongly, with the rises in interest rates seen over the previous couple of years gradually feeding through to valuations. There are early signs that we may well see this effect reverse over the forthcoming year as central banks have started current interest rates, and have signalled they will cut further on the expectation that the recent high inflation has been sufficiently tamed.

The Pool achieved a return of 7.5% over the year to 31 March 2024, with Pool assets standing at £61.375 billion at the year end. 3-year returns are an impressive 19.7% with the Pool outperforming its benchmark by 0.9% over this period (equivalent to over £500 million).

The strong performance, both on an absolute basis and against performance benchmarks, is testament to the hard work and diligence of my fellow Northern LGPS Pool Joint Committee members, officers, and the boards and committees of the partner funds who set and scrutinise the strategic asset allocations.

At the time of writing there have recently been some significant announcement made which seem likely to impact the LGPS and many other UK pension schemes. Over the last couple of years there has been increasing focus by Government on consolidation across all types of pensions schemes, with Government's general perception that a smaller number of larger schemes would deliver better value for money for members and scheme sponsors. In addition, Government has been concerned that UK pensions funds' investment strategies have not been providing a sufficient level of support for UK economic growth.

The new Labour Government has continued this theme and launched a 'Pensions Review', which will be led by the Treasury, with support from the Pensions Minister and the Ministry for Housing, Communities and Local Government. Phase 1 of the review is focussing on Defined Contributions Master Trusts and the LGPS, with a 'Call for Evidence' recently being undertaken.

The Northern LGPS Pool has an excellent story to tell in many of the areas which the review will cover. In particular, the support of the Pool and the individual partner funds for investing in the UK, including a desire to invest in a way that is financially and socially beneficial for our local areas, which appears to also be a key objective of Government.

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

As of 31 March 2024 the Pool had over £26 billion invested in the UK (around 43% of Pool assets), which is likely to be comfortably the highest amount of any of the LGPS pools.

Approximately £2 billion of Pool assets are invested in the GLIL direct infrastructure vehicle, which continues to be nominated for and win many awards. The most recent success being the award for the Transport category at the recent IPE Real Assets Infrastructure and Natural Capital Global Awards. Just as pleasing is the continued prominence of GLIL as an example of successful collaboration and cost saving as part of the ongoing public focus on consolidation and investing productively in the UK.

We still await a response from Government to the 2022 consultation on the implementation in the LGPS of the recommendations of the Taskforce on Climate-Related Financial Disclosures ('TCFD'). Whilst ultimate responsibility for providing these disclosures will almost certainly rest with administering authorities, we can see the clear benefits of a co-ordinated pool approach and each fund has been obtaining carbon-footprinting data on a consistent basis to help the funds and the Pool reach their Paris-aligned 2050 net-zero targets.

Of course, environmental social and governance (ESG) matters cover much more than carbon-emissions. ESG is vitally important to the Northern LGPS for many reasons, in particular, achieving sustainable long-term financial returns which underpin the ability to pay pensions. A focus on ESG issues reduces risks to the Pool and its beneficiaries. Our approach to responsible investment has been informed by a number of important initiatives and the Pool collaborates with many other investors and with other LGPS funds via the Local Authority Pension Fund Forum (LAPFF). The Northern LGPS fully supports the aims and objectives of the Stewardship Code and member funds are signatories of the Code. Pool members are also signatories of the Principles for Responsible Investment and as such the Pool aspires to harmonise the six responsible investment principles with how it implements its investment beliefs.

I would like to thank my colleagues on the Joint Committee and also the pensions committees, local pension boards and officers from each of the partner funds for their support and hard work over the year. I am confident we will carry on thriving by adhering to our cost-effective approach to LGPS investment pooling which delivers sustainable financial returns to the benefit of members, employers and taxpayers. The importance of this is brought into sharp perspective by the continued financial challenges that so many local authorities are facing.

Councillor Gerald Cooney
Chair, Joint Committee, Northern LGPS Pool
December 2023

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Background

The Northern LGPS Pool is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) LGPS funds (the 'partner funds'). The combined assets of the funds stood at approximately £61.4 billion as of 31 March 2024, which is invested on behalf of over 870,000 members and 1,250 contributing employers.

The Northern LGPS Pool's purpose is to facilitate via a simple and democratic governance structure, the pooling of assets and the sharing of services in order to achieve sustainable improved net investment returns for the partner funds.

History

The Northern LGPS Pool was formed in response to the Government's LGPS pooling agenda, which was first announced in 2015. The Government sought to increase the scale of LGPS investment mandates in order to reduce investment management costs and facilitate infrastructure investment to help drive growth in the UK economy.

Due to the existing scale of the three partner funds, the vast majority of the benefits of pooling for the funds are in respect of private market assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments.

Therefore, the initial focus of the Pool was on establishing vehicles which could make collective investments in private market assets, in particular infrastructure and private equity.

The partner funds are the major investors in the GLIL direct infrastructure vehicle and also established a collective private equity vehicle, known as 'NPEP', in 2018.

The Pool selected Northern Trust as its FCA regulated custodian to ensure all listed assets of the pool (i.e. internally and externally managed equities and bonds) are held within a single permanent FCA regulated entity. The custodian acts as 'master record-keeper' for all assets of the partner funds and manages the calls and distributions in NPEP.

The Pool has also made a number of appointments of external managers across various asset classes including direct property and a range of property support services.

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Governance

The Northern LGPS Pool is not a standalone legal entity. It is a Local Government Joint Committee structure supported administratively by a Host Authority (currently Tameside MBC), which provides all administrative resources and facilities that may be necessary, such as clerking services for the Joint Committee meetings.

The Pool is governed by an inter-authority agreement signed by the three constituent Administering Authorities. The agreement sets out the terms of reference for the Northern LGPS Joint Committee, which is the decision-making body for the Pool. The Joint Committee has been appointed under S102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the pooling of pension fund assets.

The Joint Committee may delegate certain functions to the Officer Working Group which is composed of the Directors of the partner funds. The Officer Working Group has the necessary technical skills to advise the Joint Committee on technical investment matters and is a central resource for advice, assistance, guidance and support for the Joint Committee.

The Administering Authorities retain full control of their individual funds' asset allocations and nominate members to the Joint Committee.

Northern LGPS Pool – 31 March 2024 position at a glance

Fund	**Assets £bn**
Greater Manchester Pension Fund	31.3
Merseyside Pension Fund	10.8
West Yorkshire Pension Fund	19.3
Total Northern LGPS Assets	**61.4**

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Northern LGPS Pool – Total costs and savings

The table below sets out the total costs and savings of the Northern LGPS Pool up to 31 March 2024

	Up to 31 March 2018 £m	**2018-19 £m**	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**	**2022-23 £m**	**2023-24 £m**	**Total to 31 March 2024 £m**
Annual running costs	0	0	0.1	0.16	0.01	0.01	0.01	0.29
Other service provider fees	0	0.13	0.78	1.17	1.21	1.3	1.33	5.92
Transition costs	0	0	0	0	0	0	0	0
Set up costs	0.22	0.18	0.09	0	0	0	0	0.49
Total costs	0.22	0.31	0.97	1.33	1.22	1.31	1.34	6.7
Investment management fee savings	7.63	12.21	22.24	31.63	41.79	62.9	44.25	222.64
Service provider savings	0	0	0.06	0.15	0.15	0.15	0.15	0.66
Total savings	7.63	12.21	22.31	31.77	41.93	63.05	44.4	223.3
Total savings net of costs	**7.41**	**11.9**	**21.33**	**30.45**	**40.71**	**61.74**	**43.05**	**216.59**

Total costs (including set up, transition and running costs) as at 31 March 2024	**£6.70m**
Total savings, net of costs as at 31 March 2024	**£216.59m**

Over the summer of 2021 the Northern LGPS Pool worked in collaboration with the other seven LGPS pools to develop a standardised approach to the measurement of costs and savings, which will allow Government and other stakeholders to better analyse the impact of LGPS asset pooling and assist in future policy. The figures in the table above have been calculated using the agreed standardised approach.

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Responsible Investment

Environmental, social and governance (ESG) matters are crucially important to the Pool for a number of reasons. Appropriate consideration of ESG factors is part of the assessment and monitoring of investments in all asset classes and this helps achieve sustainable, long-term financial returns underpinning the ability for LGPS funds to pay pensions. A detailed focus on ESG issues reduces risks to the Pool and its beneficiaries. These risks might be financial such as the underperformance or failure of an investee company, or reputational resulting from poor corporate behaviour.

In addition, the Pool's beneficiaries live in a society that is affected by the behaviour of investee companies. Therefore, we expect high standards from those businesses. Consistent with the partner funds' fiduciary duty to their beneficiaries we will ensure that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers. As far as possible, the Pool will seek to invest in a way that is financially and socially beneficial for the North of England.

The Northern LGPS, both directly and via LAPFF frequently engages with companies the Pool invests in and challenges these companies where a component of their operations seems deficient. The updates on the Pool's activity can be seen in the quarterly Stewardship Reports. https://northernlgps.org/taxonomy/term/15

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

GLIL Direct Infrastructure Vehicle

In April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets with a focus on the UK. The joint venture was structured as a limited liability partnership and was named GLIL Infrastructure LLP (GLIL). As part of the Local Government Pension Scheme (LGPS) pooling discussions, West Yorkshire, Merseyside and Lancashire County Council pension funds joined GLIL in December 2016.

In March 2018 GLIL was re-structured as an open-ended fund to facilitate potential new members, which include Nest, one of the UK's biggest Defined Contribution Pension Schemes. Additional commitments made by new and existing members means GLIL now has committed capital of £4.1 billion, of which £2.6 billion is from the Northern LGPS funds. The Northern LGPS funds' share of the GLIL Net Asset Value stood at nearly £2.2 billion at the year end.

At 31 March 2024 GLIL had 15 investments. GLIL aims to invest in a diversified portfolio of assets across the core market segments: energy, renewable energy, waste, regulated assets (utilities, transport and distribution), telecom and social infrastructure including PFI.

GLIL has the ability to invest across the capital structure but to date has only invested into equity given its risk/return target and it is not considering any debt investments in the short to medium term. Another factor influencing portfolio construction is the revenue profile of the asset whether it is demand-based or availability based. GLIL has the ability to invest across both revenue models as well as across construction and operational assets. The fund seeks to balance the different risk contributors associated with each revenue model recognising an over-concentration in either can create challenges.

After investing solely in the UK since launch, GLIL completed its first overseas investment in Q1 2022 with the purchase of the Rathcool portfolio of wind farms in the Republic of Ireland. GLIL can invest up to 25% of its portfolio outside the UK.

Full details of the current GLIL portfolio are available on the GLIL website

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

Northern Private Equity Pool LP

Northern LGPS established the Northern Private Equity Pool in May 2018 an investment joint venture structured as an English Limited Partnership. The partnership operates as a single legal entity through which the three Northern LGPS funds can invest collectively and collaboratively in private equity assets.

The Northern Private Equity Pool draws on the combined expertise and experience of the internal teams at each of the respective Northern LGPS funds and the administration capabilities of Northern LGPS's pool-wide external custodian. The combined scale and resources of the Northern Private Equity Pool enables the partner funds to invest in private equity through lower cost implementation approaches than have been the case historically.

Investment pace since inception has been consistent with targets with over £2 billion committed to 33 investment funds. As at 31 March 2024 the Net Asset Value of NPEP stood at over £1.5 billion.

At the end of 2019 an investment commitment was concluded with HarbourVest Partners that specifically addressed the co-investment aims of Northern LGPS. The target is for co-investment to constitute 20% of the NPEP portfolio providing additional fee savings for the Northern LGPS partner funds.

Other Northern LGPS Investments

Several call-offs have been made from the Pool property framework which was established in 2020/21. The framework will deliver efficiencies in the management of property investments and related services and covers a wide range of services. Pool Collective housing investments are on track to deliver the timely construction of new homes in the North of England with good returns expected. The Pool remains committed to finance over 10,000 new homes.

Objectives for 2024/25

- Work collaboratively with partner funds and Government to further develop the Pool in response to the Pensions Review and any subsequent regulations or guidance.

- Assist the partner funds to enhance the reporting of pooling activity, performance and cost benchmarking in line with LGPS Scheme Advisory Board guidance recently issued in this area.

- Seek to expand the Pool's local investment activity; and use the Pool's experience to collaborate with and support other LGPS pools and funds in this area where possible.

- Continue to collaborate with Government, other LGPS funds and pools and global benchmarking services to help achieve a consistent approach to measuring costs, savings and ESG metrics across LGPS pools.

- Further develop the Pool's responsible investment activities including updating the Pool's responsible investment policy.

NorthernLGPS
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INVESTMENT MARKETS

SECTION 8: INVESTMENT MARKETS

Equities

During the year, WYPF's allocation to global equities was reduced by c.2% of the total Fund, to reflect a planned reduction in listed equites within the Total Fund benchmark following the actuarial review. Approximately half of which was from the UK, the remainder across overseas portfolios, predominantly Europe and USA.

Global market and portfolios commentary

Global stock markets delivered strong returns over the year with the FTSE All World Index achieving a strong 21% return. WYPF adopts a regional approach to its listed equity benchmark, allocating a much higher allocation to the UK and less to North America. WYPF's equity portfolio return of 14% underperformed against global equities, but outperformed against its benchmark, as seen in the table below.

Table 1: WYPF equities – portfolio and benchmark returns

Equities - public market	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total WYPF equity - public market		**65.00**	**61.94**	**13.96**	**11.97**
UK	FTSE All Share	35.00	23.60	8.56	8.42
North America	FTSE World Nrth America	8.00	14.90	27.29	26.80
Europe ex UK	FTSE Dev Eur ex UK	10.00	10.91	12.83	13.65
Japan	FSTE All World Japan	4.00	4.52	15.11	22.32
Asia ex Japan	FTSE Dev Asia ex Japan	3.00	2.83	3.49	4.75
Emerging Markets	FSTE All World Emg Mrkt	5.00	5.17	13.77	6.20

Global equity markets performed strongly over the year, led by the US and Japan, with Developed Asia and emerging markets trailing behind primarily due to weakness in China. The US benefitted from strong economic growth and AI- led optimism that boosted technology stocks that represent a significant part of the US market. Japan also performed strongly, boosted by its low policy rates and a weaker Yen. China meanwhile struggled with declining exports and the financial pressures of its bloated real estate sector, dragging down the overall returns in emerging markets.

Monetary policy expectations dominated investor attention amid a backdrop of easing inflation. To the relief of everyone, CPI inflation trended down in the US, UK and Eurozone, helped by easing supply chain constraints. As inflation eased, central bank policy rates were held, and have seemingly peaked in July in the US, August in the UK and September in the Eurozone. Having peaked, markets then turned their minds to speculating on the scale of the rate cuts to come in 2024. Monetary policy in Japan and China meanwhile continued to move in the opposite direction with the BOJ broadly maintaining its ultra-loose policy in its efforts to stimulate sustainable inflation, and the PBOC reduced Chinese policy rates to try and stimulate growth.

The effect of high inflation and interest rates is to create financial stress and dampen demand, which caused economists to expect major economies to likely fall into recession. Despite signals to the contrary, no recession appeared in the US although the UK and Eurozone entered a technical recession in early 2024. However, the scale of their contraction was small, and globally economies continued to modestly expand.

The market has of course been impacted by the terrible events in the middle east. Conflict in this region is always a concern for world trade, as genuine fears exist that it may spread, impacting oil supplies and trade through the Suez Canal, not to mention the terrible cost in human lives.

Looking ahead, the key drivers of future equity market returns are centered on the positive impact of economic growth and expectations surrounding the timing and size of central bank policy rate cuts. In addition, excitement over AI (artificial intelligence) continues to add positive sentiment to the market. However, valuations of US technology companies remain high, and the success and dominant size of the so-called Magnificent 7 of US stocks (Microsoft, Apple, NVIDIA, Alphabet, Amazon, Meta and Tesla), has led to increased risk of volatility and market declines should several of these companies disappoint the market. Their size has led to a significant level of market concentration as they represent over 13% of global market capital with a collective market value of over US$10 Trillion.

SECTION 8: INVESTMENT MARKETS

Fixed income and credit

The four fixed income and credit portfolios represented c.13% of the Total Fund at the end of the fiscal year. During the year, the allocation to fixed income was increased by 1.5% of Total Fund, reflecting the moderate increase in the Total Fund's benchmark allocation following the actuarial valuation, and to partially close the historical underweight to the asset class.

Table 2: WYPF fixed income and credit – portfolio and benchmark returns

Fixed income	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total Fixed income		**17.00**	**13.24**	**0.49**	**-1.02**
UK sovereign linkers	FTSE all stocks index linked	5.00	4.51	-5.41	-4.98
UK sovereign (conventionals)	FTSE A UK Gov all stocks	5.00	3.13	1.34	-0.04
Global sovereign ex-UK	JPM Global Gov ex UK	3.00	3.19	-0.23	-1.80
UK IG credit	iBoxx non-gilt	4.00	2.41	11.40	6.13

Global market and portfolios commentary

It has been difficult to navigate global fixed income markets over the course of the financial year as central banks around the globe grappled with inflation. The Bank of England (BoE) base rate was raised to its current level of 5.25% in August 2023 which was the final hike after 13 consecutive hikes since December 2021 in an attempt to get inflation back to the 2% target. This pattern was repeated in the US and Eurozone. Going into October 2023 the market reached a level of 'peak rates' (highest levels in yields) on the back of the continued central bank hiking cycles. Going into the end of the calendar year, however, global markets got very carried away with the predicted pace of cuts (yet to happen as of end of fiscal year). Since the start of this year markets have pared back their rate-cut expectations as services and core inflation remains 'sticky'. This environment provided WYPF with some attractive entry levels into our allocation of Index linked gilts and conventional gilts

In terms of WYPF portfolios, performance depended significantly on the duration positioning on each portfolio: Duration is the sensitivity of the price of assets to moves in interest rates.

For the UK sovereign bond portfolios, the duration positioning explains performance relative to benchmark quite straightforwardly. WYPF's index linked bond mandate is slightly long duration, and the benchmark has trended lower throughout the year as rate cut expectations were pushed back due to the persistence of inflation in the UK and elsewhere. Conversely, the UK sovereign conventional portfolio is structurally short duration to the index which has gone down over the course of the year which has helped generate some excess return to the benchmark.

Both the global sovereign and sterling investment grade corporate portfolios have significant off-benchmark positions, making their performance relative to benchmark much less dependent on benchmark returns. The global sovereign portfolio has been short duration to the benchmark and as such with the index trending lower, will have outperformed. Within this portfolio there is significant off benchmark positioning in global investment grade credit bonds, which carry an additional 0.5-1.5% in yield than a similar maturity government bond. These positions also helped outperformance given the outperformance of credit relative to sovereigns during the fiscal year.

The sterling investment grade credit benchmark performed well last year. As issuers put off new rounds of debt in the hope of ever cheaper interest rates, inventory of credit bonds became very limited. That combined with a higher demand for these kind of bonds as the yields looked attractive, made for a challenging market. The fund's portfolio was a little short to the benchmark but despite this enjoyed strong excess returns, given positioning in higher yielding off benchmark positions as well as active participation in relative value trading and new issues (where they existed!).

As a final word, it might be useful to draw some attention to ongoing themes in the financial year ahead. Markets globally are looking for rate cuts and at the time of writing the Canadian and European central bank have already started to cut rates; the rate cut from the BoE remains likely but elusive. There is somewhat of a divergence of rate policy within the G7, with Europe (and eventually) the UK still on a predicted cutting path while the story in the US remains unclear. A resilient economy and strong labour market could get overheated if the Federal Reserve cut rates too fast.

One last word on interest rates. While we do think rates will be cut this fiscal year it will not happen as fast as was expected. Core and service inflation remain persistent, and it is widely acknowledged that the move from 3.5%-4% to 2% target inflation is the hardest part. Equally we need to consider the inflationary effects of the green transition with its cleaner but more expensive processes and the breakdown of the world import/export supply chains in the post-Covid era. Certainly, the world feels less 'global' than it once did. With that in mind we do not predict a fall to the record lows of the Covid era for interest rates and as such feel a move to around 3-3.5% is more realistic over the longer term.

Private markets

Table 3: WYPF private markets – portfolio and benchmark returns

Equities - private market	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total WYPF equity - private market		**9.00**	**13.49**	**0.31**	**7.50**
Private equity	Absolute return +7.5%	4.50	6.87	1.03	7.50
Private infrastructure	Absolute return +7.5%	4.50	6.62	-0.43	7.50

Private equity

During the year, the private equity portfolio allocation declined from 7.4% to 6.9% of Total Fund. The valuation remained broadly stable at £1.3 billion. However, as public markets rallied, the relative allocation of private equity declined in line with a planned reduction in private equity exposure.

Global market and portfolio commentary

The portfolio returned 1.0% during the year versus its absolute benchmark of 7.5%. Buyout activity remained subdued as investors acclimatised to higher interest rates and buyer/seller valuation expectations became misaligned, leaving distributions much lower than forecast. Whilst the quarterly number of deals transacted globally has been relatively stable since the summer of 2022, the size of deals has declined during the last twelve months (Preqin). Larger buyout deals have generally suffered most from a higher interest rate environment. WYPF's portfolio, with a heavy bias towards the mid- and lower mid-market, is less exposed to this more pronounced slowdown in the large buyout space, and therefore its capital calls were broadly in line with forecast for the year.

During 2023, global exit activity marginally increased quarter-on-quarter before falling back in Q1 2024. This exit activity was mainly driven by secondary buyouts, i.e. selling to other private equity sponsors; this partly explains why WYPF's distribution proceeds were only marginally greater than the prior year, but again lower than forecast. Nevertheless, the portfolio was cashflow positive and distributions exceeded drawdowns by £17m.

Since 2018, WYPF has deployed most of its private equity commitments via the Northern Private Equity Pool (NPEP), see Northern Private Equity Pool LP Holdings | Northern LGPS. As at March 2024, NPEP accounted for 35% of WYPF's private equity allocation and 59% of unfunded commitments. Total undrawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £512.0m, down from £653.5m a year ago. Furthermore, 18% of this undrawn amount is related to funds that are in run-off, or that have liquidated, with little probability of being drawn down.

The market continues to hold out for better times ahead in terms of improved liquidity and an IPO market recovery. In the meantime, market participants are focussed on accretive 'buy and build' strategies and improving their investee company profit margins through operational enhancements. As deal activity improves, WYPF's private equity allocation should steadily decrease, given a tempered commitment pace recently, and a 3:1 ratio in portfolio value to active unfunded commitments (dry powder). WYPF's dry powder to NAV ratio is the lowest it has been for a long time.

Infrastructure

The infrastructure allocation is split between WYPF's globally oriented infrastructure funds portfolio (3.2%) and its direct allocation to UK core infrastructure via GLIL (3.4%), see here. Although the infrastructure portfolio valuation increased by £72m during the year, its allocation within the Total Fund declined from 6.8% to 6.6%.

SECTION 8: INVESTMENT MARKETS

Global market and portfolio commentary

The infrastructure portfolio is split roughly 60% UK and 40% non- UK. Across sectors, it is broadly 40% energy and waste, 30% regulated assets, and 10% digital communications. The balance is in social (PPP, PFI, etc.) infrastructure, transport, and real assets (leasing). The overall portfolio, including GLIL, returned -0.4% during the year versus its absolute benchmark of 7.5%.

The globally oriented funds portfolio returned - 0.2%, underperforming listed FTSE Global Core Infrastructure 50/50 Index, which returned 1.9% in Sterling (we are referencing public markets indices here because whilst historically our global private infrastructure mandate had an absolute return benchmark, we are moving to a listed benchmark during the 2024-25 year). There is no perfect comparator for our portfolio however, with global listed infrastructure indices having limited exposure to UK infrastructure. Furthermore, WYPF's portfolio has a much stronger bias to renewable energy than the index. Together these explain the flat performance of the portfolio, with renewable energy asset valuations in the UK and Europe being challenged by lower short-term power price forecasts, driven by lower gas prices.

Like private equity, unlisted infrastructure dealmaking volumes fell year-on-year. Uncertainty on the discount rates used to value future cashflows created a disconnect between buyer and seller expectations. Also, varying views on future inflation rates made underwriting operational and development costs a precarious exercise. Drawdowns were 28% lower than forecast. Meanwhile distributions were 51% lower than forecast. This resulted in a net drawdown of £11.1m versus a forecast net distribution of £24.0m. Transactional activity continues to gravitate towards assets related to the energy transition. Decarbonisation continues to underpin longer-term tailwinds.

The strategy and approach for this asset class is to 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 remains on assets with inflation-linked, long-duration income streams, that are less sensitive to economic cycles.

With approximately 500 underlying assets, the funds' portfolio is overly diversified. The largest 30 underlying assets are each valued between £5m and £15m. The strategic aim is to reduce the number of underlying assets, thereby achieving more efficient levels of diversification, whilst continuing to target predominantly non-UK assets producing real returns more than 5%.

Like for other western markets, our direct allocation to UK infrastructure through GLIL saw valuations driven by uncertainty in future inflation and interest rates. Additionally, due to lower gas prices, renewable energy asset valuations were challenged by lower short-term electricity price forecasts.

GLIL's activity during the year included investments in a large UK mobile towers business and a portfolio of UK solar assets. The latter is part of a wider strategic partnership with Bluefield Solar to develop assets that are expected to be grid-connected over the next 2-3 years.

Notwithstanding this market volatility, the GLIL portfolio fared well, delivering a return of -0.7% against its CPI+4% return target. GLIL's defensive portfolio construction benefitted from investing across a range of sectors, including both demand- and availability-based revenue models.

Private credit

Table 4: WYPF private credit – portfolio and benchmark returns

Private credits	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Private credits	US$ (SOFR)+ 500 bps	0.00	0.72	8.80	10.57

During the year, the private credit allocation grew 0.5% to 0.7% of total Fund. This allocation is expected to increase further given that the portfolio's investment period only began in January 2022, with a further £253m in unfunded commitments yet to be drawn down.

The portfolio returned 8.8% versus its internal target benchmark (US SOFR + 500bps) of 10.6%. Many of the funds within the Private Credit portfolio are USD-denominated (54%), whilst Euro- and Sterling-denominated funds represent 22% and 24%, respectively. Sterling returns were impacted by a weaker USD and Euro, which negatively impacted overall returns by 4.8%.

During the year, Private Credit spreads for businesses in the $20-$120m EBITDA range were typically 550-650bps above SOFR. However, reduced M&A activity led to lower lender demand (issuance), and hence increased competitiveness for available loans. This resulted in a general narrowing of spreads. This was particularly evident in larger businesses (typically single B credits), and the broadly syndicated loan market, where banks have become more active, with spreads narrowing to 400bps.

SECTION 8: INVESTMENT MARKETS

Property

During the year, the property portfolio allocation declined from 3.4% to 2.7% of the Total Fund. This resulted from both divestment from property funds and the relative underperformance of property versus public equity markets.

Table 5: WYPF property – portfolio and benchmark returns

Property	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total Property	AREF-MSCI UK Qtly Property Lag	**5.00**	**2.66**	**-0.17**	**-0.75**

Market and portfolio commentary

The portfolio returned -0.2% during the year, outperforming its benchmark (AREF-MSCI UK Quarterly) of -0.9%. The Fund benefitted from having an underweight position in City and M25 offices, and an overweight position in industrials and retail warehouses; non-UK property exposure, along with an office in Manchester, had a material negative impact on performance.

The portfolio composition is mainly through funds; both open-ended and closed- ended. There are a number of closed-ended funds, representing 15–20% of the portfolio, that are either in their realisation or liquidation phase. Proceeds received from these funds will be recycled into direct property investments.

During the year, WYPF appointed DTZ Investors to support our transition to investing in UK property directly. The objective of the mandate is to help WYPF grow its direct portfolio in a cost-effective manner. The mandate will target multi-let assets, with strong tenant covenants and a portfolio-level unexpired lease term of 6–10 years. Post year-end, the Fund acquired two direct properties: a prime urban logistics asset in Croydon, and a prime multi-let trade counter estate in Milton Keynes.

In moving to direct investments, the aim is to achieve balance of exposure with respect to geography, sector, tenant, and lease duration but it is accepted that there may be some transitional imbalance during the build-out of the direct portfolio. As a long-term investor, the focus is on low-risk properties with sustainable income yield. The aim of making direct investments is to lessen ongoing fees and enhance control, enabling long-term investment throughout market cycles.

Alternatives

The Alternatives mandate represented 3.7% of the WYPF Total Fund at 31 March 2024. During the year, a Investment Strategy Statement (ISS) was set following the actuarial valuation, resulting in a revised and enlarged strategy for Alternatives, together with an increased benchmark weighting of 5% of Total Fund. The ultimate aim of the new Alternatives mandate is to enhance long-term risk-adjusted returns, further diversifying the Fund with strategies geared to WYPF's investment beliefs across climate solutions, sustainable cities and growth, with a strong UK bias.

The new alternatives mandate

We began the accounting year by working on and creating a stronger investment process to allow greater scale in Alternative investments, including regional projects, climate and social impact and low correlation absolute return strategies. We looked to repurpose and expand the Alternatives mandate with the aim of punching above our weight in the increasingly important role of diversified Alternatives, accessing the best of both listed and private markets across a broader suite of alternative strategies in terms of risk, themes and structures.

By mid-year in October 2023 we had phased in the new Alternatives benchmark weighting of 5% of total fund assets to support investments across equity, debt, and absolute return risk pillars, focusing new investment on impact, climate transition, and UK opportunities. Transfers from other portfolios into the Alternatives mandate were completed and performance monitoring finetuned. The benchmark target return was adjusted to SONIA plus 2% to better reflect the diversified and balanced portfolio, with increased exposure to private debt and low equity-beta strategies.

By the start of 2024 the Alternatives mandate had established allocations across equity, debt and absolute return strongly aligned with our newly defined UN SDG beliefs in climate solutions, sustainable cities and communities and economic growth and innovation. We successfully recruited two new analysts for the Alternatives team and focused on continuing to look for investment opportunities that have the right intentionality and additionality in line with our beliefs and priorities.

Looking ahead, the Alternatives mandate will seek to provide strong long-term, risk- adjusted and diversified returns, fully aligned with our recently approved Investment Strategy Statement (ISS). The mandate will further address specific ISS targets and priorities potentially underserved by other WYPF mandates by exploring inflation-linkage, by focusing on our UN SDG beliefs and by investing in our home UK market to foster innovation and improve regional disparities.

WYPF alternatives sub-portfolios

The underlying sub-portfolio weights within the Alternatives mandate are as below:

Table 5: WYPF alternatives – portfolio and benchmark returns

Alternatives	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total Alternative		**2.00**	**3.65**	**-1.83**	**-1.72**
Equity+	Absolute return +7.0%	2.00	2.10	-6.37	7.00
Debt+ (new)	Fund returns	0.00	0.70	-	-
Absolute Return	Absolute return +7.5%	0.00	0.86	2.81	7.51

The Equity+ portfolio, majority UK listed holdings, saw share prices largely tied to gilts and expectations of central bank rate cuts, which were pared back significantly during the final quarter of the accounting year. Whilst on the whole, underlying companies continue to operate well and demonstrate NAV stability and progression, share prices across the listed infrastructure, real estate, private equity and small-cap space remain somewhat unloved and depressed. The resulting share price discount-to-NAVs generally widened over the period, materially attributing to the negative 12-month share-price-based performance. The de-equitization and derating of the UK and investment trust markets has been rightly well publicised and presents various challenges, risks, but also opportunities.

The Debt+ portfolio has initially been seeded with several in-specied listed debt investments from the rest of the Fund's investments, which have similarly derated with the market. That said, performance has generally been good as higher base rates have translated to higher returns. In addition, strong income and capital distributions have provided recycling opportunities into private debt strategies more aligned with our beliefs, such as UK venture debt where we committed to invest £30m during the year.

The Absolute Return portfolio produced another positive annual GBP total return, despite underperformance from the minority macro strategy together with a slight currency headwind causing the numbers to be lower than previous years' exceptional returns. Our dominant multi-strategy hedge fund and insurance-linked securities strategies within Absolute Return continue to demonstrate strong, low correlated risk-adjusted returns.

WYPF cash

Cash	Benchmark	Strategic weight %	Portfolio weight %	2023/24 Portfolio % return	2023/24 Benchmark % return
Total Cash	SONIA	**2.00**	**4.31**	**3.45**	**5.14**

List of twenty largest holdings at 31 March 2024

Asset Name	Market Value 31-Mar-24 £m	Percentage of Total Assets %	Market Value 31-Mar-23 £m	Percentage of Total Assets %
GLIL Infrastructure Fund	664.4	3.5%	637.9	3.6%
Shell	379.2	2.0%	355.7	2.0%
AstraZeneca	319.5	1.7%	336.1	1.9%
Northern Private Equity Pool 2018-2019	216.1	1.1%	202.4	1.1%
HSBC Holdings	203.6	1.1%	0.0	0.0%
Microsoft	200.5	1.0%	140.6	0.8%
Northern Private Equity Pool 2020	194.7	1.0%	140.9	0.8%
BP	169.2	0.9%	174.9	1.0%
Unilever	168.3	0.9%	177.4	1.0%
Apple	152.5	0.8%	175.0	1.0%
Aurum (WYPF Managed Portfolio)	148.8	0.8%	144.0	0.8%
Novo Nordisk	146.9	0.8%	0.0	0.0%
Jupiter India Select	142.2	0.7%	87.9	0.5%
GlaxoSmithKline	137.0	0.7%	114.6	0.6%
RELX	137.0	0.7%	104.7	0.6%
Nvidia	131.5	0.7%	44.0	0.2%
Diageo	131.1	0.7%	161.9	0.9%
GBGV 0.750 11/22/47 (Government Bonds)	113.6	0.6%	21.6	0.1%
GBGV 0.500 03/22/50 (Government Bonds)	113.4	0.6%	21.2	0.1%
Rio Tinto	110.4	0.6%	126.0	0.7%
Total	**3,979.9**	**20.8%**	**3,166.7**	**17.7%**
Total of other 1,925 assets	**15,178.7**	**79.2%**	**14,687.4**	**82.3%**
Total assets	**19,158.5**	**100.0%**	**17,854.1**	**100.0%**

AUDITOR’S REPORT

SECTION 9: AUDITOR'S REPORT

Independent auditor's statement to the members of City of Bradford Metropolitan District Council on the pension fund financial statements included within the West Yorkshire Pension Fund annual report

Report on the audit of the financial statements

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 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Respective responsibilities of the Interim Director of Finance and the auditor

As explained more fully in the City of Bradford Metropolitan District Council's Statement of Responsibilities, the Interim Director of Finance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of [name of Authority] 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.

A Newall

Alastair Newall,
Key Audit Partner For and on behalf of Forvis Mazars LLP
Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

27 February 2025

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 2024 and its income and expenditure for the year ended 31 March 2024.

In preparing this Statement of Accounts the 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 2024

	Note	2023-24 £000	2022-23 £000
Dealings with members, employers and others directly involved in the fund			
Contributions receivable	6	521,117	527,987
Transfers in	7	46,694	36,686
Non-statutory pensions and pensions increases recharged	8	20,708	19,820
		588,519	**584,493**
Benefits payable	9	(689,430)	(606,566)
Non-statutory pensions and pensions increase	8	(20,708)	(19,820)
Payments to and on account of leavers	10	(29,548)	(29,654)
		(739,686)	**(656,040)**
Net additions/(withdrawals) from dealing with members		(151,167)	(71,547)
Management expenses	13	(14,421)	(13,606)
Net additions / (withdrawals) including management expenses		**(165,588)**	**(85,153)**
Returns on investments			
Investment Income	15	571,926	498,917
Taxes on income	15a	(7,739)	(6,363)
Profit and losses on disposal and changes in value of investments	17a	980,466	(415,959)
Stock lending	17c	1,448	2,212
Net return on investments		**1,546,101**	**78,807**
Net Increase/(decrease) in the net assets available for benefits during the year		**1,380,513**	**(6,348)**
Fund opening net assets		**17,973,118**	**17,979,466**
Fund closing net assets		**19,353,631**	**17,973,118**

Net Assets Statement at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
Investment assets			
Bonds	17	1,549,630	1,441,185
Equities (including convertible shares)	17	11,463,748	10,814,133
Index-linked securities	17	998,698	674,588
Pooled investment vehicles	17	4,363,665	4,266,556
Direct Property	17	6,200	6,125
Cash deposits	17	760,571	614,400
Cash in bank	17	107,244	37,117
Other investment balances	17	86,310	80,283
Investment liabilities			
Other investment balances	17	(3,048)	(18,496)
Total net investments		**19,333,018**	**17,915,891**
Current assets			
Debtors	20	68,022	94,683
Current liabilities			
Creditors	21	(47,409)	(37,456)
Net current assets and liabilities		**20,613**	**57,227**
Net assets of the scheme available to fund benefits		**19,353,631**	**17,973,118**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2024. 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

Steven Mair
Interim Director of Finance and IT
City of Bradford Metropolitan District Council 27 February 2025

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/wypf/wypf-documents-and-boards/

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 Managing 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 448 participating employers during the year, 39 left in the year, leaving 409 actives at 31st March 2024 (In 2022/23 there were 443 participating employers during the year, 49 left in the year leaving 394 active employers as at 31st March 2023) whose employees were entitled to be contributors to the Fund.

Membership

Total membership as at 31st March 2023 is 323,414 (31st March 2023 was 319,484).

At 31 March 2023	Profile of membership	At 31 March 2024
110,704	Active members	107,102
108,631	Pensioner members	112,780
100,149	Members with preserved pensions	103,532
319,484	**Total members**	**323,414**

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.

Pension liability

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed 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 applied. Actuarial valuations are carried out every 3 year an in addition each year we carry out an update to review our pension liability. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19.

Note 2. Actuary’s Report

West Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2024

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.

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 HorizonsTM 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.

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/wypf/wypf-documents-and-boards/

Aon Solutions UK Limited

April 2024

Note 3. Accounting policies

Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2023/24 financial year and its financial position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Going concern

WYPF statement of accounts have been prepared on a going concern basis, with the assumption that the services of the Fund will continue to operate indefinitely and meet its obligations to provide benefits to its members. Actuarial assumptions are used to calculate WYPF liabilities on the assumption that it will continue to operate and pay out benefits over the long term. WYPF also comply with various regulatory requirements which includes triennial actuarial valuations and audits to ensure the Fund's financial health and its ability to meet future obligations. The officers and Joint Advisory Committee of the West Yorkshire Pension Fund have reviewed the Fund's forecasts and projections, taking into account reasonably possible changes in investments and pension administration performance, and are confident that the Fund has adequate resources to continue in operational existence for the foreseeable future. Therefore, West Yorkshire Pension Fund officers continue to adopt the going concern basis in preparing the annual financial statements.

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

Individual member transfer values represent amounts received and paid during the period. 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.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years per LGPS regulations, and it is reviewed annually in the intervening years by the appointed actuary. Annual reviews allow for more frequent updates to the assumptions and data used in the valuation. This can lead to more accurate and timely adjustments to the actuarial present value, reflecting current economic conditions, demographic changes, and investment performance. With more frequent assessments, the actuary can identify and address potential funding shortfalls or surpluses sooner. This proactive approach helps in managing risks more effectively and ensures that the fund remains adequately funded to meet its obligations. Regular updates can provide greater transparency and reassurance to stakeholders, including members, beneficiaries, and regulators. In accordance with the requirements of IAS19 and relevant actuarial standards, and 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.

Financial assets

All our financial assets consist of ordinary equity shares, bonds, properties, pooled investment vehicles and cash deposits. Ordinary equity shares, bonds, pooled investment vehicles and properties are included in the Net Assets Statement based on fair value through profit and loss (FVTPL). All cash, cash deposits, investments debtors and creditors are held to be collected therefore are valued at amortised cost 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 cost 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 cost 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 the 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 expenses.

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.

Contingent liabilities

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. There are no Contingent liabilities for Accounts Payable and this is not recognised in the Net Assets Statement.

Contractual commitments

Contractual (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. Contractual commitments are disclosed in Note 24 of the accounts.

Investment transactions

Investment transactions occurring up to 31 March 2024 but not settled until later are accrued in the accounts.

Note 4. Critical judgements and estimations in applying accounting policies

In applying the accounting policies set out in Note 3 above, WYPF has had to make certain critical judgements and estimations about complex transactions or those involving uncertainty about future events.

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

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 are valued using quoted market prices in active markets, with frequent trades that provide continuous pricing data. Level 1 assets are highly liquid and there is minimal judgement applied in determining fair value.

Financial investments categorised as Level 2 are valued using quoted prices on a recognised stock exchange, but are not actively traded daily. Level 2 assets are not traded as actively as Level 1 assets. Fair value requires more judgement as the value can be influenced by market conditions between the date of the last trade and the year end.

The fair value of financial investments categorised as level 3 is determined using the latest investor reports and capital 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. For directly held investment properties we use surveyors’ valuation report. The total value of level 3 investment is £3,527m at 31 March 2024. 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 the 2024/25 reporting period by £467m 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.

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:

a) Those that provide evidence of conditions that existed at the end of the reporting period, adjusting events after the reporting period. There have been no adjusting events since 31 March 2024.

b) Those that are indicative of conditions that arose after the reporting period, non-adjusting events after the reporting period.

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. The High Court ruling has since been appealed. In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court.

The current position in relation to local government pension schemes (LGPS) is that actuarial confirmations for all amendments have not yet been located. The most recent update was in July 2024 from the Government's Actuary Department (GAD) and included the following information:

- Relevant certificates have been located in respect of the 2014 reforms.
- We believe a certificate will have been prepared in respect of the 2008 reforms, but the initial electronic search for this has meant paper files would now need to be retrieved from archive storage in order locate 2008 certificate.

While it is known there is potential for additional pension liabilities to be recognised, the impact in monetary terms is not known and it is reasonable to form the view that it is not reasonably estimable. While the Court of Appeal has upheld the High Court judgement, there are further actions that could be taken regarding the case. In addition, the certificate in respect of the 2008 reforms might also be located from archive.

Note 6. Contributions receivable

	2023/24 £000	2022/23 £000
By category		
Employers	362,480	381,697
Members	158,637	146,290
Total	**521,117**	**527,987**
By type of employer		
Administering authority	41,457	63,702
Scheduled bodies	439,830	426,338
Admitted bodies	39,830	37,947
Total	**521,117**	**527,987**
By type of contribution		
Employees normal contributions	150,869	139,825
Employees additional contributions	7,768	6,464
Employers normal contributions	359,927	379,905
Employers deficit contributions	2,553	1,793
Total	**521,117**	**527,987**

Employer contribution rates and deficit contributions

Employer contributions receivable in 2023-24 were based on 31 March 2022 triennial valuation. At each triennial valuation (latest 31 March 2022) 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.

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 2023/24 and 2022/23 based on pay in the financial year are provided below.

2023/24 Pay	2022/23 Pay	Contribution rate
Up to £16,500	Up to £15,000	5.50%
£16,501 to £25,900	£15,001 to £23,600	5.80%
£25,901 to £42,100	£23,601 to £38,300	6.50%
£42,101 to £53,300	£38,301 to £48,500	6.80%
£53,301 to £74,700	£48,501 to £67,900	8.50%
£74,701 to £105,900	£67,901 to £96,200	9.90%
£105,901 to £124,800	£96,201 to £113,400	10.50%
£124,801 to £187,200	£113,401 to £170,100	11.40%
£187,201 or more	£170,101 or more	12.50%

Note 7. Transfers in from other pension funds

	2023/24 £000	2022/23 £000
Individual transfers in from other schemes	43,843	36,686
Bulk transfer in from other schemes	2,851	0
Total Transfers In	**46,694**	**36,686**

Note 8. Non-statutory pensions increase and recharges

	2023/24 £000	2022/23 £000
Pensions	20,708	19,820
Total	**20,708**	**19,820**

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

Note 9. Benefits payable

	2023/24 £000	2022/23 £000
Pensions		
Funded pensions – retired employees	(508,151)	(451,922)
Funded pensions – dependants	(39,331)	(35,227)
Total pensions	**(547,482)**	**(487,149)**
Lump sums		
Funded lump sums on retirement	(124,426)	(102,880)
Funded lump sums on death	(17,522)	(16,537)
Total lump sums	**(141,948)**	**(119,417)**
Total benefits paid in year	**(689,430)**	**(606,566)**

	2023/24 £000	2022/23 £000
Benefits payable by type of employer member body		
Pensions		
Administering authority	(100,370)	(91,467)
Scheduled bodies	(519,085)	(455,218)
Admitted bodies	(69,975)	(59,881)
Total pensions	**(689,430)**	**(606,566)**

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

	2023/24 £000	2022/23 £000
Refund of contributions	(2,384)	(1,840)
Individual transfers	(27,164)	(27,814)
Total	**(29,548)**	**(29,654)**

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.

	2023/24 £000	2022/23 £000
Value of funds at 1 April	45,264	34,531
Contributions received	12,926	9,999
Transfers and withdrawals values	110	461
Interest and bonuses/change in market value of assets	4,457	6,561
Sale of investments to settle benefits due to members	(7,358)	(6,271)
Value of funds at 31 March	**55,400**	**45,281**

AVC Provider	**Members still paying contributions 2023/24 Count**	**Members 2022/23 Count**	**2023/24 £000**	**2022/23 £000**
Utmost	149	173	1,493	1,657
Prudential	3,422	3,060	45,281	35,159
Scottish Widows	349	394	8,626	8,465
Total	**3,920**	**3,627**	**55,400**	**45,281**

Additional voluntary contributions are not included in the Fund Accounts 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 p67).

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

CIPFA's Code of Practice on local authority accounting for 2023/24 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2024, together with the results as at 31 March 2022 (which is the date of the last full actuarial valuation) 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 2024 £m	**Value as at 31 March 2022 £m**
Value of net assets	19,353.6	17,979.5
Actuarial present value of the defined benefit obligation	17,408.1	24,016.4
Surplus / (deficit) in the fund as measured for IAS 26 purposes	**1,945.5**	**(6,036.9)**

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 2024	**31 March 2022**
Duration of Liabilities (years)	16.7	19.8
Discount rate	4.80%	2.70%
CPI inflation (1) (2)	2.60%	3.00%
Salary increases (3)	3.85%	4.25%

(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 addition to the assumption for future pension increases, we have allowed for the impact of known CPI inflation as published at the accounting date (up to 29 February 2024) which will influence the pension increase as at April 2025.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund. We have also allowed for the impact of the National Joint Council Pay settlement over 2023/24 at an average rate of 7.0%.

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 2024	31 March 2022
Males		
Future lifetime from age 65 (pensioners aged 65)	21.0	21.5
Future lifetime from age 65 (actives aged 45)	22.3	22.8
Females		
Future lifetime from age 65 (pensioners aged 65)	24.2	24.5
Future lifetime from age 65 (actives aged 45)	25.2	25.6

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.

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.

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.

The accounting standard (and industry/auditor interpretation of the accounting standard) results in a narrow range of financial assumptions that could be used to report pension liabilities. In particular, the discount rate must be based on the yields on high quality corporate bonds, and the assumption for future inflation is expected to be based on implied inflation priced into the gilts market. This also impacts the reported nominal pay increase assumption, which is determined in real terms. The financial assumptions will therefore be different to the assumptions used in the triennial valuation when setting contribution rates, resulting in different published results. Further explanation of these differences is set out later in this report.

All other assumptions used for accounting pension liabilities must represent a best estimate of future experience from the Fund. Most other assumptions are therefore set in line with those used for the last triennial valuation, however the mortality improvement assumptions may be updated for accounting purposes to reflect the latest published data.

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% £m	(0.1%) £m
£ change to present value of the defined benefit obligation	(288.3)	293.2
% change in present value of defined benefit obligation	(1.7%)	1.7%

Rate of general increase in salaries

Adjustment to salary increase rate assumption	+0.1% £m	(0.1%) £m
£ change to present value of the defined benefit obligation	31.9	(31.6)
% change in present value of defined benefit obligation	0.2%	(0.2%)

Rate of increase to pensions and rate of revaluation of pension accounts

Adjustment to pension increase rate assumption	+0.1% £m	(0.1%) £m
£ change to present value of the defined benefit obligation	261.3	(256.7)
% change in present value of defined benefit obligation	1.5%	(1.5%)

Post retirement mortality assumption

Adjustment to members' life expectancy	-1 year £m	1 year £m
£ change to present value of the defined benefit obligation	(477.3)	487.4
% change in present value of defined benefit obligation	(2.7%)	2.8%

Comparison with funding valuation

The results of the IAS 26 valuation will differ from results of the latest triennial actuarial valuation. This section explains the main reasons for these differences, together with a reconciliation of the 2022 valuation to the 2022 IAS 26 result, and a reconciliation from the 2024 funding update to the 2024 IAS 26 result.

Purpose of each exercise

IAS 26 requires the pension fund to disclose the actuarial present value of the promised retirement benefits in the pension fund accounts, using prescribed accounting principles and CIPFA guidance. The purpose is to disclose a liability value to users of the accounts on a comparable basis to similar entities. The purpose of the triennial actuarial valuation is to review the financial position of the Fund and report on the adequacy of the contributions to support the benefits of the Fund. If the valuation identifies that the contributions will fall short of (or be in excess of) those necessary to provide the benefits, contributions will normally be revised up (or down).

Who makes the key decisions?

Under IAS 26 the Administering Authority has the responsibility of deciding on the actuarial assumptions to be used for the assessment, but these must be based upon the guidance set out within the accounting standard and should be set upon advice given by an actuary.

Under the triennial actuarial valuation, the LGPS regulations require the Fund's Actuary to produce the valuation report. The Actuary must have regard to the Funding Strategy Statement and the regulatory framework and will discuss the funding strategy with the Administering Authority before finalising the valuation.

Assumptions used to value the liabilities

The main difference between the accounting exercise and the valuation exercise is the assumptions used to calculate the liabilities (actuarial present value of the promised retirement benefits).

The discount rate (assumption for future investment returns) is set differently in each exercise, and this often causes the greatest difference in the results.

IAS 19 (the guidance on the assumptions to use under IAS 26) requires the discount rate to be based on the current rate of return on high quality corporate bonds of equivalent term to the Fund's liabilities. High quality corporate bonds are interpreted to be bonds with at least an AA credit rating.

In the triennial actuarial valuation, the assumption for the discount rate reflects the Actuary's views of the estimated returns available on the Fund's investments over the long term. The Fund holds significant holdings of equity type investments that currently, and in recent history, are expected to achieve a return above AA-rated corporate bond yields. A prudent approach is taken, considering the level of risk as set out in the Funding IAS 26 Results 9 Strategy Statement. This results in an expected return assumption that the actuary believes has a better than evens chance of being achieved by the Fund's investment strategy (in other words, the assumption is set below the best estimate return assumption, to be prudent).

When the discount rate (investment return assumption) used in the IAS 26 assessment is lower than the discount rate used in the triennial actuarial valuation this results in a higher accounting liability, a higher accounting deficit (or lower surplus), and a higher current service cost (relative to the contributions being paid for future service). The opposite is true when the accounting discount rate is higher than the discount rate used in the triennial valuation.

The assumptions for future inflation are also set differently under IAS 26 reporting from in the triennial valuation. Both assumptions have regard to the implied rate of future inflation priced by the gilts markets, however the gilts market has historically over-priced inflation, and the consensus is that it will continue to do so. This is known as an 'inflation risk premium'. When setting the inflation assumption for IAS 26 purposes auditors expect the CPI assumption to be based on market data and accept only a very modest reduction for an inflation risk premium. In contrast, in the funding valuation we make a best estimate allowance for inflation, which involves a greater reduction to market-implied inflation resulting in a lower future rate of assumed CPI inflation. All else being equal, this results in a lower liability value in the funding valuation than presented in the accounts.

The demographic assumptions (such as mortality rates) used for the accounting figures are usually the same as those adopted for the triennial actuarial valuation of the Fund, however revised assumptions for the rate of longevity improvements may be used for accounting purposes (as is the case in 2024).

Roll-forward method / different calculation dates.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2022. IAS 19 requires the results to be based on a full actuarial valuation at least every 3 years. It is widely accepted that the use of 'roll-forward' techniques can be used in the intermediate years to approximately update the position for reporting purposes without the need for a valuation using full membership data of the Fund. As the roll-forward is approximate the result will be different to the result of a full valuation of the benefits at the same date. This difference will increase the longer the period of the roll-forward. Finally, if the accounting date is at a different date to the actuarial triennial valuation the calculations will be based on different market conditions and will not be comparable.

Reconciliation of IAS 26 liabilities to the funding liabilities

The below tables set out the difference between the IAS 26 valuation and funding valuation measured at two different dates (31 March 2022, the date of the latest funding valuation, and 31 March 2024, the current reporting date).

Comparison as at 31 March 2022

	Comment moving from funding to IAS 26	£M
Funding Liability at 31 March 2022		**16,573.0**
Impact of change due to:		
Discount rate assumption	Lower IAS 19 discount rate discount rate (reduce from 4.5%* to 2.7%)	6,030.0
Inflation assumption **	Higher IAS 19 CPI assumption (increase from 2.3% to 3.0%)	3,160.2
Mortality improvement assumptions	No change	0.0
Allowance for short term high inflation	Removing the 10% uplift to valuation liabilities and replacing with known experience to date	(1,746.8)
IAS 26 Liability at 31 March 2022		**24,016.4**

Comparison as at 31 March 2024

	Comment moving from funding to IAS 26	£M
Funding Liability at 31 March 2024 (from funding update report)		**17,490.0**
Impact of change due to:		
Discount rate assumption	Higher IAS 19 discount rate discount rate (increase from 4.45%* to 4.8%)	(1,318.1)
Inflation assumption **	Higher IAS 19 CPI assumption (increase from 2.1% to 2.6%)	1,406.0
Mortality improvement assumptions	Updated IAS 26 projection model from CMI_2021 to CMI_2022	(268.4)
Allowance for short term high inflation	Removing the 10% uplift to valuation liabilities and replacing with known experience to date	98.6
IAS 26 Liability at 31 March 2024		**17,408.1**

Notes (both tables)

* We have quoted the discount rate for secure scheduled bodies. However, our calculations allow for some employers' liabilities being calculated using a funding target with a lower discount rate. The average Fund discount rate is around 0.12% p.a. lower than quoted.

** Impact on change in inflation assumption includes change in general salary increase assumption which is based on a margin above inflation

Note 13. Management expenses

	2023/24 £000	2022/23 £000
Administrative costs	(5,824)	(5,275)
Investment management expenses	(7,141)	(7,322)
Oversight and governance	(1,456)	(1,009)
Total	**(14,421)**	**(13,606)**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Oversight and Governance expenses above includes a statutory audit fee of £47.4k (2022/23 £37.4k) which is included in Oversight and Governance. There were no fees chargeable to the fund for work undertaken at the request of employer auditors in 2023/24. Fees payable for this work in 2022/23 was £28k and this was recharged to the relevant employers.

The costs associated with the running of Northern LGPS that relate specifically to WYPF are included within the administration costs above. The total actual costs for the 2023/24 reporting period was £13.5k (2022/23 £100.8k). The estimated provision for 2023/24 was £15k and the brought forward estimated provision from 2022/23 was £19.2k.

Note 14. Investment expenses

	Management fees £000	Transaction costs £000	2023/24 Total £000
Bonds	464	0	464
Equities	3,436	754	4,190
Index-linked securities	272	0	272
Pooled investment vehicles	1,308	304	1,612
Direct property	2	0	2
Cash deposits	260	0	260
	5,742	**1,058**	**6,800**
Custody Fees			341
Total			**7,141**

	Management fees £000	Transaction costs £000	2022/23 Total £000
Bonds	435	3	438
Equities	3,261	1,160	4,421
Index-linked securities	203	0	203
Pooled investment vehicles	1,287	501	1,788
Direct property	2	0	2
Cash deposits	216	0	216
	5,404	**1,664**	**7,068**
Custody Fees			254
Total			**7,322**

Investment expenses are included in within management expenses (Note 13). Investment expenses are of particular interest to LGPS funds' stakeholders and as such a 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

	2023/24 £000	2022/23 £000
Income from bonds	54,817	47,294
Dividends from equities	356,799	358,970
Income from index-linked securities	4,866	3,954
Income from pooled funds	103,968	72,852
Income from direct property	420	566
Interest on cash deposits	51,056	15,281
Total	**571,926**	**498,917**

Note 15a. Tax on income

	2023/24 £000	2022/23 £000
Dividends from equities	(12,333)	(12,122)
Investment tax reclaim	4,594	5,759
Total	**(7,739)**	**(6,363)**

Note 16. Direct property holdings

	2023/24 £000	2022/23 £000
Opening balance	6,125	7,300
Additions		
Net increase/ decrease in market value	75	(1,225)
Closing balance	**6,200**	**6,125**

Note 17. Investments

Note 17a. Movement in the value of investments

	Opening value at 1 April 2023 £000	Purchases cost £000	Sales proceeds £000	Change in Market Value £000	Closing value at 31 March 2024 £000
Bonds	1,441,185	854,135	(736,922)	(8,768)	1,549,630
Equities	10,814,133	512,847	(613,639)	750,407	11,463,748
Index linked securities	674,588	530,021	(194,973)	(10,938)	998,698
Pooled funds	4,266,556	393,480	(525,340)	228,969	4,363,665
Direct property	6,125	0	0	75	6,200
	17,202,587	**2,290,483**	**(2,070,874)**	**959,745**	**18,381,941**
Cash Debtors Creditors		**Increase**	**Decrease**	**Currency Movement**	
Cash Deposits	614,400	125,450	0	20,721	760,571
Cash at bank re investments	37,117	70,127	0	0	107,244
Other investment debtors	80,283	6,027	0	0	86,310
Other investment creditors	(18,496)	0	15,448	0	(3,048)
	713,304	**201,604**	**15,448**	**20,721**	**951,077**
Total investments	**17,915,891**	**2,492,087**	**(2,055,426)**	**980,466**	**19,333,018**

Other investment debtors and Other investment creditors have been included in order to balance back to the total net assets.

	Opening value at 1 April 2022 £000	Purchases cost £000	Sales proceeds £000	Change in Market Value £000	Closing value at 31 March 2023 £000
Bonds	1,402,820	129,755	(302,277)	210,887	1,441,185
Equities	10,867,442	393,908	(20,755)	(426,462)	10,814,133
Index linked securities	755,940	29,162	(69,689)	(40,825)	674,588
Pooled funds	4,251,295	264,220	(87,491)	(161,468)	4,266,556
Direct property	7,350	0	0	(1,225)	6,125
	17,284,847	**817,045**	**(480,212)**	**(419,093)**	**17,202,587**
Cash Debtors Creditors		**Increase**	**Decrease**	**Currency Movement**	
Cash Deposits	556,926	54,340	0	3,134	614,400
Cash at bank re investments	6,230	30,887	0	0	37,117
Other investment debtors	61,580	0	18,703	0	80,283
Other investment creditors	(43)	(18,453)	0	0	(18,496)
	624,693	**66,774**	**18,703**	**3,134**	**713,304**
Total investments	**17,909,540**	**883,819**	**(461,509)**	**(415,959)**	**17,915,891**

Other investment debtors and Other investment creditors have been included in order to balance back to the total net assets.

WYPF does not have a single financial asset holding that is more that 5% of market value of the total asset holding as at 31/03/2024 and 31/03/2023.

Realised gains and losses are profits and losses realised on sales of investments during the year. Unrealised gains and losses are changes 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. A further analysis of the asset split between overseas, and UK can be found in Note 23.

Note 17b. Investments analysis by security type

	2023/24 £000	2022/23 £000
Bonds		
Public sector quoted	815,285	721,918
Other quoted	734,345	719,267
	1,549,630	**1,441,185**
Equities	**11,463,748**	**10,814,133**
Index-linked securities	**998,698**	**674,588**
Pooled funds		
Hedge funds	159,306	144,142
Property	558,324	593,475
Equity	1,079,231	983,903
Private equity	1,301,658	1,318,376
Private equity infrastructure	1,265,146	1,226,660
	4,363,665	**4,266,556**
Direct property	**6,200**	**6,125**
Cash deposits	**760,571**	**614,400**
Cash in bank	**107,244**	**37,117**
Other Investment assets	**86,310**	**80,283**
Other Investment liabilities	**(3,048)**	**(18,496)**
Total	**19,333,018**	**17,915,891**

Note 17c. Stock lending

	2022/23 £000	2021/22 £000
Stock lending		
Income – bonds	312	368
Income – UK equities	201	327
International equities	1,247	1,611
	1,760	**2,306**
Less – costs	(312)	(94)
Total	**1,448**	**2,212**

As at 31 March 2024, the value of stock on loan was £790 million, equivalent to approximately 4.11% of the total value of the assets. The stock on loan was covered by collateral valued at £842 million (which includes a 6.68% margin on value).

As at 31 March 2023, the value of stock on loan was £832 million. Equivalent to 4.64% of the total values of the assets. The stock on loan was covered by collateral valued at £887 million.

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 inputs	Key sensitivities affecting the valuations provided
Quoted equities	Level 1	**Quoted equities** that are listed and actively traded on a recognised stock exchange. These are valued at the quoted bid price at the valuation date.	Observable inputs - bid prices on stock exchanges.	Not required
Quoted bonds	Level 1	**Quoted bonds** that are listed and actively traded on a recognised stock exchange are valued at the quoted bid price at the relevant date.	Observable inputs - bid prices on stock exchanges.	Not required
Quoted indexed linked bonds	Level 1	**Quoted indexed linked bonds** that are listed and actively traded on a recognised stock exchange are valued at the quoted bid price at the relevant date. The bid price is further adjusted for inflation by multiplying the bid price with change in the relevant inflation from issued date to the valuation date.	Observable inputs - bid prices on stock exchanges and retail price index.	Not required
Pooled investment- overseas unit trusts and quoted property funds	Level 2	**Quoted equities** that are listed on a recognised stock exchange but are not actively traded daily. These are valued using bid prices at the valuation date published by investment managers at the pooled funds. These prices are typically NAV-based prices and they are set on a forward pricing basis. We do not know in advance the exact price we will pay or receive, as this will be based on the NAV at a future time. Prices are reviewed periodically ranging from 7 days, monthly or quarterly.	Observable inputs - bid prices on stock exchanges.	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	**Unquoted equities** these are valued based on either of these methods: a) Valued based on the latest investor capital statement or the latest net asset value (NAV) supplied by general partners, adjusted for cash flow after the date of the capital statement or NAV. b) Valued based on the latest unit redemption price (bid price) supplied by general partners.	Unobservable inputs - a) Private net asset statements supplied by general partners. b) Bid (redemption) prices supplied general partners.	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.
		Delisted equities are valued at nil.	Zero valuation based on prudence.	
		Suspended equities are valued at the latest bid price at the date of valuation.	Observable inputs - latest quoted prices, classified as Level 3, based on prudence.	
Freehold properties	Level 3	**Freehold properties** are valued at fair value at the year-end by CBRE independent valuers- in accordance with the RICS Valuation – Global Standards 2022 which incorporate the International Standards and the RICS Valuation – Professional Standards UK 2022 (revised November 2021) ("The Red Book").	Observable inputs - valuation certificates provided by RICS valuers.	Changes in rental growth, vacancy levels or discount rates could affect valuations.

Note 18a. Sensitivity of assets valued at level 3

The sensitivity of the assets valued at level 3 to potential changes in unobservable inputs is set out in the table below. The table reports the potential impact on the value of the assets if there were to be changes to the inputs at various percentages.

	Assessed valuation range (+/-)	Value at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled investments – hedge funds	13.96%	159,195	181,418	136,971
Property funds	13.96%	558,324	636,266	480,382
Direct property	13.96%	6,200	7,066	5,335
Private equity	13.96%	2,566,804	2,925,130	2,208,478
Other assets	3.45%	236,200	244,349	228,051
Total		**3,526,723**	**3,994,228**	**3,059,217**

2022/23 sensitivity analysis figures.

	Assessed valuation range (+/-)	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled investments – hedge funds	16.00%	144,000	167,040	120,960
Property funds	13.70%	593,475	674,782	512,169
Direct property	9.90%	6,125	6,731	5,519
Private equity	7.50%	2,545,036	2,735,913	2,354,158
Other assets	1.60%	114,202	116,029	112,375
Total		**3,402,837**	**3,700,495**	**3,105,180**

Financial instruments – valuation

Valuation of financial assets carried at fair value

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

Level 1

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

Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the financial asset is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial assets 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 Assets Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Note 18b. Valuation hierarchy

At 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	14,329,982	525,236	3,520,523	18,375,741
Financial assets at amortised cost	1,022,146	0	0	1,022,146
Total financial assets	**15,352,128**	**525,236**	**3,520,523**	**19,397,887**
Non financial assets at fair value through profit and loss				
Direct property	0	0	6,200	6,200
Financial liabilities				
Financial liabilities at amortised cost	(50,456)	0	0	(50,456)
Total financial liabilities	**(50,456)**	**0**	**6,200**	**(44,256)**
Total	**15,301,672**	**525,236**	**3,526,723**	**19,353,631**

At 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	13,223,883	575,867	3,396,712	17,196,462
Financial assets at amortised cost	826,483	0	0	826,483
Total financial assets	**14,050,366**	**575,867**	**3,396,712**	**18,022,945**
Non financial assets at fair value through profit and loss				
Direct property	0	0	6,125	6,125
Financial liabilities				
Financial liabilities at amortised cost	(55,952)	0	0	(55,952)
Total financial liabilities	**(55,952)**	**0**	**6,125**	**(49,827)**
Total	**13,994,414**	**575,867**	**3,402,837**	**17,973,118**

Note 18c. Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-23 £000	Purchases £000	Sales £000	Realised Gains/(Losses) £000	Unrealised Gains/(Losses) £000	Market value 31-Mar-24 £000
Pooled investments - hedge funds	144,000	10,000	(10,000)	0	15,195	159,195
Property funds	593,475	75,856	58,841	40,730	(210,578)	558,324
Direct property	6,125	0	0	0	75	6,200
Private equity (inc NLGPS)	2,545,036	512,474	(107,194)	68,091	(451,603)	2,566,804
Other assets	114,202	171,705	(69,961)	(467)	20,721	236,200
Total	**3,402,837**	**770,035**	**(128,314)**	**108,354**	**(626,190)**	**3,526,723**

Reconciliation of fair value measurements within level 3	Market value 01-Apr-22 £000	Purchases £000	Sales £000	Realised Gains/(Losses) £000	Unrealised Gains/(Losses) £000	Market value 31-Mar-23 £000
Pooled investments - hedge funds	124,146	0	0	0	19,854	144,000
Property funds	717,807	59,794	(27,091)	12,459	(169,494)	593,475
Direct property	7,350	0	0	0	(1,225)	6,125
Private equity (inc NLGPS)	2,283,167	140,137	(270,733)	60,738	331,727	2,545,036
Other assets	10,616	9,223	(57,797)	(361)	152,521	114,202
Total	**3,143,086**	**209,154**	**(355,621)**	**72,836**	**333,382**	**3,402,837**

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 2024. The table also includes Direct Property (non-financial instrument) for completeness.

31 March 2024	**Fair value through profit or loss £000**	**Financial assets at amortised cost £000**	**Financial liabilities at amortised cost £000**	**Total financial instruments £000**
Financial assets				
Bonds	1,549,630	0	0	1,549,630
Equities	11,463,748	0	0	11,463,748
Index-linked securities	998,698	0	0	998,698
Pooled investment vehicles	4,363,665	0	0	4,363,665
Cash deposits		760,571	0	760,571
Cash at bank		107,244	0	107,244
Other investment balances	0	86,310	0	86,310
Debtors	0	68,022	0	68,022
Total financial assets	**18,375,741**	**1,022,147**	**0**	**19,397,888**
Financial liabilities				
Other investment balances	0	0	(3,048)	(3,048)
Creditors	0	0	(47,409)	(47,409)
Total financial liabilities	**0**	**0**	**(50,457)**	**(50,457)**
Total	**18,375,741**	**1,022,147**	**(50,457)**	**19,347,431**
Non financial instruments				
Direct property	6,200	0	0	6,200
Total	**18,381,941**	**1,022,147**	**(50,457)**	**19,353,631**

31 March 2023	**Fair value through profit or loss £000**	**Financial assets at amortised cost £000**	**Financial liabilities at amortised cost £000**	**Total financial instruments £000**
Financial assets				
Bonds	1,441,185	0	0	1,441,185
Equities	10,814,133	0	0	10,814,133
Index-linked securities	674,588	0	0	674,588
Pooled investment vehicles	4,266,556	0	0	4,266,556
Cash deposits	0	614,400	0	614,400
Cash at bank	0	37,117	0	37,117
Other investment balances	0	80,283	0	80,283
Debtors	0	94,683	0	94,683
Total financial assets	**17,196,462**	**826,483**	**0**	**18,022,945**
Financial liabilities				
Other investment balances	0	0	(18,496)	(18,496)
Creditors	0	0	(37,456)	(37,456)
Total financial liabilities	**0**	**0**	**(55,952)**	**(55,952)**
Total	**17,196,462**	**826,483**	**(55,952)**	**17,966,993**
Non financial instruments				
Direct property	6,125	0	0	6,125
Total	**17,202,587**	**826,483**	**(55,952)**	**17,973,118**

Note 20. Current assets – debtors

	2023/24 £000	2022/23 £000
Contributions due from employers	40,663	58,168
Other debtors	27,359	36,515
Total	**68,022**	**94,683**

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

Note 21. Current liabilities – creditors

	2023/24 £000	2022/23 £000
Unpaid benefits	(15,100)	(14,918)
Other current liabilities	(32,309)	(22,538)
Total	**(47,409)**	**(37,456)**

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 2023/24, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £604k in respect of support services provided (£559k in 2022/23). 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. This was also the case for 2022/23.

Key management personnel

No senior officers responsible for the administration of the Fund have entered into any contract for the supply of goods or services to the Fund, other than their contract of employment with City of Bradford Metropolitan District Council. This was also the case for 2022/23.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Managing Director of the West Yorkshire Pension Fund, the Chief Investment Officer 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 £426k (2022/23 £289k). Details of the remuneration for these two posts are included in Note 28 of the City of Bradford Metropolitan District Council's 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/wypf/wypf-documents-and-boards/

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.

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 advisors 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 are controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

The market risk is captured by changes in the market value of assets and this risk is measured by price risk, interest rate risk, currency risk, credit risk and liquidity risk. Sensitivity analysis of each type of market risk follows with the method of assumption.

a. 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.

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 2022/23 reporting period.

Asset type	2023/24 Potential market movement +/- (% p.a.)	2022/23 Potential market movement +/- (% p.a .)
UK bonds	8.61	8.40
Overseas bonds	8.61	1.00
UK index-linked	8.61	22.20
Overseas index-linked	8.61	22.20
UK equities	13.96	0.80
Overseas equities	13.96	3.60
Pooled funds UK equities	13.96	0.80
Pooled funds overseas Equities	13.96	3.60
Pooled funds UK properties	13.96	13.70
Pooled funds overseas properties	13.96	13.70
Pooled funds UK hedge fund	13.96	16.00
Pooled funds UK private equities	13.96	7.50
Pooled funds overseas private equities	13.96	7.50
Pooled funds UK private equity infrastructure	13.96	12.20
Pooled funds overseas private equity infrastructure	13.96	12.20
Direct property	13.96	9.90
Cash certificate of deposits	3.45	1.60
Cash bank	3.45	1.60
Other investment assets	3.45	1.60
Other investment liabilities	3.45	1.60

Section 10: STATEMENT OF ACCOUNTS

Asset type	Value as at 31-Mar-24 £000	Value as at 31-Mar-23 £000
UK bonds	1,028,460	918,431
Overseas bonds	521,170	522,755
UK index-linked	897,500	570,141
Overseas index-linked	101,198	104,447
UK equities	4,709,758	4,778,201
Overseas equities	6,753,991	6,035,931
Pooled funds UK equities	463,483	441,165
Pooled funds overseas Equities	615,748	542,738
Pooled funds UK properties	489,448	491,878
Pooled funds overseas properties	46,269	82,910
Pooled funds UK hedge fund	159,306	144,142
Pooled funds UK private equities	967,198	887,167
Pooled funds overseas private equities	357,067	449,896
Pooled funds UK private equity infrastructure	1,060,652	1,031,438
Pooled funds overseas private equity infrastructure	204,493	195,222
Direct property	6,200	6,125
Cash certificate of deposits	760,571	614,400
Cash bank	107,244	37,117
Other investment assets	86,310	80,283
Other investment liabilities	(3,048)	(18,496)
Total Investment Assets	**19,333,018**	**17,915,891**

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

Asset type	Value as at 31-Mar-24 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	1,028,460	8.61	1,117,010	939,910
Overseas bonds	521,170	8.61	566,043	476,297
UK index-linked	897,500	8.61	974,775	820,225
Overseas index-linked	101,198	8.61	109,911	92,485
UK equities	4,709,758	13.96	5,367,240	4,052,276
Overseas equities	6,753,991	13.96	7,696,848	5,811,134
Pooled funds UK equities	463,483	13.96	528,185	398,781
Pooled funds overseas Equities	615,748	13.96	701,706	529,790
Pooled funds UK properties	489,448	13.96	557,775	421,121
Pooled funds overseas properties	46,269	13.96	52,728	39,810
Pooled funds UK hedge fund	159,306	13.96	181,545	137,067
Pooled funds UK private equities	967,198	13.96	1,102,219	832,177
Pooled funds overseas private equities	357,067	13.96	406,914	307,220
Pooled funds UK private equity infrastructure	1,060,652	13.96	1,208,719	912,585
Pooled funds overseas private equity infrastructure	204,493	13.96	233,040	175,946
Direct property	6,200	13.96	7,066	5,334
Cash certificate of deposits	760,571	3.45	786,811	734,331
Cash bank	107,244	3.45	110,944	103,544
Other investment assets	86,310	3.45	89,288	83,332
Other investment liabilities	(3,048)	3.45	(3,153)	(2,943)
Total Investment Assets	**19,333,018**		**21,795,614**	**16,870,422**

Asset type	Value as at 31-Mar-23 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	918,431	8.40	995,579	841,283
Overseas bonds	522,755	1.00	527,983	517,527
UK index-linked	570,141	22.20	696,712	443,570
Overseas index-linked	104,447	22.20	127,634	81,260
UK equities	4,778,201	0.80	4,816,427	4,739,975
Overseas equities	6,035,931	3.60	6,253,225	5,818,637
Pooled funds UK equities	441,165	0.80	444,694	437,636
Pooled funds overseas Equities	542,738	3.60	562,277	523,199
Pooled funds UK properties	491,878	13.70	559,265	424,491
Pooled funds overseas properties	82,910	13.70	94,269	71,551
Pooled funds UK hedge fund	144,142	16.00	167,205	121,079
Pooled funds UK private equities	887,167	7.50	953,705	820,629
Pooled funds overseas private equities	449,896	7.50	483,638	416,154
Pooled funds UK private equity infrastructure	1,031,438	12.20	1,157,273	905,603
Pooled funds overseas private equity infrastructure	195,222	12.20	219,039	171,405
Direct property	6,125	9.90	6,731	5,519
Cash certificate of deposits	614,400	1.60	624,230	604,570
Cash bank	37,117	1.60	37,711	36,523
Other investment assets	80,283	1.60	81,568	78,998
Other investment liabilities	(18,496)	1.60	(18,792)	(18,200)
Total Investment Assets	**17,915,891**		**18,790,373**	**17,041,409**

b. 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 advisors 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 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2024 £000	31 March 2023 £000
Bonds	1,549,630	1,441,186
Cash deposits	760,571	614,400
Cash at bank	107,244	37,117
Total	**2,417,445**	**2,092,703**

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 311 basis point (BPS) for 2023/24 (210 BPS in 2022/23).

The analysis that follows assumes increase in interest rates from 210 basis points to 311 basis points which indicates volatility in interest rates over a 12-month period and that the market is experiencing fluctuations due to factors such as economic conditions, inflation expectations and monetary policy changes. The effect in the year on the net assets available to pay benefits of a +/- 311 BPS change in interest rates.

Asset type	Value as at 31 March 2024 £000	Value on increase +311BPS £000	Value on decrease -311BPS £000
Bonds	1,549,630	1,597,823	1,501,437
Cash deposits	760,571	784,225	736,917
Cash balances	107,244	110,579	103,909
Total	**2,417,445**	**2,492,627**	**2,342,263**

Asset type	Value as at 31 March 2023 £000	Value on increase +210BPS £000	Value on decrease -210BPS £000
Bonds	1,441,186	1,471,451	1,410,921
Cash deposits	614,400	627,302	601,498
Cash balances	37,117	37,896	36,338
Total	**2,092,703**	**2,136,649**	**2,048,757**

c. 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 2024 and 31 March 2023.

Currency exposure – asset type	Value as at 31 March 2024 £000	Value as at 31 March 2023 £000
Overseas bonds	521,170	522,755
Overseas index-linked	101,198	104,447
Overseas equities	6,753,991	6,035,931
Pooled funds overseas Equities	615,748	542,738
Pooled funds overseas properties	46,269	82,910
Pooled funds overseas private equities	357,067	449,896
Pooled funds overseas private equity infrastructure	204,493	195,222
Total overseas assets	**8,599,936**	**7,933,899**

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%, (2022/23 3.0%). 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.

Asset type	Value as at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Overseas bonds	521,170	536,805	505,535
Overseas index-linked	101,198	104,234	98,162
Overseas equities	6,753,991	6,956,611	6,551,371
Pooled funds overseas Equities	615,748	634,220	597,276
Pooled funds overseas properties	46,269	47,657	44,881
Pooled funds overseas private equities	357,067	367,779	346,355
Pooled funds overseas private equity infrastructure	204,493	210,628	198,358
Total overseas assets	**8,599,936**	**8,857,934**	**8,341,938**

Asset type	Value as at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Overseas bonds	522,755	538,438	507,072
Overseas index-linked	104,447	107,580	101,314
Overseas equities	6,035,931	6,217,009	5,854,853
Pooled funds overseas Equities	542,738	559,020	526,456
Pooled funds overseas properties	82,910	85,397	80,423
Pooled funds overseas private equities	449,896	463,393	436,399
Pooled funds overseas private equity infrastructure	195,222	201,079	189,365
Total overseas assets	**7,933,899**	**8,171,916**	**7,695,882**

d. 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.

e. 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 2024 the West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2024 £000	Undrawn commitments £000
Asset class		
Private equity	2,566,804	1,352,631
Property funds	558,324	25,041
Total	**3,125,128**	**1,377,672**

At 31 March 2023 the West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2023 £000	Undrawn commitments £000
Asset class		
Private equity	2,545,036	1,609,462
Property funds	593,475	59,200
Total	**3,138,511**	**1,668,662**

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 Standards Issued, not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 24/25:

- **IFRS 16 Leasing**

From 1st April 2024, accounting standard IFRS 16 Leases will be replacing the previous lease accounting standards and introduces an accounting model based on ‘right of use’ assets on the Balance Sheet for all leases where the Pension Fund is the lessee (except where short-term or low value) with a corresponding liability, measuring the value of the right of use over the remaining term.

The main impact of IFRS 16 Leases for the Pension Fund is expected to be where the Fund is the lessee and currently holds operating leases under IAS 17 which are treated as revenue. The Fund does not hold any such lease arrangements.

In addition, IFRS16 impacts on the measurement of PFI contracts. The Fund does not hold any PFI contracts.

- **IFRS 16 Lease Liability in a Sale and Leaseback** (Amendments to IFRS 16) issued in September 2022 clarifies the measurement of the lease liability in a sale and leaseback scenario. This clarification is not anticipated to materially impact on the Pension Fund's financial statements.
- **Classification of Liabilities as Current or Non-current** (Amendments to IAS 1) issued in October 2022. Further classification of liabilities as current or non-current and improve the information provided where the Pension Fund has a non-current liability with a covenant. This clarification is not anticipated to materially impact on the Pension Fund's financial statements.
- **Non-current liabilities with covenants** (Amendments to IAS 1) issued in October 2022 - this applies where an entity has the right to defer settlement for at least 12 months subject to compliance with covenants. This clarification is not anticipated to materially impact on the Pension Fund's financial statements.
- **International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)** issued in May 2023, which applies to multinational groups. This does not affect the Pension Fund as it does not fall within scope.

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/wypf/wypf-documents-and-boards/

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

Managing Director – West Yorkshire Pension Fund	Euan Miller Phone 01274 434517 E-mail euan.miller@wypf.org.uk

WYPF Administration

Assistant Director Finance, Admin & Governance	Yunus Gajra Phone 01274 432343 E-mail yunus.gajra@wypf.org.uk
Head of Finance	Ola Ajala Phone 01274 434534 E-mail ola.ajala@wypf.org.uk
Head of Employer Services & Compliance	Caroline Blackburn Phone 01274 434523 E-mail caroline.blackburn@wypf.org.uk
Service Centre Group Head of Service	Grace Kitchen Phone 01274 434266 E-mail grace.kitchen@wypf.org.uk

WYPF Investments

Chief Investment Officer-West Yorkshire Pension Fund	Leandros Kalisperas Phone 07890 420810 E-mail leandros.kalisperas@wypf.org.uk
Assistant Director – UK	Joanna Wilkinson Phone 01274 432038 E-mail joanna.wilkinson@wypf.org.uk
Assistant Director - Overseas	Colin Standish Phone 01274 432748 E-mail colin.standish@wypf.org.uk
Assistant Director - Alternative	Simon Edwards Phone 01274 432783 E-mail simon.edwards@wypf.org.uk

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

Appendix B: Further Information and Contacts

Company information

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

Phone **01274 434999**

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

Appendix C: Glossary of Terms

Glossary of terms

Active member

An employee who is currently paying pension contributions.

Actuarial valuation

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

Additional Voluntary Contributions (AVCs)

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

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

Administering authority

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

Admission body

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

Asset allocation

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

Best Value

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

Brent oil price

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

Career average revalued earnings (CARE) pension scheme

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

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

Commutation

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

Convertible shares

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

Custodian

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

Data governance

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

Death grant

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

Deferred pensioner

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

Deficit payments

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

Denomination

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

Designating body

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

Appendix C: Glossary of Terms

Discretion

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

Direct property

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

Eligible councillor

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

Employer covenant

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

Equity risk premium

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

Financial instruments

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

Fixed income securities

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

Fund of funds (FoF)

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

Guaranteed minimum pension (GMP)

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

General partners

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

Index-linked bonds

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

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.

Appendix C: Glossary of Terms

Stakeholder pension

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

State pension age

This is the earliest age people can receive the basic state pension and is currently 66 for both men and women but is rising to 68 for people born between April 1960 and 5 April 1978. The Government has indicated that this age may rise further but there is currently no legislation in place for this.

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.

Appendix C: Glossary of Terms

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

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

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

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

Appendix D: Pension Administration Strategy

Contents

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 IDRPs
- 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.

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		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

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.

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/Utmost) 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.

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.

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%

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 A – Main contact registration and authorised user list

Main contact registration form

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

Main contact registration form

Employer name and location code
Employer address

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	

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

Authorised user list

West Yorkshire Pension Fund

Lincolnshire Pension Fund

London Borough of Hounslow

BARNET LONDON BOROUGH

authorised payroll user list oct 2018

Employer name

Authorised payroll user list

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

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

Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th 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%.
3. Monthly return due anytime but latest by 19th of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th 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).
4. Change in member detail	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).
5. Early leavers information	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).
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th of the month (weekends and bank holidays on the last working day before 19th).	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	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

	administrator of change in authorised officers list.	admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).
12. Pension sharing order	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.
Miscellaneous items: • **Benefit recalculation** • **Member file search and record prints** • **Supplementary information requests**	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. 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
Daily charge	£96	£136	£220
Half day charge	£48	£68	£110

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

Appendix E: Funding Strategy Statement

Funding Strategy Statement (FSS)

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare 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 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.

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

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.

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.

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.

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 which underpin the liabilities/employer funding targets 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).

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 the liabilities can be met over the long-term using appropriate actuarial assumptions.

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

5.5 For 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 liabilities are expected to be orphaned following the exit of a participating employer, a more prudent approach will be taken. 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 where appropriate a risk assessment to enable the Administering Authority to judge an employer's financial security. Scheduled bodies without a sufficient 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.

Funding Target

5.10 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).

5.11 For all funding targets an allowance will be made for future pension increases and revaluation of pension accounts using an assumption for future CPI increases which is derived consistently with the modelling underpinning the discount rates. At the 2022 valuation this is a long-term best estimate CPI assumption of 2.3% p.a. Allowance may also be made for any short-term inflationary pressures where this is considered appropriate and prudent. At the 2022 valuation an adjustment of 10% will be added to the liabilities for all funding targets. This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions.

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.

5.14 At the 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance of reaching or exceeding the Solvency Target over the relevant Trajectory Period, is as set out below:

Funding target	Probability of funding success	Trajectory Period	Discount rate as at 31 March 2022
Secure Scheduled and Subsumption Body	76%	20 years	4.5%
Intermediate employers	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	20 years	-lower risk employers 4.25% -medium risk employers 4.05% -higher risk employers 3.95%
Ongoing orphan employers	Set to target the exit (orphan) position when the last active leaves*	15 years*	In service 3.95% Left service 1.60%
Orphan (exit)	95%	15 years	1.6%

* In order to keep contributions for employers' subject to the ongoing orphan funding target affordable, the in-service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for the orphan exit funding target.

Recovery Periods

5.15 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes and noting the provisions in 5.32 below, employers' contributions may be adjusted to target a fully funded position over the Recovery Period. The Fund's strategic aim is to achieve full funding 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.

5.16 If the assets of the scheme relating to an employer are less than the Funding Target at the date of any actuarial valuation, a recovery plan will be put in place, which 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.

5.17 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: -

5.17.1 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.

5.17.2 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.

5.17.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment).

5.17.4 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).

5.17.5 deferred employers – remaining period of the deferred debt agreement.

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

5.18.1 the type/group of the employer.

5.18.2 the size of the funding shortfall or surplus.

5.18.3 the business plans of the employer.

5.18.4 the assessment of the financial covenant of the employer.

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

5.18.6 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

5.19 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.

5.20 The Administering Authority operates two groups, or pools of employers for funding purposes: The Town and Parish Council Group (TPCG) and the Academies Group. The funding principles as set out below apply equally to the groups, other than where this would not be consistent with the principles of pooling funding risks. Further details of how the groups operate are set out in section 6 below.

5.21 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.

5.22 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.

5.23 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.

5.24 Employer contributions may be reduced below the primary rates 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 deficit of assets below the funding target. Assets are notionally allocated to employers via a process of unitisation as described in paragraph 5.40. The past service ("secondary") contributions are assessed taking into account the following:

5.24.1 the experience and circumstances of each employer, following a general principle of no cross-subsidy, between the various employers (other than where pooling is specifically intended to share funding risks) in the Fund, and

5.24.2 the appropriate recovery period for the employer or group in line with the principles set out in paragraph 5.15 above.

5.25 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.

5.26 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.

5.27 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:

5.27.1 the type/group of the employer.

5.27.2 the business plans of the employer.

5.27.3 an assessment of the financial covenant of the employer.

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

5.27.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS.

5.28 On the cessation of an employer's participation in the Fund, 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 Fund 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.

5.29 With regard to the funding for early retirement costs, all employers, including those in the funding groups, are required to make capital payments to the Fund to cover the costs of their early retirements. This excludes the costs involved with ill health retirements which are built into the employer's contribution rate (as are death-in-service costs). For deaths in service and tier 1 and tier 2 ill health retirements the experience (and hence funding costs) will be spread across all active employers.

5.30 Two key principles making up the funding strategy and to be adopted for the 2022 actuarial valuation are to:

5.30.1 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 2023 will be adopted where appropriate and required. In addition, for most employers an adjustment to the surplus used to reduce employer contributions below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging economic outlook. It is intended to reduce the risk of employer contributions reducing from 1 April 2023, only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation.

5.30.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.31 It may not be possible to adopt the two principles outlined in paragraph 5.27 for all employers. Individual decisions may have to be taken for an employer or group with regard to an appropriate recovery period, the level of surplus which may be used to subsidise primary rates, 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.

5.32 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

5.33 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 and only surplus above a funding level of 105% as at 31 March 2022 being used to subsidise primary contributions from 1 April 2023, ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

Smoothing of Contribution rates for admission bodies

5.34 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.

5.35 In light of strong investment performance in the six years to the 2022 valuation date and changes to the ongoing orphan and orphan exit funding targets, the Administering Authority considers that relaxing the requirement that the contribution rate targets full funding for admission bodies will only be permitted in exceptional circumstances, e.g.

5.35.1 where there is clear evidence higher pension contributions may precipitate an employer's failure

5.35.2 where market movements since the valuation date suggest an improved funding position which should reasonably be taken into account when setting secondary contributions in light of the future expected period of participation of the employer.

5.36 Where contribution rates for admission bodies subject to the ongoing orphan funding target are relaxed i.e. set at a level lower than full funding would require, the bodies should be aware that, this could lead to a 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 deficit. 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)

5.37 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers/groups, as if each employer/group had its own notional sub fund within the Fund.

5.38 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.

5.39 With effect from 1 April 2016 a unitised approach has been taken to track the notional employer sub-funds. The unitisation model allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. Investment returns are allocated on a pro rata basis with all employers subject to the same investment strategy unless otherwise agreed between the Administering Authority and the employer. The Administering Authority believes that the unitisation methodology 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

5.40 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 orphan 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 1.

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

6. Funding Groups (pools)

Town and Parish Council Group (TPCG)

6.1 Town and Parish Councils all paid the same primary contribution rate with effect from 1 April 2020. With effect from the 2022 valuation the grouping arrangements have been extended so that all funding risks are shared in the TPCG with any gain or loss since the previous valuation shared in proportion to liabilities at the valuation date.

6.2 The TPCG includes Town and Parish Council employers under Part 2 (paragraph 2) of Schedule 2 of the Regulations which, due to being relatively small employers, benefit from being able to share risks with a wider pool. Only employers with active members or which are subject to a suspension notice, are eligible for membership of the group. A Town or Parish Council can elect to opt out of the TPCG and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the TPCG is irrevocable.

6.3 Most employers within the TPCG will have a common recovery period for secondary contributions, which was retained as 22 years at the 2022 valuation. Where an employer in the TPCG notifies the Administering Authority of a decision to stop designating posts as being eligible for membership of the LGPS a shorter recovery period may be used.

6.4 Employers of the TPCG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the TPCG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation.

6.5 In order to smooth the transition to the extended grouping arrangements for TPCG employers, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years from 1 April 2023, subject to review at the 2025 valuation.

Academies Group

6.6 The Academies Group (AG) was created on 1 April 2022. Eligibility for the AG extends to all Academies, Free Schools and Multi Academy Trusts under Part 1 (paragraph 20) of Schedule 2 of the Regulations, which are covered by the Department for Education guarantee. This includes any academy created from a former higher or further education body.

6.7 Employers can choose not to join the AG at the later of the date of conversion or the signing of the 2022 valuation rates and adjustments certificate. However, where a Multi-Academy Trust is treated as the scheme employer for funding purposes their decision not to join the AG will extend to all academies in the Trust, including any schools which convert in future. Employers who have joined the AG can elect to opt out of the AG in future and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the AG is irrevocable.

6.8 Employers within the AG will share all risks in proportion to liabilities. Subject to 6.10 below, secondary contributions will be assessed for employers in the Group in proportion to their liabilities in the AG at the relevant valuation, using the recovery period appropriate to the Group, which was set as 22 years at the 2022 valuation and, where a surplus is being used to reduce contributions, in proportion to their pensionable payroll.

6.9 Employers of the AG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the AG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation. For the purpose of calculations under FRS102/IAS19, the notional asset allocation will be based on each academy's share of the AG's assets at the (funding) valuation date pro rata to their liabilities on the secure scheduled and subsumption body funding target.

6.10 In order to smooth the introduction of the grouping arrangements, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years from 1 April 2023, subject to review at the 2025 valuation. Any new academies joining the Group will pay the grouped rate from conversion.

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

7.1 The Administering Authority sets its investment strategy with the aim of delivering the optimal balance of risk and return in light of its risk appetite, the Fund's membership and employer profile, and noting the statutory nature of the benefits and the principal employers. In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

7.2 The Fund Actuary's modelling also includes allowance for expected future volatility of returns from the Fund's investment strategy. This risk-based modelling underpinning the choice of discount rates ensures consistency between the investment and funding policy and enables employers to benefit from the expected performance of the Fund's investments, including in growth assets through reduced contributions, whilst at the same time ensuring a prudent approach which recognises that future returns are not guaranteed.

7.3 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.

8. Identification of risks and counter-measures

8.1 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

8.2 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:

8.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)

8.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility

8.2.3 insufficient funds to meet liabilities as they fall due

8.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon

8.2.5 counterparty failure

8.3 The specific risks associated with assets and asset classes are:

8.3.1 equities – industry, country, size and stock risks

8.3.2 fixed income - yield curve, credit risks, duration risks and market risks

8.3.3 alternative assets – liquidity risks, property risk, alpha risk

8.3.4 money market – credit risk and liquidity risk

8.3.5 currency risk

8.3.6 macroeconomic risks

8.4 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.

8.5 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.

8.6 If there are significant market movements between the valuation date and the date the valuation is signed off the Administering Authority, on the advice of the Actuary, will consider what allowance should be made, if any, when finalising employer contributions.

Liability risk

8.7. 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).

8.8 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.

8.9 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.

8.10 Allowance has been made for prevailing high levels of consumer price inflation in the calculation of the liabilities as at 31 March 2022 as set out in paragraph 5.13 above. If significant changes in the value of the liabilities become apparent between valuations, including inflation above the levels allowed for in the 2022 valuation, 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.

8.11 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.

Liquidity and Maturity risk

8.12 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,

8.12.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements,

8.12.2 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),

8.12.3 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),

8.12.4 lower member contribution rates or a change in the contribution bands, agreed as part of the cost management process or otherwise, may lead to lower contribution income if not immediately matched by higher employer contributions,

8.12.5 an increase in opt-outs and the take up of the 50/50 option (which are currently considered to be an increased risk due to current cost of living pressures) will reduce member contributions to the Fund.

8.13 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

8.14 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:

8.14.1 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.

8.14.2 The outcome of the cost management process as at 31 March 2020 (and the Judicial Review of the 2016 process).

8.14.3 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.

8.14.4 Redundancy early retirement provisions - Government recently consulted on proposals to control exit costs for central government employers but it is not yet clear whether the £95,000 total payment which will trigger additional controls will include pension strain costs nor whether similar provisions will be put forward for local government employers.

8.15 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 and changes to the status of FE colleges. There is also uncertainty over how Government will respond to requests from Multi-Academy Trusts to consolidate their interests in a single LGPS fund. This could, have material implications for the net cashflow and maturity position of the Fund if the larger academy chains do then decide to consolidate their LGPS interests.

8.16 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

8.17 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a deficit in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. Public sector spending challenges and inflation may have adverse consequences for 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.

8.18 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 deficit 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

8.19 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.

8.20 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.

8.21 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.

8.22 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

8.23 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.

8.24 The Administering Authority has commissioned scenario analysis modelling on the potential effect on funding from the Fund's Actuary which will be reported in the 2022 valuation report. This modelling is expected to meet the Government Actuary's requirements for the 2022 valuations as well as supporting the Fund's reporting under DLUHC's proposed new TCFD (Taskforce for Climate-Related Financial Disclosures) regime for LGPS funds.

9. Monitoring and Review

9.1 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.

9.2 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.

9.3 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:

9.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy,

9.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits,

9.3.3 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,

9.3.4 if there have been any significant special contributions paid into the Fund.

Appendix E: Funding Strategy Statement

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

(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 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).

- 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 paragraph1(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 In the case where the Scheme employer itself is grouped/pooled for funding purposes, contractors will generally participate in the same group as the Scheme employer, other than where it is determined that this is not appropriate, e.g. to protect the other employers in the Group. On cessation of an Admission Body for which a pass-through arrangement is in place, the subsumed liabilities will be assumed to be subsumed by the Scheme employer (and its group/pool where appropriate) but not by any unconnected employers in the AG or TPCG.

2.10 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.

2.11 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 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 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
- 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 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 new academy will be included within the Academies Group, 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.
- 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 2022 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 2022 (see paragraph 8.14 of the Funding Strategy Statement) 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 converts and joins the Academies Group, it will generally pay the Academies Group contribution rate. However, where the new academy is joining a multi-academy trust (MAT), and the MAT is paying different contributions to the Academies Group due to phasing in of contribution changes, the new academy will pay contributions in line with those being paid by the MAT until contributions are reviewed at the next triennial Actuarial Valuation, or earlier if required and permitted by the Fund’s strategy.

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)
- 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 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 2022 funding valuation:

- the allowance made for the potential liabilities arising from the McCloud judgement remedy will be refined as required once the final remedy is known and as the data required to accurately assess any additional liabilities becomes available.
- the allowance for short-term inflation above the long-term assumption underpinning the orphan exit funding target will be reviewed and updated on the advice of the Fund Actuary.

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.

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 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.

(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.

10.2 Where the MAT participates in the Academies Group 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 of the extent of these liabilities. The Administering Authority may also direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT if this is considered necessary to protect the other employers in the Academies Group. The contribution rate for the MAT may be adjusted 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.

10.3 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 deficit 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 but those assets and liabilities will be tracked separately from the Academies Group in order to protect the other employers within the Academies Group.

10.4 It is expected that the establishment of the Academies Group will simplify the funding approach for academies and MATs. However, actuarial calculations may still be required in relation to academies or MATs which do not participate in the Academies Group. For example, where such 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 liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the liabilities transferring and to ensure 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.

10.5 Where an academy moves to a MAT which does not participate in the Fund, unless otherwise advised by the Fund Actuary, or required by a Direction Order, the assets to be transferred will be calculated as the liabilities of the transferring academy (calculated on the ongoing funding target) multiplied by the funding level of the Academies Group. (capped at 100%).

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. For the avoidance of doubt, when a Town and Parish Council exits the Fund their liabilities will become orphan rather than being subsumed by the Town and Parish Council Group.

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.
- 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 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 enrols 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:

- 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.

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.

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. 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.

4. 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.

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.

5. 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.

6. 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 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. 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.

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 – West Yorkshire Pension Fund and a Chief Finance Officer from the West Yorkshire district councils on a two-year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the panel through the ten councillors nominated by the five district councils. The co-opted councillor will be from Bradford Council as administering authority.

3.3 All representatives on the panel have equal voting rights.

3.4 For each municipal year a chair of the panel is nominated by the two Bradford Council councillor representatives on the panel, and a deputy chair is elected from other members on 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 – West Yorkshire Pension Fund or his/her nominee, and one external investment adviser.

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

4. WYPF Joint Advisory Group

4.1 The WYPF Joint Advisory Group (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 Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition, the group will approve the budget estimates for the 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 will 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 Members' Annual Meeting.

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

7. Training/expenses/facility time

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

7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work on the Panel, 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 Pension Board shall be remunerated for undertaking this role. However, expenses incurred in the attending meetings, training events will be re-imbursed. 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 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 compete a 'Conflicts of Interest' form.

Appendix G: Communications Policy

Communications Policy 2023

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 2023 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.
- customer surveys.
- web feedback using hosted services.

To ensure continuous development we plan to:

- further develop member self-service with a secure My Pension platform.
- broaden our use of digital platforms to engage stakeholders including adoption of online chat using Live Agent.
- improve the web provision for all members by launching a new persona driven website.
- increase the information we give to employing authorities when they join the scheme or change main contacts.

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Communications events 2023 – 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 ins	On employer request	Virtual
	Engaging with your LGPS pension	Monthly	Virtual events held online
	Pension Awareness Week	Once per year (Sept)	Virtual events held online
	Planning for a successful retirement	At least monthly	Held by Affinity Connect
	WYPF Contact centre and LPF satellite office	8.45am to 4.30pm 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

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	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45am to 4.30pm Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web
	YouTube channel	Constant	Web

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	8.45am to 4.30pm 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 2023 – 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
	New recruit presentation	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

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	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 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 2023 – 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

Communications events 2023 – 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

Member contacts
Phone (01274) 434999
Email pensions@wypf.org.uk
Our offices have now re-opened to members of the public following the Covid-19 pandemic on an appointment basis.

Postal address
WYPF
PO Box 67
Bradford BD1 1UP

WYPF contact centre
Aldermanbury House
4 Godwin Street
Bradford
BD1 2ST

LPF satellite office
Lincolnshire County Council

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County Offices
Newland
Lincoln LN1 1YL

Employer contacts
Ammie McHugh (Employer Relations Manager) 01274 432763

Employer Pension Fund Representatives

David Parrington	(Fire)	01274 433840
Sheryl Clapham	(LGPS)	01274 432541
Kaele Pilcher	(LGPS)	01274 432739
Ahmed Surtee	(LGPS)	01274 433517
Richard Quinn	(LGPS)	01274 433646
Finola Middleton	(LGPS)	01274 432726

WYPF Management

Euan Miller	Managing 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

Barnet Pension Fund Management

Mark Fox	Pensions Manager

Fire and Rescue Service Pension Scheme Clients
Avon Fire & Rescue Service
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
Shropshire & Wrekin Fire & Rescue Service
South Yorkshire Fire & Rescue
Staffordshire Fire & Rescue Service
Tyne & Wear Fire & Rescue Service
Warwickshire 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.

4.2. Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.

4.3. The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2017/18 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.

	Benchmark %	Control Range %
Equities	**65**	**+7.5 to -7.5**
UK	**35**	**+5 to -5**
Overseas	**30**	**+10 to -5**
North America	8	+5 to -5
Europe (Ex UK)	10	+5 to -5
Japan	4	+3 to -3
Asia Pacific (ex Japan)	3	+3 to -3
Emerging Markets	5	+3 to -3
Bonds	**17**	**+3 to -3**
UK Fixed Interest Gilts	5	+3 to -3
UK linked Gilts	5	+3 to -3
Corporate Bonds	4	+3 to -3
Global Bonds	3	+2 to -2
Property	**5**	**+2 to -2**
Private Equity	**5**	**+2 to -2**
Private Infrastructure	**4**	**+2 to -2**
Hedge Funds	**0**	**+2 to -2**
Listed Alternatives	**2**	**+2 to -2**
Cash	**2**	**+3 to -3**

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

6.1 The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

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. Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.416bn, which is in excess of the £25bn criteria set by Government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete. Day-to- day cash is assumed to be 1% of total assets for each fund.

7.4. For the immediate future after inception of the Pool, the Fund's public-market assets will continue to be held in segregated mandates owned directly by the administering authority, but managed by the Pool. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.

7.5. All non-listed assets will be managed by the Pool from its formation. Subject to value for money requirements being fulfilled, new investments (i.e. those entered into after the formation of the Pool) in private market assets will be made on a shared ownership basis, via either collective investment vehicles or limited partnerships.

7.6. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.

7.7. This approach 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.

7.8. The reviews will take place no less than every 3 years.

7.9. Once established it is intended that the Pool will provide the following services to the participating authorities on an in-house basis:

- Implement the strategic asset allocations of the participating authorities
- Management of UK and Overseas equities and bonds
- Selection of private equity, infrastructure & property funds.
- Direct UK infrastructure investment via a collective investment vehicle
- Legal and accounting support

7.10. 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

7.11 A Pool Oversight Board will be established to:

- provide oversight of the Pool; and

- act as a forum for the participating authorities to express the views of their pension committees.

7.12 The Oversight Board's primary roles are to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocations and to oversee reporting to the participating authorities' pension committees.

7.13 The legal structure of the Oversight Board is expected to be a joint committee. There will be clear separation of duties between the Oversight Board and the Pool. The Oversight Board will not be undertaking any regulated activities.

7.14 The Pool's governing documentation will grant the Oversight Body and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

7.15 Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Oversight Body, which will be discussed at formal meetings.

7.16 Officers of the Pool will also report and present directly the administering authorities' pension committees and local pension boards as appropriate.

7.17 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

9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.

9.2 The fund will actively invest in low carbon and renewable energy technology where suitable opportunities arise, in order to encourage a move toward a lower carbon economy. The Fund will increase exposure via infrastructure funds, equity investments and alternative investments. The Fund will continue to encourage companies to consider climate change and environmental risk in their business strategies, and will co-sign shareholder resolutions at company annual general meetings where appropriate.

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

9.4 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 70 local authority pension funds with combined assets of over £175 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The Forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors. Representatives of the LAPFF have attended the Annual General Meetings of companies where shareholder resolutions have been brought, and these have been well received by the companies involved.

9.5 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

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

10. Exercise of Rights Attached to Investments

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

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

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

12. Effective Decision Making

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

13. Clear Objectives

13.1 Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's 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.

14. Risk and Liabilities

14.1 Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

15. Performance Assessment

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

16. Responsible Ownership

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

17. Transaction and Reporting

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

18. Transparency and reporting

The Investment Strategy Statement is regularly updated and is available on the Fund's website:

https://www.wypf.org.uk/wypf/wypf-documents-and-boards/

Details of the Fund's voting policy and voting activity are also published on the website :

https://www.wypf.org.uk/wypf/wypf-documents-and-boards/

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 Conflicts 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.

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.

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.

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

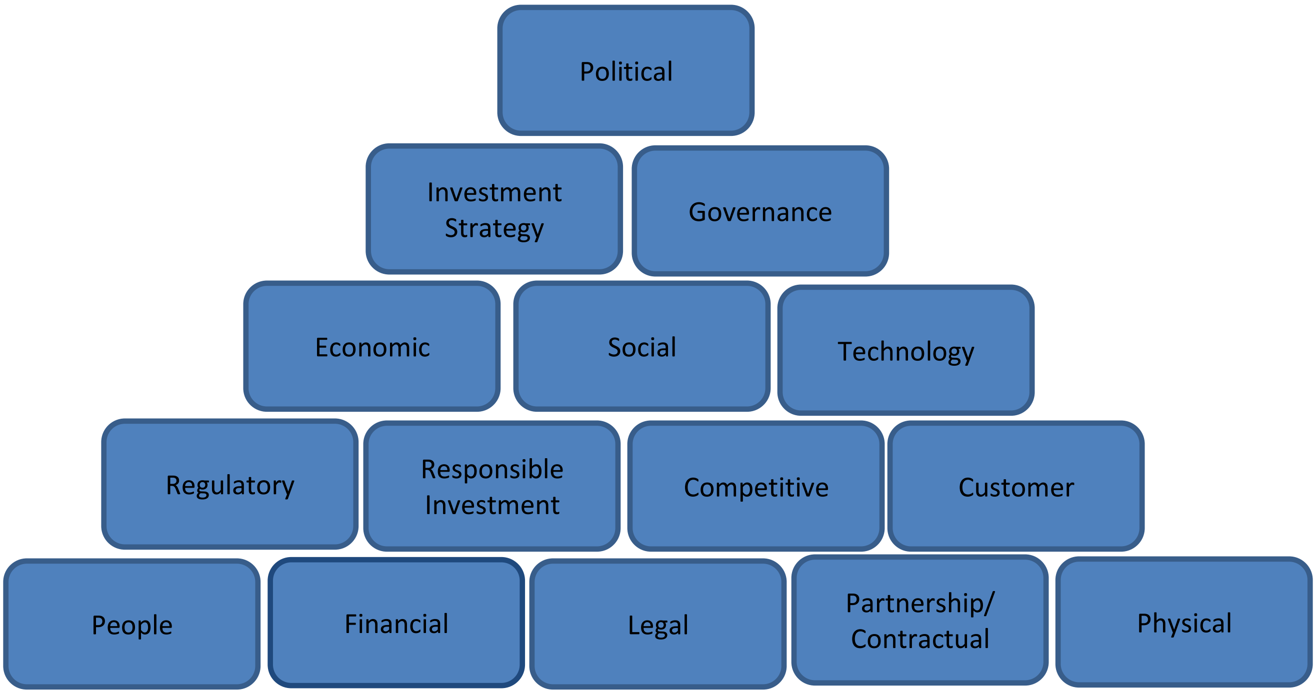
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed 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
49	Provision of IT services and equipment from CBMDC

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

Appendix J: Risk Management Report

Financial

Scenario	Short name
10	Finance aren't always involved in other sections' decision making processes
12	External Fraud
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.
50	Focus on investments means consequential non-investment risks are overlooked

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.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.
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
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.
39	Disaster recovery
40	Internal Fraud
41	Recruitment and retention of experienced staff
42	Loss of sensitive personal data
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements
49	Provision of IT services and equipment from CBMDC
50	Focus on investments means consequential non-investment risks are overlooked

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.

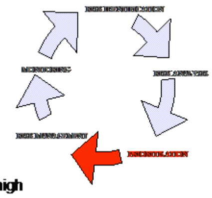
Appendix J: Risk Management Report

As part of a regular review, 50 risks have been identified and framed into scenarios. The risks identified have been rated, 32 of these above their acceptable tolerance level, 18 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – April 2024

Likelihood	IV	III	II	I
A				
B				
C		10,	1, 2, 6,9, 28, 33,39,	41,49
D		3, 4,13, 16,44	5, 8, 14, 15, 18, 19,20,21,22,23,24,25,26,27,29,30,31,32,34,43,45, 46,48	
E	11,	7,	12, 17, 35,36,37,40,42,47,50	
F			38	

Impact



Likelihood:
A Very high
B High
C Significant
D Low
E Very low
F Almost impossible

Impact:
I Catastrophic
II Critical
III Marginal
IV Negligible

Risk management and monitoring

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

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

MAPs were then agreed for those risks above the tolerance line and are specified below:

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	Residual Rating	Review frequency	Key dates	Opportunity
1	C I	Valuation registers a deficit in the Fund. 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 : • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer the funding position of the fund could deteriorate	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 Due to potentially decreasing payroll deficit amounts are set as - monetary amounts at the valuation Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years Monitoring of closed employers Quarterly funding updates provided by Funds Actuary	Deteriorating funding positions could result in increased employers' deficit contributions to eliminate deficit Growth is built into the medium term financial plan, stepped contribution increases for low to medium risk employers as per the FSS	Managing Director WYPF JAG	Funding position to remain within 90% to 110% range	C II	triennial	Every three years - 31 March 2022/2025	

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	Residual Rating	Review frequency	Key dates	Opportunity
2	C I	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy. Introduction of Auto Enrolment has increased membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Assistant Director (Finance, Administration and Governance)	• Fund continues to have positive cashflow (including investment income) • The investment strategy is regularly reviewed to ensure it is consistent with maturity profile of the Fund	C II	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
5	D I	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: • Civica user group • LGPS group • Payroll user group	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	D II	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	Control adequate 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	C II	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.

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	Residual Rating	Review frequency	Key dates	Opportunity
8	D I	Failure to administer the scheme in line with regulations and policies	Technical Services Manager reviews impending legislation changes and MSMs assess impact on their areas of responsibility. Project teams set up to assess major legislation changes.	Management Review meetings will monitor workloads and progress of any changes to be implemented.	Managing Director, Assistant Director (Finance, Administration and Governance)/ Head of Finance	Any changes implemented in line with legislation timescales.	D II	At each MR meeting	McCloud Remedy Autumn 2023, Pensions Dashboard Sept 2025	Increase in member satisfaction levels.
9	B 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	C II	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

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	Residual Rating	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	D II	Annual	Annually	Attract new business to the Fund

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	Residual Rating	Review frequency	Key dates	Opportunity
15	D I	Finance (Prompt payment of pensions on the due date.)	Control adequate	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)	• Pensioners getting paid on time • Number of complaints. Callers/Visitors	D II	Monthly		
18	D I	Partnership/ Contractual (Provision of shared services to Fire Authorities and other LGPS Funds)	Control adequate Collaboration Board and Shared Services meetings take place regularly to assess resource requirements	Review of adequacy of resources in light of shared service demands	Assistant Director (Finance, Administration and Governance)	• Shared service KPIs • Staff morale • Feedback from Shared Service partners • WYPF reputation amongst LGPS/Fire pensions community	D II	Quarterly		Further economies of scale generated
19	D II	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, also sets out the IAP role and that of its members**	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Managing Director	Documents up to date.	D II	Annual and when regulation change.	May	Wider WYPF governance review currently 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	Residual Rating	Review frequency	Key dates	Opportunity
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. **Annual Review of delegations.**	Control is adequate, annual review when Independent Advisor reports on IAP Governance Arrangements.	Managing Director to consider changes required following Annual Governance Report.	City Solicitor Managing Director	Documents up to date.	D II	Annual and when regulation change.	May	Wider WYPF governance review currently ongoing
21	D II	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. A training policy is in place which requires Members to receive continuing training. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Managing Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies and attend major conferences	Control is adequate	Managing Director to facilitate training arrangements and to report to IAP as required.	Managing Director IAP Members	Training and other records kept up to date.	D II	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	Residual Rating	Review frequency	Key dates	Opportunity
22	D II	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions. **As per risk 3 above.**	Control is adequate	Managing Director to facilitate training arrangements and to report to IAP as required.	Managing Director IAP Members	Training and other records kept up to date.	D II	Ongoing		
23	D II	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. **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.**	Control is adequate.	Managing Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Managing Director	Decisions to be in the best interest of the Fund. G&A Committee not over-ruling IAP/JAG decisions	D II	Quarterly		

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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	Residual Rating	Review frequency	Key dates	Opportunity
24	D II	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.**	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Managing Director	CPD confirmation obtained.	D II	Annual.		
25	D I	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. **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.**	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.	D II	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	Residual Rating	Review frequency	Key dates	Opportunity
26	D I	Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. **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.**	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Managing Director	Fund maintains a consistent high level of funding	D II	Triennial	2023 Strategic Asset Allocation Review	
27	D I	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility.	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Managing Director	Fund maintains a consistent high level of funding.	D II	Triennial	2023 Strategic Asset Allocation Review	

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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	Residual Rating	Review frequency	Key dates	Opportunity
28	C I	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.**	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Managing Director	Fund maintains a consistent high level of funding.	C II	Triennial	Receipt of 2022 valuation and subsequent funding updates	
29	D I	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.**	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Managing Director Head of Finance	Cash resources maintained at an appropriate level.	D II	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	Residual Rating	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. **The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.**	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.	D II	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. **Engagement is unsuccessful and does not promote change.**	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.	Managing Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	D II	Ongoing		Improved corporate governance following engagement results in better company performance.

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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	Residual Rating	Review frequency	Key dates	Opportunity
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. **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.**	Control is adequate.	We receive some external assurance: • Trucost's Carbon annual footprinting exercise attempts to identify potential stranded assets in the fossil fuel portfolio. • Our Property portfolio managers report the EPC ratings for assets in their portfolios. We believe that inefficient buildings, which may not legally be permitted to be rented, currently presents the greatest risk of stranded assets. We continue to monitor this risk.	Managing Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	D II	Ongoing		Improved corporate governance following engagement results in better company performance.

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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	Residual Rating	Review frequency	Key dates	Opportunity
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. **Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.**	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.	Managing Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	C II	Ongoing		
34	DII	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken. **The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.**	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.	Managing Director, Assistant Directors and Investment Managers	Fund assets safeguarded and returns achieved.	D II	Ongoing		Investment in developing sectors diversifies the portfolio and improves returns.
39	C I	Disaster recovery	Control adequate 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 Managing Director (Finance, Administration and Governance)	Full disaster recovery plan in place which enables business to operate as usual during any disaster	C II	Annual	Ongoing	System resilience, essential in providing 3rd party services – shared services.

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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	Residual Rating	Review frequency	Key dates	Opportunity
41	C I	Recruitment and retention of experienced staff	Control adequate 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 staffing completed September 2020	Monitor salaries in both public and private sector. Flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Managing Director Assistant Director (Finance, Administration and Governance) Director of HR	Motivated and responsive staff Minimal staff turnover No breaches of time limits or maladministration issues	C I	6 monthly	Ongoing	Carry out a periodical review of salaries and grades. Attractive flexible working, home working and mobile working
43	D II	Key staff on long term absence	Control adequate 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	D II	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.
45	C I	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	D II	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

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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	Residual Rating	Review frequency	Key dates	Opportunity
46	C I	Compliance with GDPR requirements	Control adequate Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd 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)	No major security breaches A reduction in minor security breaches	D II	Ongoing	Ongoing	
48	C 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	D II	Ongoing		
49	C1	Provision of IT services and equipment from CBMDC	Reduce connectivity issues, provide IT equipment in a timely manner.	Regular meetings with CBMDC Client Manger, escalation process in place, request equipment ASAP to give CBMDC as much notice as possible.	Managing Director Assistant Director (Finance, Administration and Governance)	Reducing connectivity issues, timely receipt of IT equipment	C I	Ongoing		

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

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1

Risks register

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)	• Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'
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	• Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
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	• Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity
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	• Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity
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.	• E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
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	Don't progress direct input or do but on a piecemeal basis Deadlines not met	• People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				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.		• Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met
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.	• other systems available but enforced change time consuming • pressure on staff
8	B II	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	• Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non-compliance • Key objective not met • general pensions knowledge declines • pressure on staff • staff don't have up to date, consistent knowledge and understanding • recalculations of pensions to do
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	• Staff frustrated • Reduced level of service to other employers
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	• Act 'ultra vires' • Promises made that can't be met

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
11	E IV	Competitive	National and local KPIs are not being met		Poor performance leading to complaints and reduction in service to stakeholders	• Can't manage performance effectively • Fail to meet explicit objective
12	E II	Finance	External Fraud	Pensions paid where there is no entitlement	Returned payments/payslips, non-return of life certificates, flagged by NFI	• overpaid pensions • court cases • time commitment • key objective not met
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	• Inefficiencies in operations • Lack of automation • Poor benchmarking returns	• Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
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	• Fines • Bad publicity • Shrinking user base
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	• Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
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)	• Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund 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	• Investment Funds might go bust resulting in losses for the Fund
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	• Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income
47	E II	Customer	Failure to communicate adequately with scheme members	• Website regularly updated. • Newsletters are published at least annually, • Annual Benefit Statements and Deferred benefit Statements issued annually	Complaints or cases going to IDRP	• Fines from TPR • Bad publicity • Members not able to make timely decisions • Reduction in value of pension benefits
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.		• Fines from TPR • Bad publicity • Members not able to make timely decisions
			INVESTMENT RISKS			
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the	Review of roles or constitution	• Detrimental decisions made in relation to investments.

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			relation to investments.	IAP role and is provided to Members, who agree to abide by them.		
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	• Detrimental decisions made in relation to investments.
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	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 Managing 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		• Members fail to act in the best interests of the fund.
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	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 Managing Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, PLSA and representatives attend major conferences. The IAP is very experienced and knowledgeable and monitors the performance of the Fund		• Members fail to act in the best interests of the fund.
23	D II	Governance	Members take decisions without due regard to advice, along	Managing Director to raise any concerns with Independent Advisors and report to Governance	All decisions of the IAP are subject to the Governance and Audit Committee's	• Sub-optimal or inappropriate decisions impact investment returns and in due

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.	and Audit Committee as required.	approval, where decisions not made in the best interests of the Fund may be overruled.	course funding levels, increasing contributions.
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.	• Advice of poor quality or not tailored to WYPF. • Detrimental decisions made in relation to investments.
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	• Fund not invested in accordance with requirements. • Reputational damage to fund within sector and investment markets.
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.	• Funding shortfall has to be made good by employer contribution increases.
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.	• Increased risk of a funding shortfall due to excessive portfolio volatility.
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	• Funding shortfall has to be made good by employer contribution increases.
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time,	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	Negative cashflow	• Fund has to sell investment at an inopportune time, risking a loss of value.

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			risking a loss of value.	ensure all commitments can be met on due date.		
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.	• Expected returns not achieved • Asset values decrease
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.	• Actions not agreed where engagement has failed.
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	• 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.
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.	• Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.
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.	• The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.
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 NLGPS. 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.	• Fund assets not safeguarded
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.	• Losses on stock lending
37	E II	Governance	Internal Investment Management may not have	A robust framework of controls, including separation of investment managers from	Settlement and reconciliation processes	• Fund assets at risk, fraud.

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			appropriate control frameworks in place to protect Pension Fund assets.	settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	maintained and verified.	
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.	• poor investment decisions on future investment, • fund assets at risk
50	E II	Governance	Focus on investments means consequential non-investment risks are overlooked	Implementation of investment strategy creates unavoidable non-investment credit and counterparty risks	• Cash and liquidity selection against appropriate limits • Clarity over where ‘daylight’ risks might be present when cash is transferred to other vehicles ahead of investments • Understanding of any margin or other requirements as part of any hedging programmes in place.	• Default of banks that the fund has cash with, and/or loss of par in any liquidity funds investments • Counterparty default in any hedging and/or cash transitions.
JOINT ADMINISTRATION AND INVESTMENT RISKS						
39	C II	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren’t including the e-mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe.	Minor incident occurs Major incident occurs	• Can’t back up the data • Loss of service • Permanent data loss • Loss of income • Inability to pay pensioners

Appendix J: Risk Management Report

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc.		
40	E II	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	• Loss of data • Corrupt data • Incorrect payments • Breach of DP Act
41	C I	People	Recruitment and retention of experienced staff	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	• Pressures on existing staff could lead to staff becoming demotivated or leaving • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Carrying vacancies
42	E II	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is not encrypted	Loss of data	• Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
43	D II	People	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	• Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
44	D III	People	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	• Information could be passed on • Records updated inappropriately • Contravene DP Act
45	D II	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	• Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by TPR
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	• Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts
47	E II	Customer	Failure to communicate adequately with scheme members	Fund delivers a service that is not meeting the needs of members	Member complaints and/or negative press articles	• Sub-optimal levels of member understanding leading to poor decision making • Lack of local support for activities of the Fund

Appendix J: Risk Management Report

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						• Increased workloads • IDRPs
49	C1	Technological	Provision of IT services and equipment from CBMDC	Staff are not able to connect to the Council network because systems are down. Staff do not have IT equipment to undertake their duties.	No access to systems or no IT equipment	• Staff cannot carry out their duties • May miss out on investment opportunities

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:

- the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
- any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.

1.2 Board members should also have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.

1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

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 LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. 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.

- Introducing pension schemes
- Pensions Law
- The trustee's role
- Running a scheme
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans. Contributions and funding principles
- Investment in a defined benefit scheme

3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.

- Conflicts of Interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

3.5 The Pensions Regulator website is https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

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:

- in-house training days provided by officers and/or external providers
- training as part of meetings provided by officers and/or external advisers
- external training events
- circulation of reading material
- attendance at seminars and conferences offered by industry-wide bodies, and

- links to online training.

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:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge, and
- 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 CPIFA 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).	www.wypf.org.uk
Relevant policies	
Relevant policies	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Conflicts of Interest Policy	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Internal Dispute Resolution Procedure	https://www.wypf.org.uk/lgps-employer-zone/useful-information-for-employers/idrp/
Reporting of Breaches Procedure	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
WYPF policy statements	
WYPF policy statements	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Statement of Investment Principles	
Funding Strategy Statement	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Pensions Administration Strategy	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Communication Policy	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Governance Compliance Statement	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/

WYPF Discretionary Policy Statement	Supplied on request
Others	
Actuarial Valuation Report and Rates and Adjustment Certificate	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
WYPF Risk Register	Supplied on request
Annual Report and Accounts	https://www.wypf.org.uk/wypf/wypf-documents-and-boards/
Investment management and activity	https://www.wypf.org.uk/wypf/investments/

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 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:

(a) securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS

(b) securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and

(c) 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 (8) 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.

Employer representatives

4.3 Employers who participate in the fund will nominate four (4) representatives to sit on the Pension Board as Employer Representatives from the following sources.

(a) Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 4.6 below.

(b) One (1) 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.

Member representatives

4.4 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

4.5 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four (4) representatives to sit on the Pension Board as member representatives.

The Chair

4.6 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

4.7 The chair of the board shall:

(a) ensure that the board delivers its purpose as set out in these Terms of Reference

(b) ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and

(c) 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.

Attendance at meetings

4.8 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.

5. Term of office/appointment

5.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

5.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two (2) employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

5.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

5.4 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.

6. Termination

6.1 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.

6.2 Board membership may be terminated prior to the end of the term of office due to:

(a) a member representative no longer being a representative of the body on which their appointment relied

(b) an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(c) a Board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

(d) the representative being withdrawn by the nominating body and a replacement identified.

(e) a Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(f) a Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

(g) 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.

7. Number of meetings

7.1 The Pension Board will normally meet four times a year. The Chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

7.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

8. Creation of working groups/sub boards

8.1 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.

9. Code of conduct and conflicts of interest policy

9.1 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/

9.2 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.

9.3 All voting members of the Pension Board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.

9.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

10. Voting rights

All representatives on the Pension Board have equal voting rights. Decisions made by the Pension Board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

11. Other attendees

The Pension Board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

12. Secretariat services to the board

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.

13. Agenda

Prior to each meeting the Director of 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.

14. Quorum

The quorum of the Pension Board shall be three (chair plus one employer representative and one member representative).

15. Publication

In accordance with the act, the council shall publish information about the board to include:

(a) the names of Board members and their contact details

(b) the representation of employers and member on the board

(c) the role of the Board

(d) these terms of reference

16. Allowances/Expenses

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.

17. Knowledge and Understanding and Capacity of Representative Members

17.1 Every individual who is a member of the Pension Board must be conversant with:

(a) 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)

(b) the requirements of the Pensions Regulator

(c) 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.

17.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

17.3 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.

17.4 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.

18. Accountability

18.1 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.

18.2 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.

18.3 On receipt of a report the Committee shall within a reasonable period, consider and respond to the Board.

18.4 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.

18.5 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.

18.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

19. Budget

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.

20. Core functions

20.1 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.

20.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.

20.3 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.

20.4 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.

21. Data protection

21.1 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.

21.2 The Pension Board will therefore adhere to the data protection policies of the Council.

22. Review of Terms of Reference

22.1 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 (2) years.

22.2 These Terms of Reference were adopted on:

- 20 March 2015 on behalf of the Council (Governance and Audit Committee).
- On behalf of the Board.