

WEST YORKSHIRE PENSION FUND

ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PENSION SCHEMES REGISTRY NUMBER 10041078



REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016



West Yorkshire Pension Fund

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SECTION 1 – FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2016 we had 278,951 members and 404 employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

Although the value of the Fund fell from £11.32 billion to £11.21 billion over the year, a decrease of £0.11 billion, the Fund remains one of the best funded within the local government pension scheme. Most of this decrease was a result of weak public equity markets, mitigated by good performance from alternative investments, particularly private equity. The Investment Advisory Panel reviews the asset allocation quarterly, and makes adjustments against the benchmark based on future expected returns.

With effect from 1 April 2015 WYPF began administering the Lincolnshire Pension Fund (LPF) under a joint service agreement. After some early issues with the quality of data transferred from the private sector contractor, the project went well, and the cost savings for both WYPF and LPF are being delivered to plan. We have continued to develop our systems, train staff, both in Bradford and Lincoln, and improve the support and service to employers. The monthly web-based return for employers has been successfully extended to include all the LPF employers. This will improve the quality of data required for the actuarial valuation at 31 March 2016, and enable us to deliver the data to the actuary earlier than has been possible previously. In addition, we began delivering services to Berkshire and Buckinghamshire Fire and Rescue Authorities from 1 April 2016.

In the July Budget 2015, the Chancellor announced the Government's intention to work with the Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. On 25 November the Investment Reform Criteria and Guidance was issued, which sets out the criteria to be applied to the pooling of LGPS assets. Authorities were invited to submit their initial proposals for pooling by 19 February 2016. WYPF, having agreed to pool with Greater Manchester and Merseyside, duly submitted its proposals by the deadline. The submission and the Minister's response are on the WYPF website. This is going to make a considerable difference to the way investments are managed in the future.

On behalf of the Joint Advisory Group and the Investment Advisory Panel I would like to thank all the staff who continue to ensure WYPF is at the forefront of changes and developments, and ensure it continues to be very well run.

I hope you enjoy reading the Annual Report and Accounts, and find them useful and informative.



Councillor Andrew Thornton
Chairman,
Joint Advisory Group and Investment Advisory Panel

SECTION 2- MANAGEMENT STRUCTURE

Members of the WYPF Joint Advisory Group

Bradford Council

Councillor A Thornton
Chairman

Councillor G Miller
Deputy Chair

Councillor S Lal

Calderdale Council

Councillor B Metcalfe

Councillor S Baines MBE

Councillor J Lynn

Kirklees Council

Councillor E Firth

Councillor N Mather

Councillor H Richards

Leeds Council

Councillor P Davey

Councillor P Harrand

Councillor N Dawson

Wakefield Council

Councillor D Jones

Councillor J Speight

Councillor R Forster

Trades Union Representatives

I Greenwood OBE – UNISON

Tristan Chard – GMB

Liz Bailey – UNISON

Scheme Member Representatives

Kenneth Sutcliffe

Wendy Robinson

West Yorkshire Council

Representative

Stuart McKinnon-Evans

Director of Finance– BMDC

Members of the WYPF Local Pension Board

Employer Representatives

Councillor M Slater
Chairman

Councillor K Groves

John Morrison

Member Representatives

Gary Nesbitt – GMB

Colin Sykes -Unison

Mark Morris - Unite

Mick Binks - Unison

SECTION 2- MANAGEMENT STRUCTURE

Members of the WYPF Investment Advisory Panel

Bradford Council

Councillor A Thornton
Chairman

Councillor G Miller

Calderdale Council

Councillor B Metcalfe

Councillor S Baines MBE

Kirklees Council

Councillor E Firth

Councillor H Richards

Leeds Council

Councillor P Davey

Councillor P Harrand

Wakefield Council

Councillor G Stokes

Councillor L Shaw

Trades Union Representatives

I Greenwood OBE – UNISON
(Deputy Chairman)

Tristan Chard – GMB
Liz Bailey – UNISON

West Yorkshire Pension Fund

Rodney Barton -Director

External Advisors

Noel Mills
Mark Stevens

West Yorkshire Council Representative

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

Scheme Member Representatives

Stuart Imeson
Gerald Hey

SECTION 2- MANAGEMENT STRUCTURE

Appointed service providers and advisers

Actuarial Services	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
AVC Providers	Equitable Life Assurance Society P O Box 177 Walton Street Aylesbury, Buckinghamshire HP21 7YH
	Scottish Widows P O Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Prudential Lancing BN15 8GB
Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton, Director WYPF City of Bradford Metropolitan District Council WYPF Ground Floor, Aldermanbury House, 4 Godwin Street, Bradford BD1 2ST
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY

SECTION 2- MANAGEMENT STRUCTURE

Appointed service providers and advisers (continued)

IDRP Medical Adviser	Santia Occupational Health Santia House Parc Nantgarw, Cardiff CF15 7QX
Auditors	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN
Banking and Custodial Services	HSBC 8 Canada Square, Canary Wharf London E14 5HQ
Legal Adviser	Dermot Pearson Acting City Solicitor City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY
Pensions Computer Services	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD

SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

West Yorkshire Pension Fund Pension Board Annual Report

Foreword

West Yorkshire Pension Fund's Pension Board was established in April 2015 to fulfil the requirement of the Pension Act 2013. During this first year the Board met three times and Pension Board members attended a number of training events held internally and externally to West Yorkshire Pension Fund on issues relating to local government pension schemes and specific issues relating to West Yorkshire Pension Fund.

The West Yorkshire Pension Fund Local Pension Board members have had a lot to learn during this first year, however the hard work undertaken to establish and train the board will enable the board to assist City of Bradford MDC in ensuring the effective and efficient governance of the West Yorkshire Pension Fund. The Pension Board was set up in such a way to ensure knowledge and understanding of the Pension Board is maintained by appointing half of the Board for two years instead of the usual four years. This will ensure new members of the Board will have access to a wealth of knowledge from the experienced Board members.

We have had a busy first twelve months, as can be seen from the report, and as there are a number of significant issues effecting the Local Government Pension Scheme on the horizon I expect the work of the board to be busy for the next 12 months.



Councillor Malcolm Slater
Chair of WYPF Pension Board

SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

Pension Boards

Overview of WYPF Pension Board

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, West Yorkshire Pension Fund Pension Board was established on 1st April 2015. The Act requires each administering authority to set up a pension board to assist the council in ensuring effective and efficient governance and administration of the LGPS. The pension board is separate from the WYPF Investment Advisory Panel and Joint Advisory group.

Our pension board comprises of four member representatives and four employer representatives and will meet every six months. The first meeting of the West Yorkshire Pension Fund pension board took place on 8 October.

The Terms of Reference of the Pension Board were formally agreed by the Council on 20 March 2015.

The West Yorkshire Pension Fund Pension Board comprises of eight representatives. There are four member representatives from the Trade Unions (two from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, two other councillors from the other district Councils and one employer representative nominated from all employers in the Fund, with exception of the five large council employers – Bradford, Calderdale, Leeds, Kirklees and Wakefield). These representatives are on the Board to represent both the members of the fund and the employers whose members participate in the Fund. Details of the representatives can be found on page 2.

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 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.

During the year three meetings were held. Items considered at the first meeting included the adoption of the Terms of Reference by the Board, Conflicts of Interest Policy, Knowledge and Understanding framework and Reporting Breaches Procedure. These documents are provided in Appendix H, J and K.

Subsequent meetings have included a review of the Management of Unquoted Investments, West Yorkshire Pension Fund Report and Accounts, West Yorkshire Pension Fund consultation responses on revoking and replacing the Local Government Pension scheme (Management and Investment of Funds) Regulations 2009 and the Government's criteria and guidance for investment reform (pooling), Five year internal audit plan 2015 to 2020, West Yorkshire Pension Fund Guaranteed Minimum Pension

SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

Reconciliation exercise, and Investment Advisory Panel and Joint Advisory Group minutes and decisions. Minutes of all the Pension Board meetings can be found at:

<https://bradfordintranet.moderngov.co.uk/ieListMeetings.aspx?CId=286&Year=0>

Pension Board member training

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.

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

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

- Local Government Association – Fundamentals training
- Pension Board Members Training – Aon and Evershed
- Local Government Association – Training for Local Pension Board Members
- Actuarial Valuation and Funding Strategy training – Aon

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

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

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

Overview and legal status of West Yorkshire Pension Fund

West Yorkshire Pension Fund (WYPF) is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme and benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and other applicable legislation. The government issues a number of administrative local government pension scheme directives and regulations through the Department for Communities and Local Government, as such these directives and regulations 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 are contracted out of the State Second Pension, however there is a regulatory change to this status, because the second state pension has been abolished by the Pensions Act 2014 and replaced by a single-tier state pension from 6 April 2016. This change means that contracted out status ceased on the 5 April 2016. The result of this is that employers and members will pay the full Class 1 National Insurance Contributions (NICs) and members will benefit from the single-tier state pension.

HMRC Registration

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

Key activities during the year

Office move

The fund made its first direct investment into property by purchasing Aldermanbury House an extensive five storey office building in the centre of Bradford. This provides an investment opportunity and the opportunity to relocate West Yorkshire Pension Fund in-house investment and administration teams to a modern building, resulting in increased efficiency and improved pension services. West Yorkshire Pension Fund occupies the ground floor, the other four floors are let out to commercial tenants.

Annual meetings

WYPF held its 2015 annual meeting for scheme members at the Cedar Court Hotel in Wakefield on 6th November. The guest speaker for the meeting was Chris Joyce from West Yorkshire Police Authority.

The meeting was chaired by Councillor Andrew Thornton, The Chairman of WYPF's Investment Panel and Joint Advisory Group. There were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. Our employers' annual meeting was held in Bradford on 5 November. Topics covered were:

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

- 2014 pension fund valuation
- Financial planning
- Updates on WYPF investments, and the general economic and financial market climate.

The presentations were well received by those present.

Employer workshops

During the year WYPF continued to run a series of free one-day and half-day workshop sessions for employers. Four different types of workshops were provided for employers:

Introduction to West Yorkshire Pension Fund (full day)

Complete guide to administration (half day)

Your Responsibilities (half day)

Contributions and Year-End Data Return (half day)

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

Planning for a positive retirement workshop

In conjunction with Affinity Connect, a retirement specialist, WYPF launched a new service to support and guide members who are considering what retirement might mean for them.

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

Pension administration and cost

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

WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member for the financial year 2014/15 is £16.81, this is the 10th lowest cost amongst 89 LGPS funds and well below national average of £25.19. Our total cost of pension management cost (administration and investment management costs) is £28.30. This is the lowest cost within LGPS funds.

Shared Service

In April 2015 WYPF took on the administration of the Lincolnshire local government pension scheme in a shared-service arrangement. WYPF was selected through a competitive tender from several organisations to provide shared-service pension administration and payroll service for members of

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

the Lincolnshire local government and fire-fighter's pension schemes. The agreement will run for five years, after which it will be reviewed.

Our shared service is growing steadily, in December 2015 WYPF was selected by the Royal Borough of Berkshire Fire Authority and Buckinghamshire and Milton Keynes Fire Authority to provide third party pension administration and payroll services. The contract went live on 1 April 2016.

Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions. Over 99% of annual benefit statements were issued to active members in 2015. We achieved 92% by the new stricter regulatory deadline of 31 August 2015. Many pension schemes found this deadline very challenging, particularly with it being the first year of the new CARE scheme. 100% of deferred benefits statements were issued to deferred members by 31 May 2015, three months before the 31 August 2015 deadline.

In addition to issuing annual benefit statements we send pension newsletters to all members twice a year. This keeps our members informed of important pensions news.

Pension Age Awards

WYPF won the 'Best use of IT and Technology' award at this year's Professional Pensions Pension Scheme of the Year awards.

In addition, WYPF was shortlisted by Pensions Age for the following awards:

- DB Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration Award
- Pension Scheme Innovation award

Staff training and development

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

- Institute of Payroll Professionals (IPP) foundation degree in Pensions Administration and Management
- Pensions Management Institute qualification (APMI)
- Certificate in Pensions Administration (CPA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)

In addition staff members attended a variety of useful events during the year, including:

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network events

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

- Eversheds Conference
- Mercers LGPS Summit Conference

Training activities are provided to staff on IT, data security, health and safety and customer care. A comprehensive system of e-learning and self-services are available to support staff with their training and development.

Disaster recovery and risk management monitoring

WYPF use a disaster recovery (DR) datacentre, which is located separately from Bradford Council's primary datacentre. Our DR hosts standby servers, storage and network connectivity. WYPF's primary datacentre is linked to the DR datacentre by fibre optic cables. Both datacentres are live on the Council's network. The DR provides service resilience and service continuity in case of primary system failure. All our main network, email services and software applications infrastructure are duplicated over the Primary Datacentre and the DR Datacentre sites, to ensure all data and systems are fully backed up.

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

New LGPS 2014

The new LGPS career average scheme came into effect at 1 April 2014. The basis of the pension scheme has changed from a final salary scheme to a career average scheme, whereby members build a pension each year which is credited to their pension account. However, benefits accrued under the old schemes are preserved and there are transitional arrangements for those that were 55 years or over at 1 April 2014.

Each year active members' pension accounts are adjusted in line with Public Services Pension Revaluation Orders. The Public Service Pensions Revaluation (Prices) Order 2016 was laid before Parliament on 24 March 2016, came into force 1 April 2016 and provides for a reduction of 0.1% to members' accrued pensions accounts.

LGPS Consultations

At the July Budget, the Chancellor of the Exchequer announced the Government's intention to invite administering authorities to bring forward plans for pooling for LGPS investments. Following this announcement on 25 November 2015 a consultation commenced on revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. The consultation consist of two main proposals:

1. A package of reforms that propose to remove the existing prescribed method of securing a diversified investment strategy, and instead place the onus on authorities to determine the balance of their investment and take account of risk.
2. The introduction of safeguards to ensure that the flexible legislation proposed is used appropriately and the guidance on pooling assets is adhered to.

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

At the same time Investment Reform Criteria and Guidance was issued. Authorities were asked to submit their initial proposal taking account of the following criteria:

- A. Asset pool(s) that achieve the benefits of scale
- B. Strong governance and decision making
- C. Reduced costs and excellent value for money
- D. An improved capacity to invest in infrastructure

In response to the request to submit initial proposals for pooling of assets, on 19 February 2015 WYPF submitted a joint submission with Tameside Metropolitan Borough Council (Greater Manchester Pension Fund) and Wirral Metropolitan Borough Council (Merseyside Pension Fund). This outlines how the Funds will work together to form a Collective Asset Pool and the expected operation of the pool when established.

WYPF also responded separately on the consultation on revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Copies of the consultation and WYPF's responses can be found at:

<http://www.wypf.org.uk/Member/Consultation/ConsultationHome.aspx>

Refined and completed submissions on pooling of assets are expected to be submitted to DCLG by 15 July 2016 and will need to fully address the criteria above and provide any further information that would be helpful in evaluating the proposals.

Club together

Our partnership with Club Together continues to flourish bringing benefits both to pensioners and WYPF. Club Together is essentially a magazine that includes interesting articles for those of retiring age. Club Together also offers members and their families a range of discounts, offers, competitions, savings, and even earning opportunities

Social media

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

Twitter www.twitter.com/wypf_lgps

Facebook www.facebook.com/westyorkshirepensionfund

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Financial Performance - analytical review

The following tables identifies movements in the Fund Account based on expenditure between 31 March 2015 and 31 March 2016 and provides reasons for variances. The full financial statements are within the Accounts section of this document (page 70).

Statutory Accounts Financial Performance – table A

	31-Mar 2016	31-Mar 2015 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Dealings with members, employers and others directly involved in the Fund				
Contributions receivable	372,724	368,058	4,666	Increased contributions due to increased number of members and employers
Transfers in	20,371	15,670	4,701	Increased number of new members transferring their existing pensions to WYPF
Other income	0	0	0	
Non-statutory pensions and pensions increases recharged	23,475	23,833	-358	Reduction in the value of unfunded pension recharges to employers
	416,570	407,561	9,009	
Benefits payable	-456,101	-437,058	-19,043	
Non-statutory pensions and pensions increase	-23,475	-23,833	358	Payment of unfunded pensions recharged to employers
Payments to and on account of leavers	-20,733	-181,468	160,735	In 2014/15 West Yorkshire Pension Fund made a bulk transfer of liabilities to Greater Manchester Pension Fund relating to the Probation Service which accounts for the majority of this change.
	-500,309	-642,359	142,050	
Management expenses	-7,499	-7,278	-221	Invest to save activities and pension system improvements

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Statutory Accounts Financial Performance – table B

	31 Mar 2016	31 Mar 2015 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Returns on investments				
Investment income	314,619	294,110	20,509	Increased cash flow mainly from private equities
Taxes on income	-3,538	-165	-3,373	The increase in taxes on income in 2015/16 is due to increased withholding taxes on dividends of £1m and also a reduction of historical withholding taxes repaid by overseas countries.
Profit and loss on disposal of and changes in value of investments	-331,145	896,453	-1,227,598	Reduction in market value due to weak equity markets at the end of 2015/16 year.
Stock lending	3,008	2,094	914	Increased stock lend activities
Underwriting commission	49	0	49	Commissions generated from new stock placement underwriting opportunities.
Net return on investments	-17,007	1,192,492	-1,209,499	
Net (-) decrease / (+) increase in the net assets available for benefits during the year	-108,245	950,416		
Opening net assets of the Fund	11,319,225	10,368,809		
Closing Net assets of the Fund	11,210,980	11,319,225	-108,245	Most of this decrease was a result of weak public equity markets.

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Five years forecasts

The table below shows provides a five year budget estimates and 2015/16 outturn figures for the Fund account.

Fund Account - Estimates & Actuals	2018/19 ESTIMATE	2017/18 ESTIMATE	2016/17 ESTIMATE	2015/16 ESTIMATE	2015/16 OUTTURN	2014/15 ESTIMATE	2014/15 OUTTURN
	£000	£000	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the Fund							
Contributions receivable	381,000	378,000	375,000	372,100	372,724	361,000	368,058
Transfers in	16,000	16,000	16,000	15,800	20,371	20,000	15,670
Other income	0	0	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	22,000	22,500	23,000	24,100	23,475	23,800	23,833
Total income from members and employers	419,000	416,500	414,000	412,000	416,570	404,800	407,561
Benefits payable	-515,000	-495,000	-475,000	-441,900	-456,101	-435,000	-437,058
Non-statutory pensions and pensions increase	-22,000	-22,500	-23,000	-24,100	-23,475	-24,000	-23,833
Payments to and on account of leavers	-20,500	-20,500	-20,500	-14,352	-20,733	-170,000	-181,468
Total payments to members	-557,500	-538,000	-518,500	-480,352	-500,309	-629,000	-642,359
Management expenses	-8,304	-8,125	-8,230	-7,443	-7,499	-7,500	-7,278
Returns on investments							
Investment income	365,000	345,000	325,000	293,100	314,619	290,000	294,110
Taxes on income	-3,600	-3,500	-3,000	-200	-3,538	-2,000	-165
Profit and losses on disposal of and changes in value of investments	261,000	261,000	261,000	902,900	-331,145	700,000	896,453
Stock lending	3,000	3,000	3,000	2,100	3,008	1,500	2,094
Underwriting commission	0	0	0	0	49	0	0
Net return on investments	625,400	605,500	586,000	1,197,900	-17,007	989,500	1,192,492
Net increase in the net assets available for benefits during the year	478,596	475,875	473,270	1,122,105	-108,245	757,800	950,416
Opening net assets of the Fund	12,160,125	11,684,250	11,210,980	10,368,809	11,319,225	10,368,809	10,368,809
Closing Net assets of the Fund	12,638,721	12,160,125	11,684,250	11,490,267	11,210,980	11,126,609	11,319,225
% INCREASE IN NET ASSETS	3.94%	4.07%	4.22%	10.82%	-0.96%	7.31%	9.17%

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

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Management expenses forecast and outturn report

The table below gives the management cost forecast 2016/ 17 to 2018/19 and outturn figures for the year ending 31 March 2016:

	2018/19 Estimate	2017/18 Estimate	2016/17 Estimate	2015/16 Revised Estimate	2015/16 Full Year Outturn	2015/16 Variance Outturn
	£	£	£	£	£	£
Expenditure						
Accommodation	299,760	293,310	287,000	349,008	338,040	-10,968
Actuarial Costs	104,450	102,200	300,000	100,000	125,225	25,225
Computer Costs	634,470	620,810	607,447	813,000	893,503	80,503
Employee Costs	6,448,420	6,309,610	6,173,789	5,616,122	5,493,075	-123,047
Internal Recharges from Bradford Council	414,540	405,620	396,890	397,130	363,843	-33,287
Printing and Postage	392,940	384,480	376,200	369,700	373,654	3,954
Other Running Costs	1,523,670	1,490,870	1,458,781	1,178,349	1,331,092	152,743
Shared Service income	-1,384,880	-1,355,070	-1,136,950	-1,112,472	-1,297,360	-184,888
Other Income	-129,870	-127,070	-233,090	-268,073	-121,653	146,420
	8,303,500	8,124,760	8,230,067	7,442,764	7,499,419	56,655

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

The variance between the revised estimate 2015/16 and the outturn for 2015/16 is mainly as a result of the following: -

- **Employee costs** underspent against budget is due mainly to systems and process improvements and continuous improvement programmes, resulting in a managed reduction in staffing costs.
- **Computer costs** overspend as a result of increased investments in computer facilities in Bradford and our shared service office in Lincoln.
- **Internal recharges** from Bradford Council to West Yorkshire Pension Fund is underspend as a result of savings and efficiencies within the Council.
- **Other running** costs exceeded the budget provisions due to reclassification of some costs which had previously been capitalised. This was done in line with new guidance from CIPFA which was introduced in 2015-16.
- **Other income** into the Fund is generated through work carried out by the Fund for IDRPs work, Pension Sharing calculations and also some Fee income.

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

PARTICIPATING EMPLOYERS

Analysis of employers summarised by type

There were 404 active employers at the end of the financial year. A total of 4 employers ceased their membership of the fund during the year.

Employers		Ceased	Active
Admitted body	160	3	157
Scheduled body	248	1	247
Total	408	4	404

Analysis of contributions received on time and late

The table below shows the value of pension contributions that have been received both on time and late. West Yorkshire Pension Fund receives contributions from around 404 employers every month with a total monthly value in excess of £30m. Contributions are due by 19 of the month following the payroll month. Contributions received late were late for less than one month, therefore no statutory late payment interest was charged.

	Total	Received on time	Received on time	Received late	Received late
	£000	£000	%	£000	%
Employer contributions	262,685	258,769	98.5	3,916	1.5
Employee contributions	110,039	108,314	98.5	1,725	1.5
	372,724	367,083	98.5	5,641	1.5

Data Governance and Monthly returns

In April 2014, we implemented a new system for collecting members' data and contribution payment details from all employers participating in the Fund. Employers are now required to submit a detailed monthly return for their WYPF active staff members. The return provides a comprehensive data update for members' records and also allow us to reconcile payments made by employers for each member on a monthly basis. This has improved efficiency and removed the need for year-end reconciliation projects. This process has improved our data governance significantly. This process was extended to our shared service partner Lincoln Pension Fund (LPF) and this extension caused a small dip in our performance on the number of returns processed within 10 working days, due to data error issues from LPF employers.

Monthly Returns Performance Data	2015/16	
Number of returns expected in the year from all employers.	6,239	100.00%
Number of returns received by 19 April 2016.	6,239	100.00%
Number of returns not received by 31 May 2015.	0	0.00%
Returns processed within 10 working days.	5,080	81.42%
Number of records on return.	1,516,750	100.00%
Number of new member records set up using monthly return.	22,744	1.50%
Number of leaver notifications processed using monthly returns	9,805	0.65%

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employers who made contributions to the Fund during 2015/16

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
BRADFORD COUNCIL	14.2	14,889	0	33,637,654	14,651,093
LEEDS COUNCIL	13.6	21,763	3,373,278	56,940,484	25,140,835
CALDERDALE MBC	14.4	5,551	1,520,000	12,391,240	5,226,432
KIRKLEES COUNCIL	13.8	13,778	0	29,239,512	13,264,947
WAKEFIELD MDC	14.0	8,078	4,500,000	20,326,671	8,752,501
ABBAY GRANGE CE ACADEMY	12.4	185	17,500	297,299	141,861
ABBAY PARK PRIMARY ACADEMY	12.8	33	0	38,969	16,170
ABSOLUTELY CATERING LTD (BGS)	21.3	4	0	10,246	2,766
ACCURO (BBG ACADEMY)	19.2	5	0	2,330	716
ACKWORTH PARISH COUNCIL	17.9	2	0	8,607	3,008
ACTIVE CLEANING LTD (CROFTON ACADEMY)	23.7	7	0	3,681	854
ADDINGHAM PARISH COUNCIL	20.0	1	0	313	121
AFFINITY TRUST	NIL	12	0	0	13,874
AIREBOROUGH LEARNING PARTNERSHIP TRUST	13.6	343	26,591	417,684	179,155
AIREDALE ACADEMY	14.2	198	0	311,496	130,730
ALL SAINTS CE JNR SCHOOL	14.4	26	0	22,362	8,634
ALWOODLEY PARISH COUNCIL	19.6	1	0	1,625	472
AMEY COMMUNITY LTD (BFD BSF PHASE 1 FM SERVICES)	10.0	8	0	10,057	5,869
AMEY COMMUNITY LTD BRADFORD BSF PASE 2 FM SERVICES	14.2	19	0	30,873	39,130
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	5.3	9	0	15,901	20,682
AMEY LG LTD (CALDERDALE)	7.4	15	0	39,888	29,137
APPLETON ACADEMY	13.8	82	0	158,018	69,953
ARTS COUNCIL ENGLAND	25.0	10	0	95,192	29,120
ASPENS SERVICES LTD	12.6	2	0	8,372	3,911
ASPENS SERVICES LTD (LEEDS EAST ACADEMY)	21.4	2	0	9,518	8,351
ASPENS SERVICES LTD (LEEDS WEST ACADEMY)	19.2	6	0	9,053	2,742
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	16.9	645	88,517	1,348,919	555,427
ASPIRE-I	21.1	18	63,700	133,098	47,707
B B G ACADEMY	13.7	27	0	73,381	24,219
BARDSEY PRIMARY FOUNDATION SCHOOL	13.6	20	1,218	18,402	7,742
BARNARDOS (ASKHAM GRANGE PRISON)	NIL	5	0	0	3,939
BARNARDO'S (LEEDS PORTAGE)	NIL	1	0	0	1,499
BATLEY GIRLS ACADEMY	12.8	85	4,000	142,546	67,105

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
BATLEY GRAMMAR SCHOOL	15.3	16	0	42,526	16,864
BEECH HILL SCHOOL	13.4	62	5,800	103,538	46,169
BEESTON PRIMARY TRUST	13.6	62	4,596	69,453	28,830
BELL LANE ACADEMY	20.3	30	2,400	32,625	9,181
BELLE ISLE TENNANT MANAGEMENT	14.5	32	6,800	192,663	55,445
BELLE VUE GIRLS ACADEMY	14.4	85	46,700	155,401	65,383
BID SERVICES	13.7	1	0	3,516	1,668
BINGLEY GRAMMAR SCHOOL	14.2	62	0	170,190	79,562
BIRSTALL PRIMARY ACADEMY	14.3	34	5,200	35,111	13,565
BISHOP WHEELER CATHOLIC ACADEMY TRUST	15.6	232	77,500	353,829	152,187
BLESSED PETER SNOW CA TRUST (KIRKLEES)	15.7	155	0	244,182	99,236
BOLTON BROW PRIMARY ACADEMY	14.4	45	0	34,720	13,347
BOOTHROYD PRIMARY ACADEMY	13.6	66	0	87,749	36,389
BOSTON SPA SCHOOL	13.6	69	9,283	137,560	64,397
BRADFORD ACADEMY	13.2	156	0	283,288	140,641
BRADFORD COLLEGE	13.4	594	11,700	1,642,439	589,049
BRADFORD COLLEGE EDUCATION TRUST	3.6	2	0	1,924	3,577
BRADFORD COUNCILLORS	14.2	17	0	49,447	43,717
BRADFORD DIOCESAN ACADEMIES TRUST	14.6	211	0	220,199	88,494
BRADFORD DISTRICT CREDIT UNION	25.1	10	4,900	43,682	10,846
BRADFORD STUDIO SCHOOL	9.0	1	0	1,774	1,141
BRADFORD UNIVERSITY	16	634	0	2,227,046	823,187
BRADSHAW PRIMARY SCHOOL	12.6	49	12,700	38,246	17,064
BRAMLEY ST PETER'S C OF E SCHOOL	13.6	46	2,758	41,682	18,776
BRIGHOUSE ACADEMY	13.9	107	3,700	192,329	103,084
BRIGHTER FUTURES ACADEMY TRUST	14.5	82	14,600	93,199	36,380
BROOKSBANK SCHOOL SPORTS COLLEGE	15.1	135	39,100	220,099	86,469
BRUNTCLIFFE TRUST SCHOOL	13.6	8	3,918	88,278	25,887
BULLOUGH CONTRACT SERVICES (BINGLEY GRAMMAR SCHOOL)	23	3	0	3,167	681
BULLOUGH CONTRACT SERVICES LTD	NIL	3	0	0	704
BULLOUGH CONTRACT SERVICES LTD (BRIGHOUSE ACADEMY)	14.8	6	0	5,232	1,759
BURNLEY ROAD ACADEMY	15.9	35	2,000	39,649	13,915
BUTTERSHAW BUSINESS & ENTERPRISE COLLEGE	14.2	77	0	153,754	64,545
CAFCASS	15.8	1,628	3,564,000	9,300,253	4,455,335
CALDERDALE & KIRKLEES CAREERS	15.2	126	134,200	544,888	257,112
CALDERDALE COLLEGE	12.7	310	47,800	619,460	303,088

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
CALVERLEY C OF E PRIMARY SCHOOL	13.6	39	2,071	31,299	13,139
CARE QUALITY COMMISSION	27.7	5	60,833	78,339	23,923
CARILLION	16.3	10	3,900	21,142	7,504
CAROLL CLEANING COMPANY LTD (CALDERDALE)	NIL	2	0	0	207
CAROLL CLEANING COMPANY LTD (WAKEFIELD)	NIL	1	0	979	280
CAROLL CLEANING COMPANY LTD (WHETLEY)	NIL	3	0	0	715
CARROLL CLEANING CO LTD (BIRKENSHAW PRIMARY SCHOOL)	12.9	1	0	956	238
CARROLL CLEANING CO LTD (BOLTON BROW ACADEMY)	23.8	1	0	1,144	264
CARROLL CLEANING CO LTD (HOLY TRINITY PRIMARY)	9.3	1	0	1,700	393
CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	24.1	0	0	454	104
CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)	18.8	4	0	1,076	315
CARROLL CLEANING CO LTD (RAVENSCLIFFE HIGH SCHOOL)	14.3	1	0	152	58
CARROLL CLEANING CO LTD (ST JOSEPH'S BRADFORD)	12.3	1	0	750	236
CARROLL CLEANING COMPANY (CROFTON ACADEMY)	19.3	1	0	2,882	821
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	18.0	3	0	2,288	616
CARROLL CLEANING COMPANY LIMITED (THORNBURY)	21.9	4	0	2,736	687
CASTLE HALL ACADEMY	13.9	45	13,200	94,775	40,879
CASTLEFORD ACADEMY	12.7	269	10,800	324,733	155,049
CATER LINK LTD (CRIGGLESTONE ST JAMES PRIMARY ACADEMY)	13.2	3	0	4,176	1,783
CATERING ACADEMY	NIL	2	0	185	820
CATHOLIC CARE	30.0	1	0	3,080	565
CHIEF CONSTABLE FOR WEST YORKSHIRE	11.0	3,764	0	10,739,388	6,464,460
CHRISTCHURCH CE ACADEMY	14.1	32	10,700	51,916	21,415
CHURHCILL CONTRACT SERVICES (BBG ACADEMY)	22.9	4	0	1,830	449
CLAYTON PARISH COUNCIL	8.4	1	0	859	562
COALFIELDS REGENERATION	19.4	9	0	66,529	27,299
COCKBURN HIGH SCHOOL TRUST	13.6	6	10,256	154,783	68,893
COCKBURN SCHOOL ACADEMY	16.5	92	2,800	47,543	14,380
COLNE VALLEY HIGH ACADEMY	16.4	57	1,340	127,196	46,388
COMMUNITY ACCORD	6.2	1	0	967	920
COMPASS (RADILLION) LEEDS PFI SCHOOLS	10.8	19	0	24,737	10,049
COMPASS CONTRACT (BUTTERSHAW SCHOOL)	NIL	3	0	0	1,195
COMPASS CONTRACT SERVICES	11.3	2	0	245	99
COMPASS CONTRACT SERVICES (CHAPEL ALLERTON SCHOOL)	29.9	0	0	1,039	191
COMPASS CONTRACT SERVICES (GREEN LANE)	27.5	2	0	1,585	325

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
COMPASS CONTRACT SERVICES (SPTA)	21.3	7	0	31,048	3,600
COMPASS CONTRACT SERVICES (UK) LTD	17.1	8	200	16,807	5,927
COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELLS)	NIL	2	0	1,346	1,314
COMPASS CONTRACT SERVICES (UK) LTD (MINSTHORPE ACAD)	19.7	14	0	26,862	7,787
COMPASS CONTRACT SERVICES LTD (MANOR CORFT)	20.8	9	0	7,188	1,917
CONSULTANT CLEANERS LTD (WY FIRE)	20.8	3	0	3,900	1,032
CO-OPERATIVE ACADEMY OF LEEDS	11.7	233	0	332,585	163,948
COTTINGLEY PRIMARY ACADEMY	17.3	18	5,500	40,727	13,809
CRAFT CENTRE & DESIGN GALLERY LTD	6.4	4	0	4,190	4,075
CREATIVE SUPPORT LIMITED	NIL	12	0	0	16,699
CRESCENT FURTHER EDUCATION LIMITED	3.7	19	0	20,987	34,483
CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY	15.0	34	0	40,838	14,968
CROFTON HIGH ACADEMY	15.5	68	0	105,901	39,414
DARRINGTON C OF E PRIMARY SCHOOL	15.6	15	0	18,608	6,970
DAVID YOUNG COMMUNITY ACADEMY	12.0	54	0	157,597	85,710
DEIGHTON GATES PRIMARY FOUNDATION SCHOOL	13.6	20	1,421	21,477	9,169
DENBY DALE PARISH COUNCIL	6.9	1	2,200	1,179	991
DIAMOND WOOD COMMUNITY ACADEMY	13.4	46	1,060	74,655	32,315
DIXONS ACADEMIES CHARITABLE TRUST	15.0	364	0	709,102	286,916
EDUCATION BRADFORD	N/A	13	0	0	48,182
EDUCATION LEEDS LTD	N/A	0	0	80,634	0
ELITE CLEANING & ENVIRONMENTAL SERVICES LTD	NIL	4	0	2,122	2,413
ENGLISH BASKETBALL	25.2	1	6,400	8,673	2,237
ENVIROSERVE (SHELF J & I SCHOOL)	22.1	1	0	549	137
FEATHERSTONE ACADEMY	16.4	21	15,300	54,999	17,938
FEVERSHAM COLLEGE ACADEMY	12.2	60	4,800	71,213	36,763
FEVERSHAM PRIMARY ACADEMY	8.4	34	0	29,526	15,672
FIELDHEAD JUNIOR INFANT & NURSERY ACADEMY	8.9	30	9,100	23,420	15,193
FIRST WEST YORKSHIRE	27.9	361	1,250,000	3,022,892	828,669
FLEET FACTORS (LIMITED)	9.4	1	0	3,332	2,388
FOXHILL PRIMARY SCHOOL	14.2	29	0	37,887	15,213
GARFORTH ACADEMY	NIL	1	0	12,199	0
GAWTHORPE COMMUNITY ACADEMY	12.3	31	17,500	36,218	17,133
GREENHEAD COLLEGE	15.8	79	3,300	187,901	75,437
GREENVALE HOMES	15.1	108	7,100	398,308	166,153
GREETLAND ACADEMY	13.6	62	0	63,135	31,371
GROUNDWORK WAKEFIELD	13.3	10	0	36,848	18,737

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
HALIFAX HIGH	13.7	51	0	138,376	50,871
HALIFAX OPPORTUNITIES	NIL	1	0	2,203	1,989
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	17.1	52	0	151,397	63,110
HANSON SCHOOL	14.2	96	0	172,265	71,425
HARDEN PRIMARY SCHOOL	13.6	23	0	29,622	12,254
HAVERCROFT ACADEMY	16.1	30	300	45,272	15,967
HEATH VIEW ACADEMY	13.5	46	1,660	50,198	20,983
HEBDEN ROYD TOWN COUNCIL	10.2	15	7,400	15,453	8,449
HECKMONDWIKE GRAMMAR SCHOOL ACADEMY	15.5	86	2,400	178,838	72,547
HEMSWORTH ACADEMY	14.7	112	0	210,974	84,254
HEMSWORTH TOWN COUNCIL	13.3	15	7,900	34,934	16,680
HEPWORTH GALLERY TRUST	15.0	3	200	14,561	8,920
HILL TOP FIRST SCHOOL	14.2	32	0	34,574	13,925
HOLLINGWOOD PRIMARY SCHOOL	14.2	64	0	82,206	34,023
HOLLYBANK TRUST	25.3	16	0	133,907	36,257
HOLME VALLEY PARISH COUNCIL	15.0	1	0	3,543	1,538
HOLY TRINITY ACADEMY	13.4	68	37,000	73,132	30,762
HOME FARM TRUST	NIL	14	0	0	16,689
HONLEY HIGH SCHOOL	13.8	72	0	0	29,695
HORBURY ACADEMY	14.6	103	23,700	141,563	59,811
HORBURY BRIDGE CE J & I SCHOOL	11.3	18	5,100	17,006	8,299
HORSFORTH SCHOOL ACADEMY	14.8	77	45,600	169,345	70,118
HORSFORTH TOWN COUNCIL	18.5	1	0	1,353	416
HORTON HOUSING ASSOCIATION (CSL)	NIL	9	0	0	10,885
HORTON HOUSING ASSOCIATION (OPHRS)	7.9	1	0	1,412	1,219
HUDDERSFIELD NEW COLLEGE	14.5	97	13,600	204,774	89,270
HUDDERSFIELD UNIVERSITY	11.5	2,565	875,700	3,236,752	1,960,537
HUGH GAITSKELL PRIMARY SCHOOL TRUST	13.6	76	5,852	88,428	36,461
I S S FACILITIES SERVICES LTD	19.4	13	0	15,759	5,976
IGEN	23.9	15	125,700	98,047	26,939
IGEN LTD	NIL	7	0	23,726	12,543
ILKLEY GRAMMAR SCHOOL ACADEMY	15.1	101	5,000	185,560	74,100
ILKLEY PARISH COUNCIL	10.6	3	2,800	2,718	1,457
INCOMMUNITIES	13.1	1,063	0	3,298,726	1,681,660
IND CLEAN SERV LTD	NIL	1	0	707	192
INITIAL CATERING SERVICES	12.1	11	0	15,035	5,616
INITIAL FACILITIES MANAGEMENT LTD	12.1	6	0	10,242	5,071
INTERSERVE (FACILITIES MANAGEMENT) LTD	15.8	38	0	126,309	24,682

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Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
INTERSERVE (FM) LTD (P.C.C FOR WEST YORKSHIRE)	21.8	6	3,100	24,562	6,872
INTERSERVE ACADEMIES TRUST LTD (CRAWSHAW ACADEMY)	12.4	51	41,800	104,564	51,542
INTERSERVE PROJECT SERVICES LTD	11.6	18	0	27,512	14,143
IQRA ACADEMY	10.9	46	0	60,186	23,963
JERRY CLAY LANE ACADEMY	16.4	29	200	35,358	12,505
JOHN SMEATON ACADEMY	12.3	39	0	115,991	50,080
KEELHAM PRIMARY SCHOOL	14.2	27	0	22,801	9,103
KEEPMOAT PROPERTY SERVICES LTD	15.4	3	0	9,984	3,760
KEIGHLEY TOWN COUNCIL	13.5	4	5,400	16,501	5,554
KHALSA SCIENCE ACADEMY	6.2	9	0	5,203	5,054
KIDS	24.9	1	0	6,335	1,654
KILLINGHALL PRIMARY SCHOOL	14.2	68	0	93,576	37,869
KING JAMES SCHOOL	12.4	47	30,300	87,314	41,717
KIRKBURTON PARISH COUNCIL	16.3	2	0	5,290	2,024
KIRKLEES ACTIVE LEISURE	7.8	684	0	434,144	366,668
KIRKLEES COLLEGE	12.9	541	0	1,126,339	543,698
KIRKLEES COUNCILLORS	13.8	10	0	25,516	20,283
KIRKLEES NEIGHBOURHOOD HOUSING	9.9	389	0	885,799	699,060
KNOTTINGLEY ST BOTOLPHS C OF E ACADEMY	15.8	36	0	46,520	16,527
LADY ELIZABETH HASTINGS	13.6	15	1,036	15,660	6,338
LAISTERDYKE GM MIDDLE	14.2	70	0	132,213	55,308
LANE END PRIMARY TRUST	13.6	16	883	14,873	6,156
LEEDS BECKETT UNIVERSITY	11.8	1,619	530,500	4,569,857	2,679,259
LEEDS CC COUNCILLORS	13.6	15	3,488	52,707	34,616
LEEDS CENTRE FOR INTEGRATED LIVING	NIL	20	0	23,215	24,701
LEEDS CITIZENS ADVICE BUREAU	15.4	46	8,800	176,387	56,937
LEEDS CITY ACADEMY	18.4	30	2,100	84,480	35,194
LEEDS CITY COLLEGE	13.2	551	26,800	2,001,133	761,343
LEEDS COLLEGE OF ART & DESIGN	11.9	107	0	273,350	157,111
LEEDS COLLEGE OF BUILDING	12.8	197	0	396,341	191,972
LEEDS COLLEGE OF MUSIC	10.7	221	50,100	425,591	279,611
LEEDS EAST PRIMARY PARTNERSHIP TRUST	13.6	167	11,647	175,297	72,944
LEEDS EAST-NORTH EAST HOMES	NIL	1	0	115,401	0
LEEDS GRANDE THEATRE & OPERA HOUSE	15.5	115	0	232,892	93,020
LEEDS GROUNDWORK TRUST	15.1	1	2,300	10,386	6,810
LEEDS HOUSING CONCERN	NIL	8	0	0	11,454
LEEDS INSTITUTE FOR THE BLIND	7.7	6	0	12,206	9,235

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Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
LEEDS METROPOLITAN UNIVERSITY	11.8	5	0	0	3,691
LEEDS MIND	14.7	18	4,900	62,434	29,845
LEEDS NORTH WEST EDUCATION PARTNERSHIP	13.6	199	20,493	339,602	135,064
LEEDS RACIAL EQUALITY	33.0	1	-8,600	3,653	16,356
LEEDS TRINITY UNIVERSITY COLLEGE	15.4	287	0	925,084	551,617
LEEDS WEST-NORTH WEST HOMES	NIL	2	0	51,260	0
LIBERTY GAS GROUP LTD	6.3	1	0	4,702	2,821
LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	14.2	65	0	78,997	31,162
LIGHTCLIFFE CE J&I SCHOOL	14.4	44	0	47,425	18,635
LIGHTHOUSE SCHOOL	8.1	32	4,300	28,483	19,351
LINDLEY C E INFANT ACADEMY	18.0	36	0	51,233	16,293
LINDLEY JUNIOR SCHOOL ACADEMY	15.4	33	0	37,855	13,987
LOCAL GOVERNMENT YORKSHIRE & HUMBERSIDE	N/A	0	-162,200	1,749,000	0
LONGROYDE JUNIOR SCHOOL	14.4	25	0	33,231	13,377
LPM CLEANING LTD	NIL	3	0	0	692
MAKING SPACE	NIL	4	0	11,907	3,998
MANSTON ST JAMES ACADEMY	15.2	26	10,800	48,490	16,573
MEARS FACILITIES SERVICES (SOUTH)	13.0	40	0	170,868	86,239
MEARS FACILITIES SERVICES (WEST)	14.8	18	0	76,515	33,020
MEARS LTD	16.5	7	42,500	37,781	13,745
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	NIL	0	0	0	1,156
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	16.5	6	0	15,050	5,080
MELTHAM TOWN COUNCIL	9.9	1	0	1,489	900
MENSTON PARISH COUNCIL	19.0	1	0	611	237
MERLIN TOP PRIMARY ACADEMY	16.9	32	0	54,945	18,506
MICKLEFIELD PARISH COUNCIL	8.9	1	0	1,305	880
MIDDLETON PRIMARY SCHOOL TRUST	13.6	67	7,081	106,995	46,842
MINSTHORPE ACADEMY TRUST	12.7	109	0	278,465	107,722
MIRFIELD FREE GRAMMAR ACADEMY	12.7	115	21,400	238,100	98,515
MITIE (PFI LTD)	14.9	8	0	20,760	8,496
MITIE PEST CONTROL	NIL	1	0	543	1,051
MOOR END ACADEMY TRUST	13.3	102	22,700	138,589	63,248
MORLEY TOWN COUNCIL	NIL	1	0	0	1,063
MOUNT PELLON PRIMARY ACADEMY	13.5	83	0	86,204	35,967
MYRTLE PARK PRIMARY SCHOOL	14.2	24	0	40,679	16,566
N I C SERVICES GROUP LTD (COOKRIDGE HOLY TRINITY SCHOOL)	17.8	1	0	716	201

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
NATIONAL ASSEMBLY FOR WALES	36.6	4	0	88,486	18,113
NATIONAL COAL MINING MUSEUM	15.8	81	0	205,577	140,110
NEW COLLEGE PONTEFRACT	13.8	73	23,800	159,933	71,971
NIC SERVICES GROUP LTD	28.4	1	0	1,560	302
NORMANTON TOWN COUNCIL	6.1	3	0	3,363	3,501
NORTH HALIFAX GRAMMAR ACADEMY	15.0	61	1,400	123,078	53,335
NORTH HALIFAX PARTNERSHIP LTD	15.6	51	0	150,173	56,312
NORTH KIRKLEES CAB	11.1	6	0	13,515	7,357
NORTHERN SCHOOL OF CONTEMPORARY DANCE	8.7	24	0	38,378	28,053
NORTHORPE HALL TRUST	13.6	4	0	10,957	5,065
NOTRE DAME 6TH FORM COLLEGE	12.0	53	0	119,826	137,539
NPS (NE)	6.8	21	0	54,009	66,128
NPS LEEDS LIMITED	9.0	19	0	68,230	54,550
OAKBANK SCHOOL	14.2	108	0	221,918	92,571
OAKWORTH FIRST SCHOOL	14.2	60	0	74,637	29,838
OASIS ACADEMY LISTER PARK	11.8	73	0	109,047	56,999
OFSTED	19.3	1	930,000	7,691	2,636
OLD EARTH ACADEMY	13.5	73	8,000	73,802	31,925
ONE IN A MILLION FREE SCHOOL	12.3	13	0	22,672	11,031
OPEN COLLEGE NETWORK YHR	30.1	3	0	30,199	7,444
OSSETT ACADEMY & 6TH FORM COLLEGE	11.8	108	47,900	184,759	94,605
OSSETT PENSION (TRUST)	14.0	112	0	161,657	83,302
OTLEY TOWN COUNCIL	13.5	5	8,500	13,838	6,480
OUR LADY OF VICTORIES CATHOLIC PRIMARY ACADEMY	15.9	36	1,700	48,092	19,437
OUTWOOD GRANGE ACADEMY	12.5	198	41,900	340,579	176,369
OUTWOOD PRIMARY ACADEMY KIRKHAMGATE	15.8	32	0	32,481	12,151
OUTWOOD PRIMARY ACADEMY LEDGER LANE	12.5	44	0	35,836	16,157
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	15.4	47	0	50,054	17,149
OVERTHORPE C OF E ACADEMY	13.2	62	10,300	65,543	29,134
PARK LANE LEARNING TRUST	14.4	30	0	101,890	32,088
PENNINE HOUSING 2000 LIMITED	14.0	356	86,500	1,310,586	623,435
PEOPLE IN ACTION (LEEDS) LTD	NIL	0	0	650	0
PINNACLE BUSINESS SERVICES (LEEDS)	16.3	17	0	28,141	9,962
PINNACLE LTD (KIRKLEES)	11.4	3	0	3,741	2,039
PONTEFRACT ACADEMIES TRUST	15.4	424	0	649,678	228,669
PONTEFRACT EDUCATION TRUST	14.0	42	0	46,284	19,040
POOL PARISH COUNCIL	15.8	1	0	1,323	589
PRIESTHORPE SCHOOL TRUST	13.6	101	11,844	178,408	78,277

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	13.6	36	2,232	33,722	13,386
PRINCE HENRYS GRAMMAR	13.3	86	33,100	160,878	72,166
PROSPECT SERVICES	20.3	4	0	11,779	5,579
PROSPECTS SERVICES LTD 2012 (BRADFORD)	18.3	10	33,400	45,086	16,088
PROV COMPASS CONTRACT SERVICES (SPTA)	22.6	3	0	4,070	1,016
PROV KINSLEY ACADEMY	18.8	43	2,900	21,729	6,609
PROV TNS CATERING (SPTA)	22.8	9	0	15,403	4,676
PROV TNS CATERING MAN LTD (ST BOTOLPHS)	18.4	3	0	2,060	616
PUDSEY GRANGFIELD TRUST	13.6	58	6,749	101,982	44,937
RAINBOW PRIMARY FREE SCHOOL	8.9	8	1,800	13,338	6,561
RASTRICK HIGH SCHOOL ACADEMY TRUST	12.7	84	0	161,452	74,649
RAWDON PARISH COUNCIL	13.2	1	0	1,353	564
RIDGE CREST CLEANING LTD	21.0	2	0	1,760	504
RIPON DIOCESAN C OF E COUNCIL FOR SOCIAL AID- CARDIGAN HOUSE	20.5	7	12,000	38,454	17,509
RIPON HOUSE	16.3	9	3,000	34,129	11,171
RM EDUCATION PLC	6.4	3	0	4,112	3,390
RODILLIAN ACADEMY	14.4	40	26,600	129,075	57,441
ROOKS NEST ACADEMY	15.4	65	5,300	68,609	24,827
ROTHWELL CHURCH OF ENGLAND PRIMARY ACADEMY	20.1	11	450	34,111	7,753
ROYDS COMMUNITY ASSOCIATION	28.6	3	12,000	28,754	7,581
ROYDS LEARNING TRUST	13.6	47	7,132	108,576	50,317
RUSSELL HALL FIRST SCHOOL	14.2	27	0	33,578	14,757
RYBURN VALLEY ACADEMY	14.3	76	6,200	141,134	57,615
RYECROFT PRIMARY ACADEMY	15.0	31	4,500	50,480	19,115
RYHILL PARISH COUNCIL	11.1	1	0	650	340
SALENDINE NOOK ACADEMY TRUST	12.4	65	0	111,647	54,219
SALTERLEE ACADEMY TUST	10.2	24	2,400	9,931	5,399
SAMUEL LISTER ACADEMY	15.3	62	45,500	130,836	53,342
SANDAL MAGNA COMMUNITY ACADEMY	13.1	32	0	36,516	16,195
SCHOOL PARTNERSHIP TRUST ACADEMIES	12.3	749	0	893,328	443,942
SCHOOLS LETTINGS SOLUTIONS (FREESTON ACADEMY)	8.8	1	0	850	532
SCHOOLS LINKING NETWORK	11.3	0	0	3,632	2,135
SCOUT ROAD ACADEMY	14.6	22	500	21,918	9,116
SEA FISH INDUSTRY	17.7	41	0	260,274	131,684
SHANKS WASTE MANAGEMENT LTD	14.4	19	0	66,327	29,852
SHARE MULTI ACADEMIES TRUST	14.5	179	20,000	275,784	111,822
SHIBDEN HEAD PRIMARY ACADEMY	13.8	34	9,700	36,501	14,850

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
SHIPLEY COLLEGE	13.3	176	19,700	286,462	166,450
SHIRLEY MANOR PRIMARY ACADEMY	12.5	26	920	31,965	12,984
SITA UK LTD	10.3	14	0	51,573	23,466
SKILLS FOR CARE	16.9	71	0	624,517	222,788
SOUTH ELMSALL TOWN COUNCIL	9.4	2	3,200	5,132	3,419
SOUTH HIENDLEY PARISH COUNCIL	8.6	1	0	585	442
SOUTH KIRBY & MOORTHORPE TOWN COUNCIL	15.0	29	0	57,096	22,684
SOUTH LEEDS ACADEMY	12.6	9	0	46,311	22,563
SOUTH OSEET INFANTS	17.8	19	3,300	23,901	7,728
SOUTHERN ELECTRIC	15.5	15	10,600	69,289	30,475
SOUTHFIELD GRANGE TRUST	14.1	232	0	449,411	194,067
SOUTHMERE PRIMARY ACADEMY	12.6	52	1,280	75,916	34,704
SOUTHWAY AT THE RODILLIAN ACADEMY LTD	15.0	8	0	11,071	4,716
SPIE LTD	9.7	21	0	28,532	12,425
ST ANNES CATHOLIC PRIMARY ACADEMY	18.1	31	1,900	49,747	22,855
ST ANNES COMMUNITY SERVICES	15.7	409	243,000	1,295,371	528,019
ST ANNES COMMUNITY SERVICES (BRADFORD)	NIL	11	0	0	16,208
ST CHADS C OF E PRIMARY SCHOOL	14.4	33	0	29,596	11,675
ST GILES CHURCH OF ENGLAND ACADEMY	12.7	32	0	35,712	15,962
ST HELENS CE PRIMARY ACADEMY	13.9	24	0	30,040	12,327
ST JOHN'S (CE) PRIMARY ACADEMY TRUST	14.0	34	7,300	37,178	15,286
ST JOHNS CE PRIMARY SCHOOL	14.2	72	0	78,452	31,908
ST JOHNS HOSTEL	17.9	13	21,000	64,454	23,053
ST JOHNS PRIMARY ACADEMY RISHWORTH	16.3	11	2,700	19,858	6,982
ST MICHAEL & ALL ANGELS SCHOOL	14.4	20	0	23,207	9,034
ST MICHAELS CE ACADEMY	16.5	50	0	82,063	29,658
SWALLOW HILL COMMUNITY COLLEGE ACADEMY	13.2	56	0	94,405	43,932
TAYLOR SHAW	7.8	5	0	3,573	2,520
TAYLOR SHAW LTD (BATLEY GIRLS HIGH SCHOOL)	NIL	5	0	1,444	2,163
TAYLOR SHAW LTD (FIELDHEAD GRIMES MANSTON)	19.5	6	0	8,115	2,289
TAYLOR SHAW LTD (PARKLANDS PRIMARY)	13.4	3	0	2,590	1,063
TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)	23.1	3	0	6,190	1,523
TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITE LAITH)	17.7	7	0	6,223	1,934
TAYLORSHAW LTD (INTERSERVE CRAWSHAW)	20.3	5	0	4,898	1,355
TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)	20.2	4	0	6,363	1,732
TEMPLE LEARNING ACADEMY	20.0	5	0	7,738	2,424
THE ANAH PROJECT	10.8	1	0	4,631	2,804

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
THE BECKFOOT & HAZELBECK ACADEMY TRUST	13.9	189	0	373,884	159,582
THE BISHOP KONSTANT CATHOLIC TRUST	14.0	488	67,100	603,850	255,259
THE CATHEDRAL C of E	11.0	65	0	112,625	65,264
THE CROSSLEY HEATH ACADEMY TRUST	13.8	83	16,700	120,796	52,501
THE FREESTON ACADEMY	14.5	77	13,800	123,189	49,624
THE GORSE ACADEMIES TRUST	12.9	568	0	599,443	277,661
THE JOHN CURWEN CO-OPERATIVE PRIMARY ACADEMY	18.1	29	3,700	39,936	12,837
THE LANTERN LEARNING TRUST	13.6	198	16,494	248,711	105,606
THE MALTINGS LEARNING TRUST	10.1	12	0	17,300	11,193
THE POLICE & CRIME COMMISSIONER FOR WEST YORKSHIRE	11.0	111	0	316,034	204,215
THORNHILL COMMUNITY ACADEMY	12.3	64	29,000	104,806	53,578
THORNTON GRAMMAR SCHOOL	14.2	102	0	194,830	82,329
TODMORDEN TOWN COUNCIL	17.6	2	0	7,570	2,668
TONG HIGH SCHOOL	14.2	125	0	308,977	133,535
TRINITY ACADEMY HALIFAX	11.4	152	26,300	224,784	120,068
TURNING POINT	NIL	6	0	-35	5,774
TURNING POINT (WAKEFIELD)	14.8	1	0	6,100	2,921
UNITED RESPONSE	NIL	8	0	30,347	12,113
UNIVERSITY ACADEMY KEIGHLEY	14.4	83	0	195,322	69,449
UPP RESIDENTIAL SERVICES	12.8	1	0	1,425	612
VICTORIA PRIMARY ACADEMY	17.8	63	3,100	38,765	12,297
WAKEFIELD & DISTRICT HOUSING	13.1	1,412	0	4,910,983	2,503,819
WAKEFIELD CITY ACADEMY	15.0	59	1,500	175,471	96,992
WAKEFIELD COLLEGE	13.1	364	0	664,267	313,482
WAKEFIELD COUNCILLORS	14.0	11	0	30,781	13,192
WATERTON ACADEMY TRUST	19.0	198	1,900	191,374	56,700
WEST END ACADEMY	12.4	35	0	33,992	15,431
WEST VALE PRIMARY SCHOOL	14.4	18	0	26,692	10,614
WEST YORKSHIRE COMBINED AUTHORITY	13.5	452	1,028,900	1,602,831	814,409
WEST YORKSHIRE VALUATION TRIBUNAL	12.8	0	0	10,090	5,833
WESTBOROUGH HIGH SCHOOL	13.8	55	0	20,095	0
WESTWOOD PRIMARY SCHOOL TRUST	13.6	33	2,685	40,570	16,689
WETHERBY TOWN COUNCIL	18.0	7	0	21,227	7,258
WHITEHILL COMMUNITY ACADEMY	14.9	120	3,500	132,797	62,702
WILLIAM HENRY SMITH SCHOOL	20.8	67	27,200	213,894	65,262
WOLSELEY UK LTD	22.9	1	0	6,859	1,947
WOODHOUSE GROVE SCHOOL	29.1	4	38,100	31,625	6,798

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
WOODKIRK ACADEMY	15.6	99	5,500	205,420	79,921
WOODSIDE ACADEMY	11.9	83	11,300	78,845	37,361
WRAT - LEEDS EAST ACADEMY	14.1	42	8,500	90,699	38,296
WRAT - LEEDS WEST ACADEMY	12.2	75	4,600	145,891	76,848
WY FIRE & RESCUE	14.1	302	85,900	967,226	444,619
YORKSHIRE HOUSING LTD	16.2	2	0	7,158	2,372
YPO	12.1	499	0	1,545,336	796,807
TOTAL		100,927	19,993,966	242,690,977	110,038,824

BENEFITS PAID

West Yorkshire Pension fund pays almost 106,600 pensioners and beneficiaries every month with a gross pension payroll in excess of **£40m** each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

Shared service provision

In addition to the Local Government pension paid each month, West Yorkshire Pension Fund also provide a Pensions Administration and payroll service for the following organisations:

- Lincolnshire Pension Fund
- Lincolnshire County Council Fire
- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire & Rescue Authority
- South Yorkshire Fire & Rescue Authority (the fund provides the administration Function only).

The combined shared service membership for the 2015/16 financial year is shown in the following table:

	Active	Pensioners	Beneficiaries	Deferred	Undecided	Frozen	Total
WYPF	100,927	71,675	11,291	82,154	6,817	6,087	278,951
Lincolnshire LGPS	24,449	15,946	2,333	27,615	1,678	1,668	73,689
Lincolnshire Fire	509	263	59	335	22	26	1,214
West Yorkshire Fire	1,129	1,975	307	186	12	3	3,612
North Yorkshire Fire	626	462	78	109	63	-	1,338
Humberside Fire	736	810	130	126	41	-	1,843
South Yorkshire Fire	607	1,088	170	80	3	13	1,961
Total	128,983	92,219	14,368	110,605	8,636	7,797	362,608

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Pension overpayment

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

Overpayments	2015/16		2014/15		2013/14	
	£000	%	£000	%	£000	%
Annual payroll	357,890		342,087		327,405	
Overpayments	320	0.09%	237	0.07%	67	0.02%
Overpayments written off	4	0.00%	17	0.00%	11	0.00%
Overpayments recovered	102	0.03%	96	0.03%	59	0.02%

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

	2015/16		2014/15		2013/14	
Analysis of overpayments	No. of payments		No. of payments		No. of payments	
Number of pensions paid during reporting period	995,592		985,776		949,128	
Number of cases overpaid	355	0.04%	333	0.03%	198	0.02%
Number of cases written off	7	0.00%	27	0.00%	18	0.00%
Number of cases recovered	177	0.02%	201	0.02%	173	0.02%

Fraud Prevention - National Fraud Initiative

West Yorkshire Pension Fund take 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 Local Government Pension Scheme, Lincoln Pension Fund and Fire Services Pension members managed by the Fund.

A summary of the latest results of these exercises is shown below:

Pensioners, beneficiaries and deferred members - deceased	No of record sent	No of mismatches		Overpayments		Possible Frauds	mismatches carried forward at 31st March
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1,456	0.94%	82	0.05%	3	8

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Internal Audits completed during 2015/16

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council. Each year a number of audits are performed on financial systems and procedures across the organisation as agreed in advance with the West Yorkshire Pension Fund management. Listed below is a summary of reviews that were carried out during the financial year 2015/16.

- **Monthly Contribution Data Usage** – In April 2014 the West Yorkshire Pension Fund introduced a new system for the monthly data collection in respect of the contributions received from participating employers. The aim of this review is to ensure the accuracy of member records, ensure the process use collected data efficiently, allow changes to be made to member records and reduce the number of year end pension accounts queries for employers and members. The review informed management as to the current position of the Monthly Contribution Data project, identified areas for improvement and assisted management in deciding on the future direction and development of monthly data collection processes.
- **Reimbursement of Agency Payments** – This audit examined the reimbursement of payments made in respect of pension administration services provided by the WYPF to West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified a number of issues and recommendations for improvement, all recommendations were implemented.
- **AVC Arrangements** - Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be excellent.
- **Review of the West Yorkshire Pension Fund 2014/15 Accounts** - This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.
- **Life Certificates** - This process assists in confirming the continuing existence of pensioners currently being paid. WYPF aims to send Life Certificates for completion to all its pensioners at least once every seven years. Pensioners identified as “high risk,” in relation to Life Certificates, are required to complete a life certificate each year. The audit found the standard of control around this process to be excellent.
- **New Pensions and Lump Sums – Fire Pensions** - West Yorkshire Pension Fund provides an administration service for the payment of West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers’ pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member’s decision to retire. The control environment was found to be satisfactory.
- **Pensioner’s Payroll** – This audit examined the pensioner’s payroll process, these payments are made, mainly on a monthly basis, to over 83,000 pensioners. The process was found to be well controlled and suggested actions for improvement made by auditors were implemented.

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

- **Equities** - These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit review found the process to be well controlled.
- **Treasury Management** - This audit reviewed the arrangements in place for treasury management and to ensure that surplus cash is invested in the most appropriate ways and found controls in this area to be excellent.
- **Follow Up Audit** – West Yorkshire Pension Fund Access to Data - A follow up of the Access to Data audit, carried out in 2014, was undertaken to determine the level of implementation of outstanding agreed High Priority recommendations. The result of this process was deemed to be satisfactory, however, further work was required to ensure full implementation of two high priority recommendations resulting from the original audit.

ISO 9001:2008

WYPF is an ISO 9001:2008 accredited service provider. All our services are quality assured using rigorous quality management systems, and assessed by external assessors twice a year. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.

The purpose of the ISO 9001:2008 certification is to ensure that WYPF provides quality Local Government Pension Scheme services to employers, members and beneficiaries within the scope of Local Government Pension Scheme Regulations 2013 and the Firefighters' Pension Scheme Order 2013.

WYPF quality policy

We will provide best value and deliver and improve our services in an efficient and effective manner by:

- Providing a high-quality service to all beneficiaries and deferred members
- Paying correct benefits on time, dealing with queries promptly
- Providing accurate and timely pension information
- Providing equal access to all our services within the relevant regulations
- Providing an efficient and effective service to all employers in the scheme

This means responding quickly to requests for information, giving advice and training, and supplying detailed guidance on the implications of any new legislation affecting the scheme.

Quality management system

As part of the Quality Management System, several systems and procedures have been put in place to ensure our service continually improves.

These include:

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

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Management and Customer Service Key Performance Indicators

WYPF monitors its performance against several Key Performance Indicators (KPIs). As a result of the implementation of the new scheme all aspects of our administrative structure, processes and systems were reviewed.

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

Work type	Total Cases	Target Days	Target met Cases	KPI Target	Actual KPI
Payment of pensions (pensioners + beneficiaries)	1,279,044	Due days	1,279,044	100%	100%
Death in Service – Payment of Death Grant	773	5	762	85%	99%
New starter set up	1,781	5	1,591	85%	89%
Deferred Benefits Set Up on Leaving	8,640	10	6,631	85%	77%
Refund Quote	2,796	35	1,417	85%	51%
Refund Payment	1,499	10	1,488	85%	99%
Transfer Out Payment	345	35	329	85%	95%
Pension Estimate	9,571	10	7,025	85%	73%
Retirement Actual	3,544	3	3,398	85%	96%
Deferred Benefits Into Payment	2,593	5	2,461	85%	95%
Death Grant Single Payment	773	5	762	85%	99%
Change of Address	16,032	20	15,924	85%	99%
Life Certificate Received	4,904	20	4,813	85%	98%
Payroll Changes	3,356	20	3,345	85%	100%
Change to Bank Details	4,084	20	4,056	85%	99%
Death Notification	3,478	5	3,361	85%	97%
Potential Spouse	142	10	121	85%	85%
AVC In-house (General)	1,363	10	1,278	85%	94%
Employer satisfaction with the service	n/a	n/a	n/a	85%	88%
Percentage of visitors waiting less than seven minutes at a reception point.	n/a	n/a	n/a	100%	100%

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Cost per member

The latest published data (2014/15) for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £16.81, the 10th lowest cost amongst 89 LGPS funds and well below the national average of £25.19.

WYPF has the lowest total cost per members (administration and investment) at £28.30, the national average for LGPS in 2014/15 is £169.84.

The 2015/16 annual cost of administering the West Yorkshire Pension Fund per member is £16.64, investment management cost per member is £10.64, and the total management cost per member is £27.28. These figures compares favourably with the average cost for authorities in the DCLG –SF3 results for 2014/15 as shown in the table below:

Cost per member 2014/15	Position	West Yorkshire Pension Fund	LGPS Average	LGPS Lowest	LGPS Highest
Administration	10th	£16.81	£25.19	£13.92	£87.45
Investment	1st	£11.49	£144.65	£11.49	£506.16
Total cost per member	1st	£28.30	£169.84	£28.30	£530.29

*LGPS figures are from DCLG SF3 2014/15 data set.

Staff numbers and trends

	2011/12 FTE	2012/13 FTE	change %	2013/14 FTE	change %	2014/15 FTE	change %	2015/16 FTE	change %
Service centre staff	75.3	71.2	-5.4	54.3	-23.7	56	3.1	64.8	15.7
Payroll	11.8	11.2	-5.1	15.1	34.8	14.6	-3.3	16.6	13.7
ICT/UPM staff	4.2	4.2	0.0	7.6	81.0	7.7	1.3	7.8	1.3
Finance Staff	3	3	0.0	7.2	140.0	7.7	6.9	8.4	9.1
Business support staff	10.6	10.7	0.9	10.8	0.9	9.2	-14.8	9.2	0.0
Technical	4	3	-25.0	3.9	30.0	4	2.6	4	0.0
Total	108.9	103.3	-5.1	98.9	-4.3	99.2	0.3	110.8	11.7

Increased number of staff in 2015/16 is due to implementation of shared services with Lincolnshire Pension Fund

Staff to fund member ratio

	2012/13 FTE*	Total fund membership 2012/13	2013/14 FTE*	Total fund membership 2013/14	2014/15 FTE*	Total fund membership 2014/15	2015/16 FTE*	Total fund membership 2015/16
Total	103.3	245,519	98.9	256,561	99.2	268,780	110.8	278,951

*FTE = Full time equivalent

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Membership trends over a 4 year period

The membership in the Fund continues to grow, with a total membership including undecided leavers and frozen refunds of 278,951 as at 31 March 2016. Active members are employed by 404 separate organisations. The number of active members continue to increase as a result of auto enrolment.

Membership category (at 31st March each year)	2015/16	% change	2014/15	% change	2013/14	% change	2012/13	% change	2011/12
Active Members	100,927	3.5%	97,548	3.7%	94,056	3.3%	91,072	-2.0%	92,959
Pensioners	71,675	0.7%	71,189	4.1%	68,358	4.9%	65,177	4.4%	62,435
Beneficiaries	11,291	3.0%	10,959	2.1%	10,736	2.2%	10,504	1.8%	10,317
Deferred pensioners	82,154	5.6%	77,780	3.0%	75,522	7.1%	70,493	8.1%	65,202
Undecided leavers	6,817	13.8%	5,988	125.5%	2,655	-20.4%	3,337	N/A	0
Frozen refunds	6,087	14.5%	5,316	1.6%	5,234	6.0%	4,936	22.4%	4,034
Total	278,951	3.8%	268,780	4.8%	256,561	4.5%	245,519	4.5%	234,947

Admissions to the Fund

Employees joining the Fund were as follows:

	2015/16	2014/15
Employees joining with no previous service	23,161	23,272
Employees with transfers from:		
- other local government funds	3	7
- other pension schemes	110	73
Totals	23,274	23,352

Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows:

	2015/16	2014/15
Members awarded immediate retirement benefits	2,882	2,783
Benefits awarded on death in service	98	85
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,366	5,440
Totals	9,346	8,308

SECTION 6 – INVESTMENT REPORT

INVESTMENT ADVISORY PANEL – OPERATIONAL REVIEW

This is a review of the activities of the WYPF investment advisory panel for the financial year 2015-2016. This report provides a brief summary of the investment market conditions that formed the backdrop to the investment advisory panel operations and highlight some of the investment decisions made. The report also covers other aspects of the panel's work, including a number of consultations that took place over the period on the future governance of the scheme. The report will also cover the various meetings with external investment managers running assets on behalf of the scheme, which form part of the on-going governance role of the advisory panel.

Panel meeting April 2015

The previous financial year had ended very strongly with all major developed markets delivering positive returns. The European (ex UK) and Japanese equity markets were particularly strong. The US equity market that had lead the way over the previous year faltered as concerns over a strong dollar and slowing economic growth caused nervousness. The first panel meeting of new financial year took place in April against this investment backdrop. This was the first such meeting to be hosted at Aldermanbury House, the first building owned directly by the pension fund in the newly instigated direct property portfolio. The meeting started with the Deputy Chair Ian Greenwood paying tribute to the enormous contribution of Councillor Howard Middleton who having been a member of the Investment Panel since 1998 had stepped down as a councillor and retired from the panel. His deep knowledge and experience will be missed and the entire panel wishes Howard a happy retirement.

Market reviews

After hearing detailed reports on the major equity and bond markets including noting the transactions carried out in the previous quarter by members of the internal investment team, the panel then reviewed recommendations for investing new cash flow over the coming quarter. All such decisions are based on input from the individual internal investment teams and external advisors. The economic conditions prevailing and the current positioning of the portfolio against its strategic customised benchmark are also considered. The April meeting was informed of the likely volatility surrounding the UK general election which at this time was predicted to result in a hung parliament. Another factor considered by the panel was an amount of previously allocated cash still un-invested in a number of overseas equity markets including Europe and Japan. This was a direct consequence of high levels of market volatility making investment more difficult in the short term. The report on the bond markets highlighted the lack of value across many markets and the phenomenon of negative yields which at the time of the meeting included German bunds as far out as nine years.

Taking all these factors into consideration the investment advisory panel decided to allocate cash into a number of listed alternative funds that had become available and offered attractive yields and a property fund available close to NAV. The remaining cash was ring-fenced for the UK equity team to utilise over the general election period if opportunities presented themselves.

Private equity investments

It has been a regular occurrence for over a year now, due to favourable market conditions the portfolio had received distributions of cash from private equity investments that exceeded the cash being drawn down for new investments. It is the nature of private equity that in order to maintain the target level of strategic weighting that regular new investments will need to be considered by the panel to replace

SECTION 6 – INVESTMENT REPORT

investments that are more mature and are in the process of returning cash to investors. New private equity and infrastructure investment opportunities are assessed by the in house team and those considered suitable are presented to the panel along with a due diligence report. Funds that are accepted will be taken forward by the in house team onto the final stages of due diligence before the final decision on subscribing is made. During the first meeting of the new financial year a US private equity fund co-investment fund, a water infrastructure fund and an aircraft leasing fund were considered and accepted to go forward onto the final stage of due diligence.

Stock lending

During this first meeting of the new financial year and in accordance with best practise in corporate governance the panel considered a number of annual reports concerning the operation of the fund. A report on the stock lending activities was reviewed. All stock lending is now conducted on behalf of WYPF by HSBC on an agency basis. The report covered income received and the amount of stock currently on loan split by asset type. The panel agreed to continue a policy permitting the maximum level of 35% of the total portfolio allowable under the regulations for stock lending. Two new counterparties to the stock lending activity were also approved.

Treasury policy

A treasury policy statement was reviewed and approval given for a revised treasury policy which had resulted from changes to the way credit rating agency Fitch rank financial institutions undergoing changes to their “implied sovereign support”, which was introduced during the financial crisis. This change to the treasury policy was discussed and approved. The panel received a report on the operational controls of HSBC Securities Services, who act as custodian to the schemes assets. The ISAE 3402 assurance report on controls provided by HSBC Securities Services had been reviewed by KPMG with the full report being made available to panel members. A governance report on the operations of the Investment Panel during the previous financial year, which had been prepared by one of the scheme’s independent investment advisors was reviewed and noted.

Panel meeting July 2015

When the panel convened for the second meeting of the financial year in July. Their first task was to formalise a change in the chairmanship of the panel. Councillor Andrew Thornton was duly elected replacing Councillor Malcolm Slater as chair. Ian Greenwood was re-elected to the role of deputy Chair. As the panel gathered for the July meeting global markets had undergone a set back after a promising start to the year. Any relief following the decisive outcome of the UK general election was short lived and UK Equities fell over the quarter. Sterling however had been strong against all major currencies and this had turned a flat performance for the world index into a 5% decline for the un-hedged UK investor.

Sterling strength was in part a response to the election result but also weakness in the € which was suffering as real concerns emerged (once again) about Greece and the apparent breakdown of trust between the Greek government and its creditors. This coupled with increased concerns about a hard landing for the Chinese economy, not helped by extreme volatility in its stock market all weighed on investors’ minds. The prospects of rate rise in the US coupled with a fully valued equity market did leave investors struggling to spot the next market leader in terms of performance.

European equities

After considering all these risks and the likely rewards available in an increasingly challenging investment environment, the panel decided to allocate the majority of new cash flow into European equities. The

SECTION 6 – INVESTMENT REPORT

concerns over Greece had distracted the market from a number of positive economic developments. This coupled with some attractive valuation and dividends had opened up opportunities for careful stock selection. As with all decisions on new investments the current fund weighting against its own benchmark was taken into account, the European Equity weighting was in line with the benchmark and therefore the decision was made to move slightly overweight.

Investments performance review

In addition to receiving reports on all the asset classes represented within the fund the panel formally reviewed the investment performance achieved by the fund in the last financial year. A representative of the investment performance measurement company WM Performance Services presented a report detailing performance over both the long and short term with reference made both to the funds own customised benchmark and the wider local authority universe of funds. The fund has seen satisfactory performance against its own benchmark over one, three, five and ten years with stock selection being positive over these periods. Against the universe of other local authorities, the fund has done less well. Over ten years the fund has beaten the universe however over one, three and five years it is behind, with stock selection being the biggest negative.

Alternative investment working group

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

These working group meetings also allow for strategy recommendations and during the meeting it was decided to recommend redeeming the final active currency hedge fund invested in by WYPF. The decision to recommend a full redemption was derived from concerns about the ability of the strategy to sustain meaningful positive performance over the long term.

Panel meeting November 2015

The November meeting of the investment advisory panel followed a third quarter that proved to be particularly volatile for global equities and despite a slight recovery towards the quarter end, delivered the worse quarterly returns since 2011. The trigger for steep falls in markets during August was the decision by the Chinese authorities to devalue the Renminbi (Chinese Currency). This heightened fears already present that the Chinese economy was in difficulty and possibly heading for a hard landing. Bonds were the beneficiary of market nervousness offering a safe haven status, the weakening economic growth story, zero inflation and deferred monetary tightening in the US all contributed to positive returns to bonds globally including in the UK. UK Property once again had a strong quarter and was the best performing asset class over twelve months.

WYPF's active engagement on social accountability

The agenda for the November panel was a busy one. In addition to reviewing the global investment environment and allocating new cash flow the panel had a number of significant reports to review. A comprehensive report had been produced by officers highlighting the ongoing pro-active engagement agenda the WYPF is engaged in. The report also responded in detail to a recent campaign initiative calling

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for fossil fuel divestment by pension schemes and made reference to similar divestment campaigns including Tobacco. The panel noted the regulatory and fiduciary requirements of the WYPF and the duty of the panel to maximise returns for the benefit of members while taking account of the likely volatility of returns. The long-term contribution to returns of the various sectors within the UK equity market contained in the report were also noted. The panel re confirmed a policy of active engagement with companies on matters of environmental, social and governance issues when selecting stocks. Stock selection should support companies that seek to operate with high standards in these areas, where the required return and risk characteristics are favourable from a fiduciary standpoint.

Direct property investments

Also presented at the meeting was a report on developments within the property strategy of the fund. Property had been a focus for the panel for a number of years and a report was reviewed covering a number of items of policy concerning property transactions. The investment team had recruited a direct property specialist and had undertaken an extensive set of meetings with other LGPS Funds, property fund managers and investors to ascertain the best practice in direct property investment. A tender process had been established to facilitate the next steps in this process. However further to government announcements about the extent of LGPS pooling and the likelihood of the WYPF being in an asset pool, it had been decided to explore a significantly more ambitious plan and to mandate Norfolk pension scheme (NPS) to set up a national framework agreement for property on behalf of the WYPF which will in time be available across the entire LGPS.

The panel noted and approved the proposals along with a shorter-term initiative with St Brides partnership to invest in good secondary property assets located in strong regional centres. This proposal had the advantage of allowing for in-specie transfer of property assets into a direct WYPF property portfolio at a later date while having the strong investor controls and veto authority from the outset.

Members' and employers' annual meetings

Communication with both employers and members has been and remains an important aspect of the panel's activities. Immediately following the November formal panel meeting the annual meetings for both the employers and pensioners took place in Bradford Town Hall and the following day at Wakefield. These annual events are both informative and are always well attended. The meetings provide an opportunity for employers, members and pensioners to hear about administration aspects of the fund and any changes that have taken place for members or employers, as well as the customer service levels being achieved. As it is the administration function of the scheme that is the main interface with members and pensioners this information always proves of interest.

In addition to the information on the functioning of the scheme provided by the Director, the annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations. Each meeting also has a guest speaker who provides an informative talk of interest to the specific audience. The Wakefield meeting enjoyed an excellent presentation on crime prevention in the home from a member of the West Yorkshire Police Authority. The meetings conclude with an opportunity for the attendees to ask and have questions answered that have been submitted prior to the event. The relevant scheme representative answers these questions for the benefit of the whole meeting

SECTION 6 – INVESTMENT REPORT

Panel meeting January 2016

The final full panel meeting of the financial year took place in January 2016. Global markets enjoyed a strong final quarter of the calendar year recovering all the lost ground that had occurred during August sell off. Despite this rally into the year end the fears that were the catalyst of the August fall still remained. A Chinese economic hard landing was still a concern for investors and even after the December's 0.25% rise in US rates the future trajectory remained a concern at the turn of the year. Over the calendar year 2015 Japanese and European Equity along with property were the strongest asset classes with emerging market and developed Asian equity the worst. By the time of the panel meeting in late January global markets had suffered a severe setback. Once again concerns over the Chinese economy weighed heavily with growing concerns about the future management of the Renminbi added to the mix. January also witnessed another slump in Oil prices with dramatic falls early in the month. The investment panel forms investment decisions with a long-term view and takes a pragmatic approach to short term market volatility while being cognisant of the pitfalls. However, volatility can also provide opportunities for the long-term investor and with this background in mind a decision was taken to deploy new cash flow into a number of areas where value was emerging such as Indian equity while also moving further overweight in Japanese and European Equity, where the positives in terms of earnings outlook, valuation and central bank policy continue to be aligned positively, particularly in comparison to other regions of the globe.

Asset pooling proposals by Government

The January panel meeting also featured a review of a number of profoundly important proposals that will greatly affect the operation of the investment panel in the future. A report was presented on "Revoking and replacing the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009. The panel examined the report, which covered the government proposal to revoke the 2009 investment regulations and replace them with a revised set, which amongst other changes would allow the pooling of assets across various schemes. At this time the DCLG are consulting on the potential changes and consequently the panel responded to the process by highlighting areas where there was little concern, as well as proposals that are more problematic with proposed intervention powers by the Secretary of State foremost amongst these concerns.

A separate paper was presented on investment reform criteria and guidance – Investment Pooling. The panel members were briefed on the initial discussions that were on going between WYPF and a number of other large LGPS pension schemes, in response to the government's desire (announced in the July 2015 budget) to see large scale asset pooling within the LGPS. The panel were reminded of the background to the pooling discussions the criteria that need to be met along with timetables and possible governance structures. This is a hugely significant and complex task for the officers involved and it was clear that great deal of work lies ahead for both officers and panel members alike. The formal detailed proposals on asset pools and governance structures will need to be presented to DCLG during July 2016. It seems likely that matters relating to asset pooling will take up a significant amount of panel time for the immediate future.

Fund specific benchmark

In a very busy January meeting the fund specific benchmark was also reviewed and no major changes were proposed. However in recognition of redemptions from the alternatives hedge fund portion of the portfolio the benchmark weighting was reduced in this area. The last major revision to the fund specific benchmark took place following the results of the 2013 actuarial valuation and it seemed appropriate

SECTION 6 – INVESTMENT REPORT

to wait for the results of the 2016 valuation before having a more fundamental review, if it is deemed appropriate.

Special panel meeting February 2015

The final meeting of the financial year was held during February. The alternative investments working group reviewed in detail funds from eight separate managers where the fund has current commitments. Most of these funds would be classified as UK lower mid-market private equity in terms of geography and target market. There was one new fund reviewed at the meeting, a private lending fund introduced as part of the Investing for growth initiative, which was highlighted in last years' report on the operations of the advisory panel. As with the London meetings of the working group, these face-to-face meetings provide members with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. A distinctive feature of this particular meeting is that a number of the investments are specifically targeted at local business investment.

Training for panel members

An important aspect of maintaining a high level of understanding within the Investment Panel is to encourage and facilitate opportunities for training and attendance at industry events. Attendance at investment and training seminars is encouraged not only for new panel members but also for existing members to keep their knowledge as up to date as possible. During the period the panel has been represented at a number of industry investment seminars including the LGC Investment Summit and the NAPF Investment Conference. The panel continues to support the work of LAPFF and a number of committee members were present at the December LAPFF conference in Bournemouth. The whole event focused on the importance of positive corporate engagement by the LGPS and featured some of the ground breaking research carried out by LAPFF on the issue of financial reporting in the banking industry. As this is a year in which the triennial actuarial valuation takes place, Aon Hewitt the schemes' actuary carried out training at the final meeting of the financial year. This was a scheme specific detailed presentation for all members of the panel, the Local Pension Board and the Joint Advisory Group. The presentation covered all inputs and assumptions that go into calculating the schemes liabilities and how decisions about investment and fund structure also feed into this calculation

Voting rights

In terms of responsible ownership the scheme continued to exercise its shareholder voting rights in full. As highlighted in previous governance reports the panel adopts the PIRC shareholder voting guidelines for this purpose making use of the full-extended service. As a consequence the fund is able to vote on every company represented in its investment portfolio anywhere in the world. The Fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. This engagement is conducted through the LAPFF where deputy chairmen Ian Greenwood remains a very active member. During the course of this financial year the panel decided to add the quarterly engagement report, which is produced by LAPFF as a separate agenda item for the quarterly meetings which has further raised awareness of the issues surrounding corporate governance.

New Panel members

The experience of the investment panel remains a significant benefit to the fund and ensures that investment decisions are reviewed and monitored to the highest standards and the scheme continues to operate with high standards of governance. During any financial year it is usual for some members of the panel to leave and to be replaced with new faces. During the period we welcomed Doug Meeson

SECTION 6 – INVESTMENT REPORT

who replaced David Smith as the West Yorkshire Directors of Finance representative, other changes previously highlighted in this report were Councillor Slater being replaced by Councillor Andrew Thornton as Chair and the retirement of long term panel member Councillor Howard Middleton

Investment performance

Investment performance of the fund is independently measured by the WM Performance Services, and as detailed above the company provided a formal review of performance during the July panel meeting. The investment approach adopted by the panel is to take a genuinely long-term investment view, which is consistent with the long-term nature of the liabilities of the fund. It is however still relevant to monitor investment performance over the short term as well. Over the year to December 2015 (which is the most recent time period available at the time of writing), the fund returned 3.9% this compares with 3.3% for the scheme's specific benchmark, the fund remains ahead of this benchmark over one, three, five and ten year periods. Against a universe of other local authority fund the fund was ahead of the average over the last calendar year and over the longer period however against this universe the fund is slightly behind over three and five years.

Conclusion

As the new financial year begins the panel will continue to operate to the highest levels of governance and seek to adapt as new best practise emerges, including the challenges and opportunities presented by large scale asset pooling. 2016 is expected to be a particularly busy year with the three-year actuarial valuation taking place from March and the final proposals on asset pooling being submitted in July. Against this background investment decisions will continue to be made with the June referendum on the UK's continued membership of the EU of particular importance from a market volatility standpoint. The investment landscape continues to be a volatile one, with the Chinese economic slowdown, Oil prices, US interest rate policy and an US election all important risk factors that will need to be considered by the panel over the coming months.

SECTION 7 – INVESTMENT MANAGEMENT AND STRATEGY

Investment management and strategy

The Fund's entire investment portfolio continues to be managed on a day-to-day basis in-house, supported by the Fund's external advisers. Investment strategy and asset allocation are agreed at quarterly meetings of the Investment Panel. There are thirteen professional investment managers and seven administration settlement staff in the in-house investment team.

The in-house investment management costs continue to be the lowest of all local authority pension funds. In 2015/16, the Fund's in-house investment management costs were £10.64 per scheme member, the lowest for all LGPS, compared with the national average for all local authority pension funds of £144.65 for 2014/15.

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

The volatility in markets over the last year, which is covered in more detail in the following sections, provided the investment Panel with opportunities to allocate investment into equities, bonds and private equity during the year. The investment in hedge and currency funds was further reduced during the year. The Fund holds 1.1% in cash. The return on cash balances remains at a historic low.

Voting policy

The Fund will vote on resolutions put to the Annual and Extraordinary General Meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Fund's Statement of Investment Principles. Full details of the voting policy is also available for viewing on the Fund's website, as are details of the Fund's voting activity at companies' Annual General and Extraordinary General Meetings.

Custody of financial assets and stock lending

HSBC provides custodial services to the Fund and are responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, stock lending, general custodial services and other administrative actions in relation to all the Fund's fixed-interest and equity shareholdings, with the exception of private equity and properties.

Investment performance

The Fund had a reduction in value of -0.3% in 2015/16, 0.2% below the return on the fund-specific benchmark of -0.1%. The average return for all local authority pension funds is 0.2%, this positioned the Fund in the 53rd percentile of the local authority universe.

The Fund's long-term investment performance continues to be good. WYPF's average annualised return over the last three years was 5.3%; over the last five years it was 6.3%; and over the last ten years it was 5.8%. The benchmark figures were 5.3%, 6.3% and 5.5%. The respective average returns for local authority pension funds are 6.4%, 7.1% and 5.6%, which on a league table basis places WYPF in the 81st, 80th and 30th percentile over these periods. The longer-term out-performances against the local

SECTION 7 – INVESTMENT MANAGEMENT AND STRATEGY

authority average have been achieved from both asset allocation and consistent good stock selection. This positive contribution from stock selection demonstrates the excellent work of the in-house investment management team.

SECTION 8 – INVESTMENT MARKETS

UK Equities

The UK equity portfolio valued at £3,700m continues to be the largest single asset class representing 33.1% of the total portfolio. UK equities are an important driver of returns for the Fund. Historically they achieve greater returns than UK government bonds, provide protection from inflation and are based in sterling. Over the long term they offer the growth and income required to meet the fund's rising liabilities. The UK equity portfolio generated dividend income in excess of £144m over the year which was predominantly used to pay pension liabilities and reinvest in other asset classes.

UK equity market performance

The UK equity market returned a disappointing 3.9% loss over the year to 31 March 2016. This is the first annual decline since 2009 and comes after 3 very strong consecutive years. Over the 10 years to 31 March 2016 the annualised return on the FTSE All Share index was 4.7% pa. This is despite the period encompassing the 2008 global market crises and this last disappointing year.

Over the long term the WYPF UK equity portfolio has outperformed the benchmark, returning an annualised 5.1% pa over the 10 years. This has been achieved by consistently good stock selection, and carefully balanced exposure to sectors offering high yield or sustainable growth.

UK equity dividend yield

The FTSE100 index was unable to maintain the record high of 7103 reached in April 2015. However, much of the recovery in the index since 2008 remains intact. The UK equity market continues to return a relatively high dividend yield of 3.8% compared to other global equity markets, as this is cash returned to the investor it is not included in the value of the index.

FTSE 100 Index 1 April 2006 to 31 March 2016



SECTION 8 – INVESTMENT MARKETS

Industry returns

Across the UK market there was a wide variance of returns. As discussed below this has been a negative year for oil stocks. Oil equipment and services fell particularly heavily, by 21% as oil companies slashed costs. Miners fell 30% as commodities were also hit heavily. Auto stocks fell 17% mainly on the back of the VW emissions testing scandal. Banks continue to struggle and fell 25% as they make progress on their long term rehabilitation, furthermore emerging market weakness was a drag on the international banks.

It was by no means all negative, there were many positive sectors. Computer software returned 34%, tobacco stocks had another stellar year gaining 26%. Non-life insurance increased 25%, robust house prices lead to gains of 21% in the house builders. Food producers gained 19% on better pricing power with retailers and lower raw material prices. Beverages, Construction, Utilities and general industrials all gained in excess of 10%.

Corporate actions

The two biggest corporate actions over the year were the Royal Dutch Shell takeover of BG for which shareholders received part cash and part new shares in RDS and the ongoing takeover of SAB Miller by AB InBev. The WYPF received £21m cash and RDS shares to the value of £37m in respect of its BG holding. The fund is expected to receive £55m in cash in respect of the holding in SAB Miller on completion of the takeover.

2015 Elections

The last year has been politically eventful; the general election in May had been widely forecast to result in a hung parliament and possibly another coalition administration. However the result was decisive and a new Conservative government were elected.

Within weeks of the election there was a summer budget, a further budget/autumn statement in November and a third budget in March 2016. The three budgets confirmed the Chancellor's commitment to his austerity strategy for debt reduction. Strong lobbying has deflected two controversial proposals to cut disability benefits and restrict tax relief on pension contributions. The chancellor has had some success in reducing the current account deficit to £74bn this year, but missed his revised budget for the year and his planned reduction in UK debt as a share of GDP which rose from 83.3% to 83.5% over the year.

Gross domestic product

GDP continued to grow, by 2.1% over the year, however industrial production remains weak, the service sector continues to drive growth in the UK. Unemployment continued to fall ending at 5.1% earnings are now rising faster rate than inflation, resulting in real increases in disposable income. A National Living Wage of £7.20 per hour or above for those over 25 came into effect in April 2016 which will further increase disposable income.

New savings products designed for house and pension provision were announced which offer generous terms to assist the young to join the housing ladder and provide for retirement.

UK interest rate

The abnormally low base rate of 0.5% has been maintained since 2009. The first inflationary pressures since 2014 were recorded in Q1 2016, however the UK economy does not look strong enough to require

SECTION 8 – INVESTMENT MARKETS

the monetary brake to be applied yet. The outstanding £375bn of quantitative easing must also be addressed.

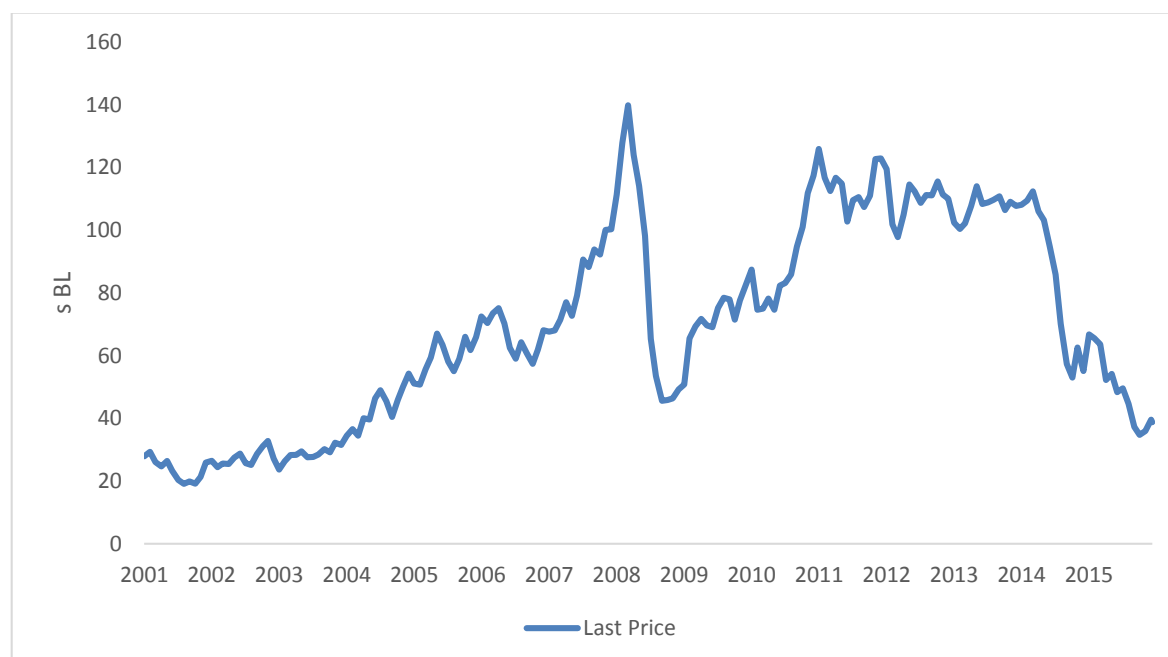
Following repeated attempts to agree new terms for the UK in relation to its membership of the European Union the Prime Minister announced that a referendum will be held to decide if the UK will remain a member of the EU. The possibility of BREXIT would be significant for the UK and the remaining stability of the EU. At present the prospective ramifications somewhat eclipse all other UK domestic economics and policy.

Slowing growth in emerging markets continues to drag on UK growth and exports, further uncertainty due to the BREXIT situation will also weigh on the UK economy.

Turmoil in Oil Prices

The recent plummet in oil price has been extreme and has had a direct impact on markets, companies and households. However as is illustrated below this fall could be viewed as a return to levels seen over the longer term. The world has over recent years become accustomed to ultra-high oil prices. What is damaging is not just the overall level but the volatility in oil price.

Brent Oil Price 01/04/2001 to 31/03/2016



Following the well-publicized collapse in oil prices in 2014/15, the oil price continued to move lower in 2015/6. The price per barrel of Brent Crude oil ended the financial year at \$39.6, falling from \$55.1 over the 12 month period.

The turmoil in the oil markets was the result of ongoing political and economic issues worldwide, such as conflict in the Middle East, a slowdown in demand from China, and a huge oversupply of oil as the OPEC producers were reluctant to cut supplies. The glut is further increased by the lifting of sanctions against Iran, who immediately started exporting 400,000 barrels per day, and have stated an intent to continue to increase this in due course. The volatility in the oil price reduced in the first quarter of

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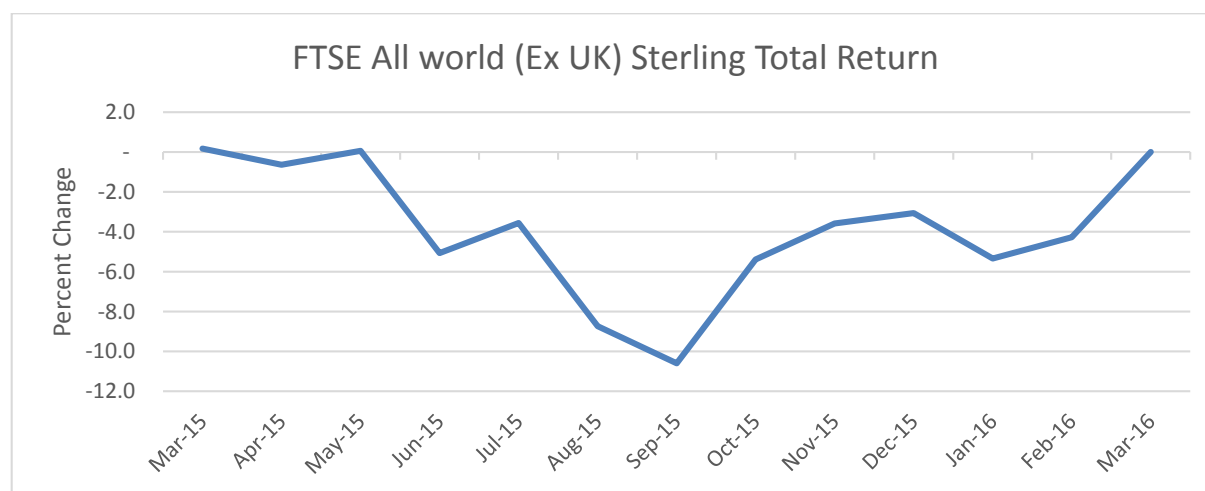
2016, with hopes for a recovery over the next two years looking more promising. The supply of oil should gradually fall as exploration spending has been cut considerably in response to the lower oil price. However the timing and scale of any recovery remains unpredictable and it seems very unlikely that oil will return to the highs of over \$100 seen in the previous five years. The Fund receives a very large dividend income from the major oil companies, who have been able to maintain payments thus far, despite the oil price fall.

UK equity market volatility

A period of volatility is expected on the UK equity market ahead of the referendum and until the oil price has stabilized. Longer term the economic recovery both in the domestic and the European economies will add earnings growth. Emerging markets growth may be slowing but is still positive and the UK equity market is particularly exposed to overseas economic activity. The UK equity portfolio is well placed through diversification to both earnings growth and yield.

INTERNATIONAL EQUITIES INVESTMENT MARKETS

Global equity markets declined slightly over the year with the FTSE World (Ex UK) index returning minus 0.2% in sterling terms, although over the course of the year stock markets were highly volatile. As can be seen from the following chart, the market declined over 10% between May and September, before recovering most of its lost ground by the end of March. The key catalyst for this decline was concern over slowing Chinese growth and the surprise devaluation of the Chinese Yuan in August. On a regional basis only North America made a positive return delivering 3.6% in sterling terms, whilst Europe, Japan and Asia (ex Japan) fell 4.3%, 3.3% and 5.4% respectively, while emerging markets lost 8.9%.

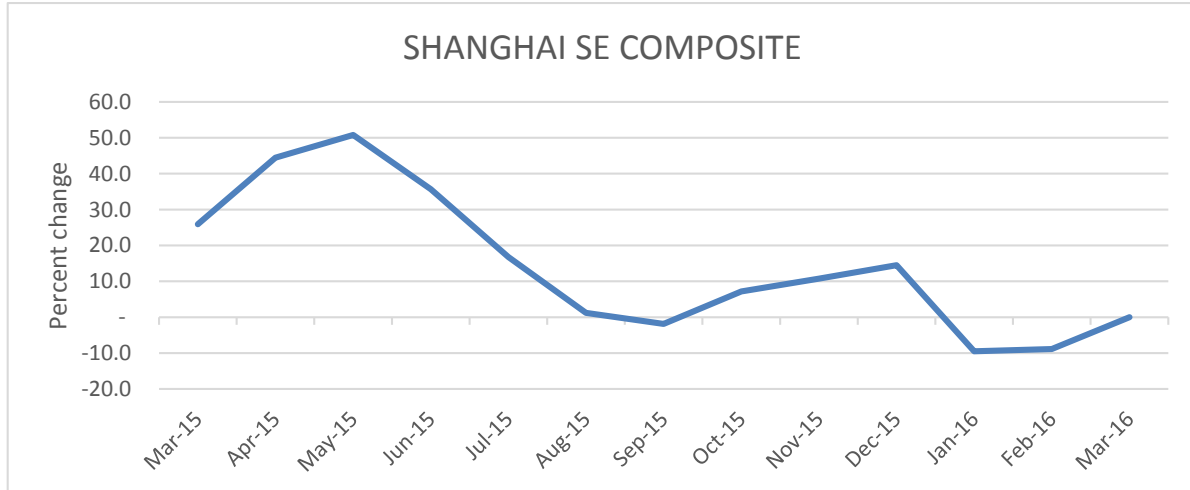


Slower Chinese growth

Chinese economic expansion has been the engine of growth across the world for many years, but this growth, together with the Chinese government's effort to move their economy away from one dependent on capital investment and construction to one driven by domestic consumerism, has had a profound effect on global demand for commodities and world trade in general. Whilst Chinese demand growth tapered off, production of commodities continued to rise leading to an excess of supply and consequent fall in prices. The resulting decline in earnings by commodity producers has been significant and resulted in a reduction to the pace of global economic growth and prompted a corresponding down turn in market sentiment.

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In spite of this slowdown in growth and concern over rising levels of debt, the Chinese stock market rose strongly, at one point doubling in value from the previous year. After peaking in June it sold off heavily in spite of the authority's attempts to stem the tide with a slues of market interventions, the most significant being the devaluation of the Yuan. Fear spread and other markets declined in sympathy as investors sold their risky assets in favour of safer ones, such as bonds.



By September, however, the Chinese stock market found its floor and rallied toward December, declined again in February on further commodity related concerns, but finally rallied again in March.

Commodity Prices

At the beginning of the year, many economists expected lower commodity prices to be a blessing, especially with lower fuel prices and the subsequent boost to consumer spending. Whilst this proved to be true to some degree, the World Bank and IMF now consider that the negative impact on commodity exporting countries like Russia and Brazil, ultimately outweighed the benefits. The flow of capital out of commodity dependant countries weakened their currencies and arguably proved detrimental to their economic and financial stability.

Other diversified economies were also affected. In the US, for example, recent years saw oil production through fracking expand significantly and was a significant source of economic growth within the US economy. With oil below \$50 per barrel, however, fracking is largely uneconomic and producers have been forced to significantly cut production, capital expenditure, and jobs. The financial vulnerability of many smaller oil companies in the US is now a major source of concern as their ability to service their debts is in doubt. This has consequently impacted the banking sector which raised bad debt provisions and reduced profitability.

Monetary Policies

Another key issue affecting market sentiment, especially in the US, has been the impact of divergent monetary policies across the world. Whilst the European Central Bank, Bank of Japan and Peoples Bank of China, pursue policies of monetary easing, the US Federal Reserve has moved to tighten. The reason the Federal Reserve has done this is that it believes its economy is now strong enough to grow sustainably without assistance. The labour market in particular appears healthy and the fear is that

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ongoing low interest rates risk a rise in inflation and over borrowing. However, the US economy is still only growing modestly at between 2% and 3% per annum and speculation that rates would rise caused the dollar to increase in value against other currencies. This in turn dampened overseas earnings of companies and weakened US economic growth. The Fed therefore delayed its planned increase and limited it to just a single raise of 0.25%. Dollar pressure has now eased slightly but the ongoing dominance of monetary easing across the world demonstrates the overall weakness that remains in the global economy.

UK CORPORATE BONDS

Bonds prices have continued to perform strongly over the year. Yields in most sovereign bond markets fell as investors pursued a flight to quality. As economic growth forecasts fall investors look to the relatively safe haven of government bonds. The fall in global bond yields since 2008 has been dramatic and they continue to reach new historic lows. 10 year yields have fallen to 1.4% in the UK, 1.75% in the US, and to just 0.15% in Germany.

Bond performance

UK Gilts returned 3.2% over the year most of which was earned on price appreciation rather than yield. For existing holders of bonds this is advantageous but for investors looking to add exposure to bond markets the yields on offer are increasingly unattractive.

Corporate bonds offer higher yields than government bonds, however the flight to quality has been evident again as investors have moved from corporates into government bonds. Market values have fallen and the spread on investment grade UK corporates over UK gilts has widened from 120bp to 200bp over the year. The UK corporate bond portfolio yields 5.6% which has lessened the impact of the fall in market value.

Bonds with very short maturities have the lowest yield of all and it has been possible to switch out of short maturities realising substantial profits whilst reinvesting in slightly longer maturities which offer a higher yield. In addition indexed linked government and corporate bonds have been sold at substantial profits as these prices seem unsustainable.

Over the last year bond portfolio sales of almost £400m were made to realise profits and reinvest at higher yields.

WYPF increasing commitment to Infrastructure

The WYPF has invested in infrastructure for many years. Investment exposure has in the past been gained by holding investment trusts or unit trusts which provide equity or debt capital for infrastructure activity. At 31st March 2016 these investments were valued at £286m and typically provide high yields ranging from 5% to 8% and are uncorrelated with equity markets therefore also increasing stability of investment returns for the WYPF as a whole. Investment in this asset class will be increased when opportunities arise.

More recently the WYPF has also embarked on direct infrastructure investment within the alternatives portfolio. These new investments are discussed in more detail within the Alternatives report below.

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The WYPF current total exposure to Infrastructure is as follows.

Total Infrastructure Investment	£m	% of WYPF
Undrawn Commitments	83	0.7
Currently Invested	307	2.8
Total	390	3.5

In addition the WYPF has aspirations to increase exposure to infrastructure by £250m within the near term as part of our commitment toward the government's pooling objectives. The weighting in infrastructure would then exceed 5.7% of the overall fund.

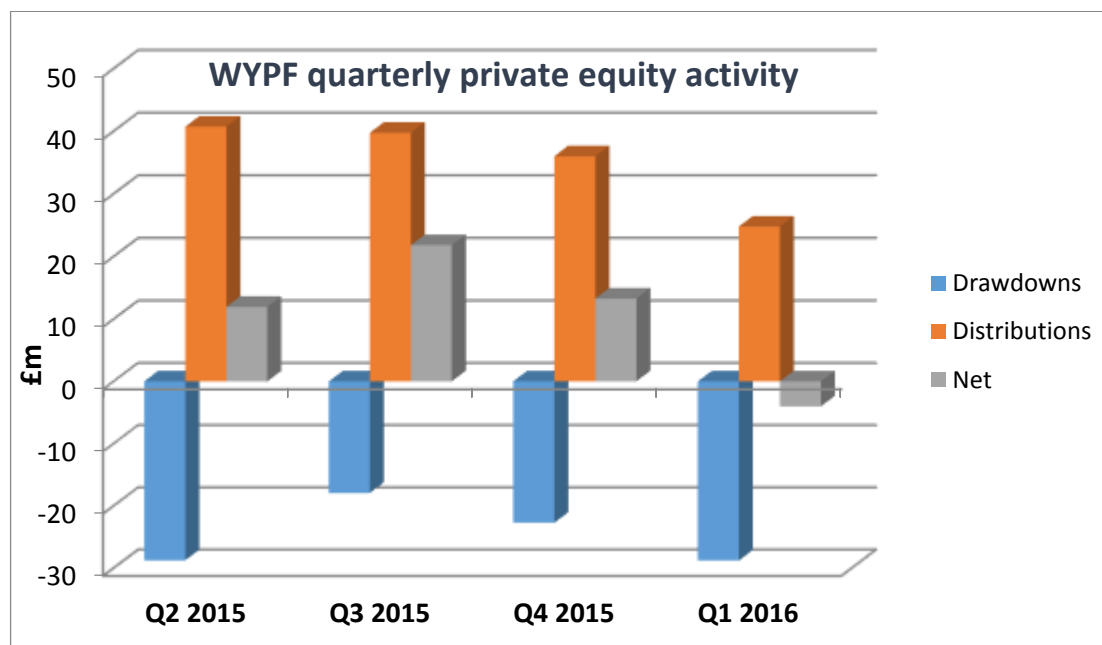
ALTERNATIVE INVESTMENTS

During the financial year to 31 March 2016 unlisted Infrastructure investments were separated from the Private Equity portfolio to form a distinct asset class. The comparative prior year figures for private equity that follow will not, therefore, match up with commentary detailed in last year's report and accounts.

Private Equity

The value of private equity deals decreased by approximately 3% globally, in the financial year to 31 March 2016 compared to the prior year. This was in contrast to the WYPF private equity portfolio that saw a 5% increase in cash invested. The value of global private equity backed exits for the same period was 19% lower than the previous year, and at a similar level to that seen in the 12 months to March 2014. However, the WYPF portfolio saw distributions that were 15% higher year-on-year. This followed the 50% year-on-year increase witnessed between financial years 2013/14 and 2014/15. WYPF bucked the trend partly due to the heavy exposure to 2006–07 vintage funds that are now exiting portfolio companies as fund terms near expiry. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow in some cases. This in turn has led to another robust year for General Partner (GP) fundraising. However, the fund raising market is now more competitive than ever with investors favouring established managers with strong track records. This comes at a time when many investors are wanting to streamline their manager relationships. Fund sizes are therefore increasing whilst committed capital awaiting drawdown remains elevated. This continues to put pressure on GPs to find attractively priced assets, making it a sellers' market. GPs continue to capitalise on the availability of leverage and strong exit markets.

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For the year to 31 March 2016, net proceeds received from the WYPF's private equity portfolio amounted to £43.0m overall, compared to £29.8m in the prior year. As a proportion of the WYPF, the weighting of the private equity portfolio was 4.8%, up from 4.3% the previous year; an increase of £47m. The table below shows the currency exposure of the private equity portfolio's undrawn commitments at the start of the period and the cashflows that followed.

Currency denominated funds	% of total net undrawn commitments as at 31.03.16	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	28.3	16.5	60.7	(44.2)
GBP	14.6	26.1	13.1	13.0
USD	57.1	55.6	67.4	(11.8)
Total	100	98.2	141.2	(43.0)

Diversification

The WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between Euro, Sterling and Dollar denominated funds, produced internal rates of return (IRRs) of 23.7%, 19.3% and 10.7% in their local currency. In Sterling, the overall IRR was 20.5% for the year to 31 March 2016, due to Sterling's weakness over the period. The Euro appreciated by nearly 9% against Sterling, resulting in Euro funds producing an aggregate IRR of 34.3% in Sterling.

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New commitments made during 2015/16

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

Private equity fund	WYPF Commitment
	£m
Palatine Private Equity Fund III	13.0
BlackRock co-investment mandate	15.0
NB Strategic Co-Investments Partners III LP	16.8
Genstar Capital Partners VII Fund	19.0
Growth Capital Partners IV Fund	15.0
NorthEdge Capital Fund II	7.2
Lexington Co-Investment Partners IV Fund	32.0
Total	118.0

Net undrawn commitments

At 31 March 2016, un-drawn commitments amounted to £302.8m. This excludes a further £54.2m of binding commitments made that have yet to reach first close.

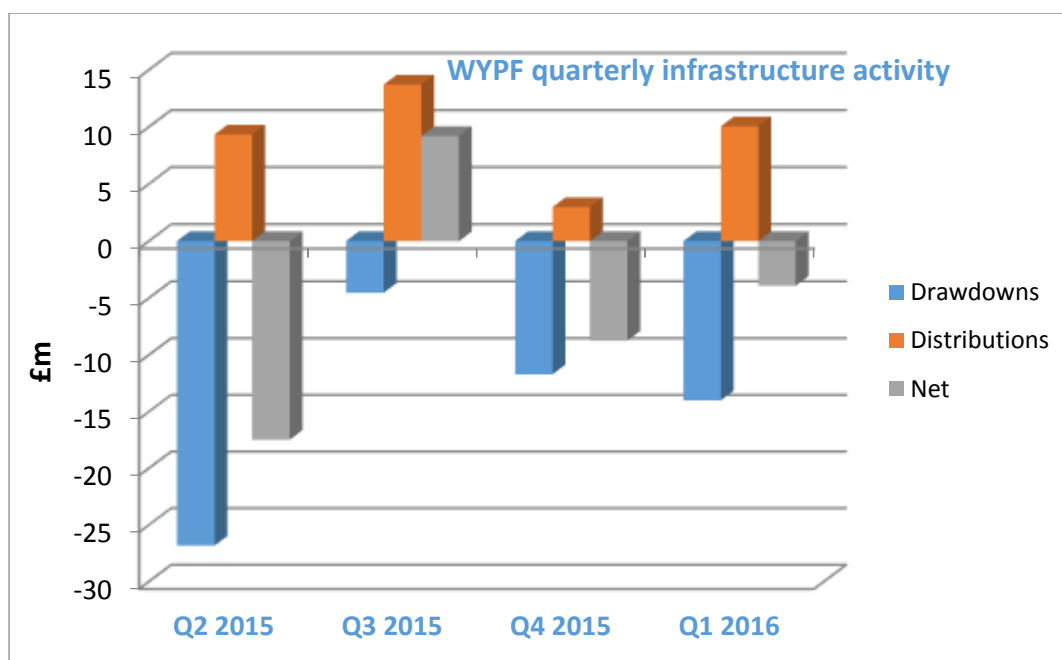
Private equity strategy

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

Infrastructure

The value of infrastructure deals globally, in the financial year to 31 March 2016 was similar to the prior year. The WYPF infrastructure portfolio, however experienced a busy year with more than a three-fold increase in drawdowns compared to the prior year. With more than a fifth of total infrastructure commitments made to 2015 vintage funds, this is not unusual. In addition, one of the 2015 vintage funds drew more than 85% of their committed capital during the 12 months to 31 March 2015. This was invested in three UK offshore wind assets. The value of global infrastructure exits for the same period was 12% higher than the previous year. The WYPF portfolio also saw strong distributions, 5.8 times greater than the prior year, mainly from non-UK assets.

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For the year to 31 March 2016, net monies invested in the WYPF's infrastructure portfolio amounted to £20.9m overall, nearly double the £10.8m invested in the prior year. As a proportion of the WYPF, the weighting of the infrastructure portfolio, was 1.6%, up from 1.2% the previous year. The table below shows the currency exposure of the infrastructure portfolio's undrawn commitments at the start of the period and the cashflows that followed.

Currency denominated funds	% of total net undrawn commitments as at 31.03.16	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	2.0	0.0	5.4	(5.4)
GBP	55.2	38.9	4.7	34.2
USD	42.8	18.2	26.1	(7.9)
Total	100	57.1	36.2	20.9

The WYPF's infrastructure portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split mainly between Sterling and Dollar denominated funds, produced IRRs of 11.8% and 6.6% in their local currency. In Sterling, the overall IRR was 9.2% for the year to 31 March 2016; partly benefiting from Dollar strength over the period. The Dollar appreciated by about 3% against Sterling, resulting in Dollar funds producing an aggregate IRR of 9.3% in Sterling.

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

Fund	WYPF Commitment (£m)
Resonance Industrial Water Infrastructure Fund	16.8
Falko Regional Aircraft Opportunities Fund, L.P	10.1
TOTAL	26.9

At 31 March 2016, un-drawn commitments amounted to £82.9m.

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

HEDGE FUNDS

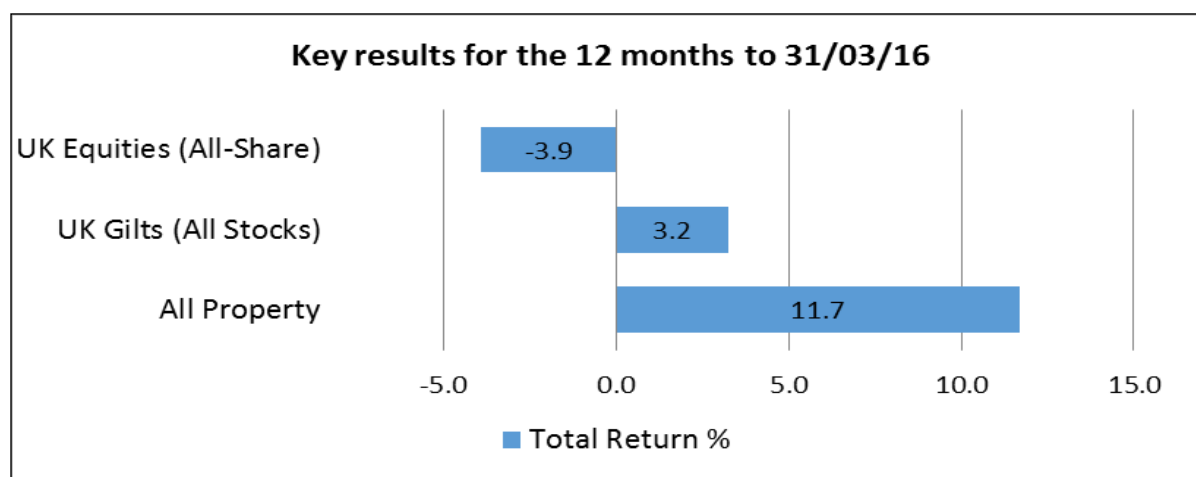
For the twelve months to 31 March 2016, the WYPF's allocation to hedge funds returned minus 2.3% in aggregate. However, this masks varying component returns. The Fund of Funds (FoF) portfolio returned minus 4.3%, which outperformed the HFRI FoF Composite Index (USD) of minus 5.4%. Meanwhile, the single manager hedge fund portfolio returned minus 0.1% (in Dollars), versus minus 7.4% for the HFRX Global Hedge Fund Index (USD). A 3% appreciation in the Dollar over the period meant that the single manager hedge portfolio returned 3.0% in Sterling terms and therefore had a positive impact on overall performance.

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

PROPERTY

For the 12 months to 31 March 2016, total returns for the UK direct All Property benchmark amounted to 11.7%. This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 10.2%.

Relative to other asset classes, the return for UK Property versus Gilt and UK Equity returns is detailed in the bar chart below.



Source: Bloomberg

Property capital values rose for 34 consecutive months, before declining in March 2016. During this period, capital growth was initially negligible, before accelerating through 2014, stuttering but seeing modest growth through 2015, and eventually slowing and turning negative in early 2016. Capital values are now 26.4% higher than the recent low in April 2013. Much of this improvement was seen in London

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and South East office markets, along with industrials. WYPF is overweight in offices and industrials located in the South East and underweight in City and West End offices when compared to the All Pooled Property Funds Index.

Retail properties

Yields for high street retail varied the most. Prime (mainly Central London) yields were 4.0%, 0.5% lower than a year ago, whereas good secondary was 6% and relatively unchanged over the year. This contrasts with the 10% yields seen in general secondary and tertiary retail assets. Yields for secondary shopping centres increased by 0.5% to 8.5%.

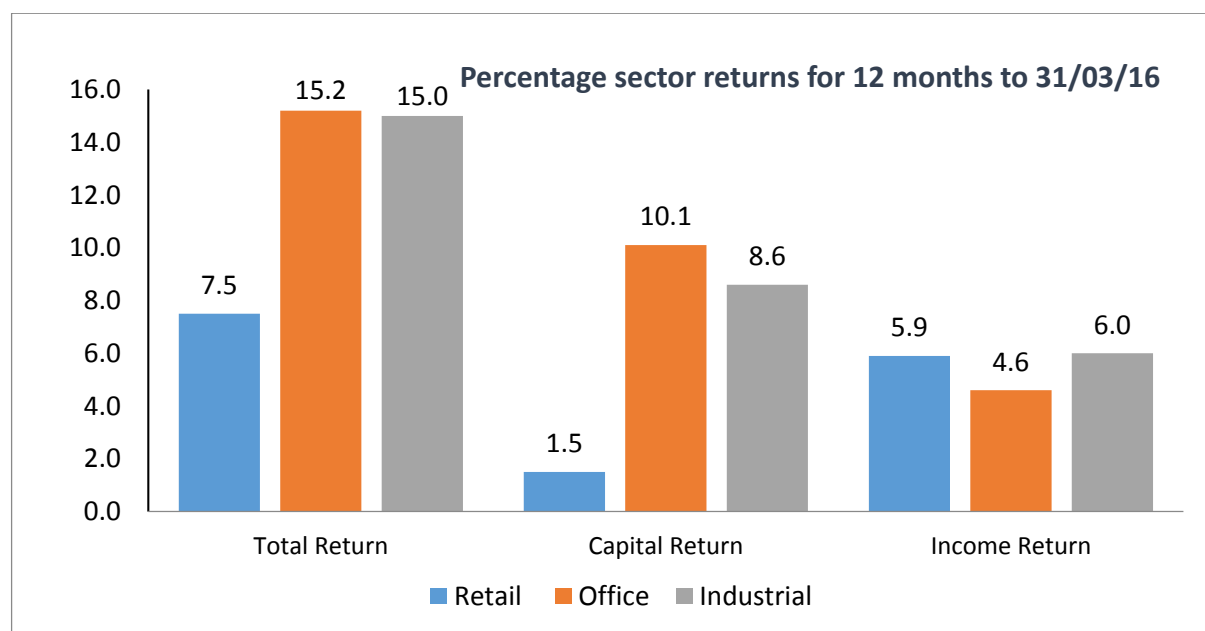
Office properties

Office yields in major regional cities compressed from 5.0% to 4.75%. Secondary yields within similar locations remained unchanged at 6.5%. This contrasts with City and West End prime offices where yields are now as low as 4.0% and 3.3%, respectively.

During the 12 months to 31 March 2016, overall yields for property compressed by roughly 0.3%: comprising 0.2% for retail, 0.3% for offices and 0.4% for industrials. As yield compression peters out, investors are now focusing on income growth and income protection.

Rental growth over the last 12 months was positive for all sectors. The void rate was relatively unchanged over this period, 9.2% compared with 9.3% a year earlier.

Rental growth was skewed to the South East, particularly City and West End offices, with offices and industrials throughout the rest of the UK delivering 3–4% growth. Meanwhile regional high street retail is suffering from either high vacancy levels, little demand or over-renting.



Source: Bloomberg

During the 12 months to 31 March 2016, retail was again the worst performing sub-sector (7.5%). WYPF is underweight in retail but overweight in regional offices compared to its benchmark. It is anticipated that the strong overweight position in regional offices will benefit the portfolio as the yield gap continues to narrow between prime London offices and good secondary regional offices.

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Direct property

During the year, an internal procurement process was established to ascertain the best approach to build out a direct property portfolio. These plans were enhanced following George Osborne's statement in July, but later suspended, whilst awaiting the outcome of Project POOL: the amalgamation of 89 Local Authority Pension Funds into six funds.

In the interim, WYPF has invested in a 'fund of one', akin to a segregated account mandate. This fund targets good secondary property assets located in strong regional centres. This investment is intended to expedite exposure to direct property in a way that WYPF can control.

As reported last year, the WYPF has begun investing in direct UK property, whilst targeting an 80:20 split between UK and non-UK property. The rationale for direct investment is to reduce fees and mitigate third party, investor-led liquidity issues, and the forced sale situations experienced after the global financial crisis. Following the Government's proposals to consolidate LGPSs into six pools, it is expected that this migration from indirect to direct property will gradually continue over time. WYPF made property purchases of £52.1m and sales of £14.6m, giving a net investment of £37.5m over the 12 months to 31 March 2016.

Analysis of investments held at 31 March 2016

		Book Cost	Market Value	
		£m	£m	%
Quoted				
Fixed Interest	Public Sector Bonds	589.6	657.2	5.9
	Corporate Bonds	434.5	453.4	4.1
Index Linked	Public Sector	463.4	558.0	5.0
	Corporate	12.9	22.2	0.2
Ordinary & Convertible Shares (Equities)		4,532.4	7,156.2	64.3
Unit Trust	Property	193.4	328.6	3.0
	Other	312.9	617.7	5.6
Fund of Hedge Funds		173.4	228.7	2.0
Unquoted				
Fixed Interest	Corporate Bonds	12.9	19.1	0.2
Ordinary & Convertible Shares (Equities)		27.4	24.8	0.2
Private Equity		441.5	715.6	6.4
Unit Trusts	Property	189.5	214.3	1.9
	Other	0.0	0.1	0.0
Direct Property		6.4	6.5	0.1
Cash Deposits		126.1	126.1	1.1
Total		7,516.3	11,128.5	100.0

SECTION 8 – INVESTMENT MARKETS

UK equity investments by industry at 31 March 2016

	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Oil & Gas Producers	260.2	12.5	348	9.8	17
Oil Equipment & Services	13.5	0.6	13.2	0.4	6
Alternative Energy	3.1	0.1	2.4	0.1	6
Chemicals	12	0.6	28	0.8	7
Forestry & Paper	4.3	0.2	9.4	0.3	1
Mining	137.4	6.6	134.7	3.8	15
Construction & Materials	37.4	1.8	45.5	1.3	8
Aerospace & Defence	30.4	1.5	70.8	2.0	8
General Industrials	10.6	0.5	29.4	0.8	4
Electronic & Electrical Equip.	6.8	0.3	17.1	0.5	8
Industrial Engineering	6.3	0.3	25.5	0.7	8
Industrial Transportation	11.4	0.5	15.2	0.4	5
Support Services	99.2	4.7	180	5.1	36
Automobiles & Parts	5.6	0.3	13.5	0.4	1
Beverages	22.9	1.1	136.2	3.8	2
Food Producers	12	0.6	30.5	0.9	7
Household Goods & Home Const	29	1.4	136.1	3.8	10
Personal Goods	9.3	0.4	88.9	2.5	6
Tobacco	44.2	2.1	209.7	5.9	2
Healthcare Equipment & Services	13.6	0.7	30.3	0.9	7
Pharmaceuticals & Biotechnology	107	5.1	275.3	7.8	15
Food & Drug Retailers	26	1.2	43.5	1.2	5
General Retailers	27	1.3	80.8	2.3	18
Media	85.8	4.1	146.6	4.1	14
Travel & Leisure	89.6	4.3	177.1	5.0	22
Fixed Line Telecommunications	48	2.3	79.6	2.2	1
Mobile Telecommunications	59.8	2.9	90.8	2.6	2
Electricity	10.2	0.5	28.5	0.8	2
Gas Water & Multi utilities	50.6	2.4	118.1	3.3	5
Banks	422.5	20.2	299.4	8.4	9
Nonlife Insurance	28.3	1.4	34.6	1.0	5
Life Insurance	100.5	4.8	168.5	4.8	7
Real Estate Invest & Services	6.5	0.3	10.5	0.3	4
Real Estate Investment Trusts	64.7	3.1	95.2	2.7	15
Financial Services	51.7	2.5	88.7	2.5	15
Equity Investment Instruments	108.3	5.2	181.8	5.1	31
Software & Computer Services	17.8	0.9	34.6	1.0	11
Technology Hardware & Equipment	14.6	0.7	27.6	0.8	5
Other Equities	1	0.0	0	0.0	2
TOTALS	2089.1	100	3545.6	100	352

SECTION 8 – INVESTMENT MARKETS

Analysis of overseas equity investments as at 31 March 2016

Country	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Australia	135.0	5.8	153.9	4.4	37
Austria	4.2	0.2	5.4	0.2	8
Belgium	9.9	0.4	8.4	0.2	3
Brazil	60.3	2.6	29.1	0.8	37
Canada	37.6	1.6	56.9	1.6	13
Chile	3.9	0.2	2.1	0.1	6
China	107.0	4.6	123.6	3.5	52
Columbia	3.2	0.1	1.3	0.0	2
Denmark	27.7	1.2	66.1	1.9	15
Finland	33.6	1.4	44.9	1.3	17
France	93.8	4.0	155.6	4.4	39
Germany	99.9	4.3	159.8	4.6	36
Greece	6.5	0.3	1.6	0.1	12
Hong Kong	74.6	3.2	98.5	2.8	36
India	0.5	0.0	5.3	0.2	2
Indonesia	14.6	0.6	21.6	0.6	11
Ireland	14.6	0.6	36	1.0	14
Italy	64.3	2.7	67.2	1.9	38
Japan	397.4	17.0	528.8	15.1	90
Korea	54.6	2.3	110.3	3.1	25
Malaysia	21.2	0.9	28.5	0.8	16
Mexico	24.0	1.0	33.6	1.0	22
Netherlands	38.4	1.6	70	2.0	15
Norway	23.2	1.0	32.4	0.9	25
Peru	4.8	0.2	3.8	0.1	3
Philippines	12.8	0.6	23.3	0.7	8
Portugal	6.7	0.3	6.8	0.2	9
Singapore	36.7	1.6	44	1.3	22
South America	2.4	0.1	4	0.1	1
Spain	76.9	3.3	110.5	3.2	28
Sweden	54.3	2.3	85.5	2.4	38
Switzerland	59.6	2.5	167.4	4.8	18
Taiwan	39.4	1.7	56	1.6	28
Thailand	19.8	0.8	39.1	1.1	19
United States	607.3	25.9	1019.1	29.1	116
Other Asian	2.6	0.1	7.4	0.2	1
Other Eastern European	2.3	0.1	5.3	0.2	4
Other International	31.7	1.4	35.7	1.0	16
Other Western					
European	34.5	1.5	52.9	1.5	8
TOTALS	2341.8	100.0	3501.7	100.0	890

SECTION 8 – INVESTMENT MARKETS

List of twenty largest holdings at 31 March 2016

	Market Value	% of Total Investment
	£m	%
BP	146.15	1.31
HSBC HDG. (ORD \$0.50)	140.01	1.26
BRITISH AMERICAN TOBACCO	139.06	1.25
GLAXOSMITHKLINE	130.78	1.18
ROYAL DUTCH SHELL B	112.64	1.01
ASTRAZENECA	94.23	0.85
DIAGEO	83.42	0.75
VODAFONE GROUP	81.72	0.73
BT GROUP	79.64	0.72
ROYAL DUTCH SHELL A(LON)	77.35	0.70
LLOYDS BANKING GROUP	75.89	0.68
RECKITT BENCKISER GROUP	75.81	0.68
IMPERIAL BRANDS	70.69	0.64
UNILEVER (UK)	68.65	0.62
NATIONAL GRID	68.10	0.61
PRUDENTIAL	67.39	0.61
SABMILLER	52.79	0.47
RIO TINTO	46.92	0.42
COMPASS GROUP	45.98	0.41
WPP	43.14	0.39
Total	1,700.36	15.29

SECTION 9 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC investments

WYPF uses three AVC providers – Equitable Life, Scottish Widows and Prudential. In line with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, AVCs are not included in WYPF's Fund Account and Net Assets Statement.

AVC membership information at 31 March 2016

	Equitable Life	Prudential	Scottish Widows	TOTAL
	£000	£000	£000	£000
Scheme value	£2,772	£9,779	£11,658	£24,209

Scheme members with an AVC policy	Equitable Life	Prudential	Scottish Widows	TOTAL
At 31 March 2016	626	1,585	1,318	3,529
At 31 March 2015 (restated)	691	1,277	1,442	3,410
Members still contributing	45	1,500	392	1,937

AVC membership data for the reporting period 2014/15 has been restated.

WEST YORKSHIRE PENSION FUND

STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2016

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund’s assets at that date (of £9,956.7M) covering 96% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
 2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:
 - 14.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
- Plus**
- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2014, amounting to £26.5M in 2014/15, and increasing by 3.9% p.a. thereafter.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
 4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.
 5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

SECTION 10 – ACTUARY’S REPORT

Discount rate for periods in service	
Scheduled Bodies	5.6%.p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6%.p.a.
Admission Bodies	3.6% p.a.
Rate of pay increases:	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% p.a.

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Preparation for the actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

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

Aon Hewitt Limited
May 2016

SECTION 11 – AUDITOR’S REPORT

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the Fund Account, the Net Assets Statement and the related notes. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance is responsible for the preparation of the pension fund’s financial statements in accordance with applicable United Kingdom law.

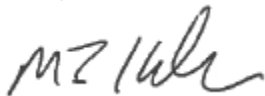
Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority’s full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.



Mark Kirkham

For and on behalf of **Mazars LLP**

Mazars House
Gelderd House
Gildersome
Leeds
LS27 7JN

Date: 29th September 2016

SECTION 12 – 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.

The Director of Finance 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 2016 and its income and expenditure for the year ended 31 March 2016.

In preparing this Statement of Accounts, the Director of Finance 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.

SECTION 12 – STATEMENT OF ACCOUNTS

Fund Account for the year ended 31 March 2016

	Note	31 March 2016	31 March 2015 Restated
		£000	£000
Dealings with members, employers and others directly involved in the Fund			
Contributions receivable	1	372,724	368,058
Transfers in	2	20,371	15,670
Non-statutory pensions and pensions increases recharged	3	23,475	23,833
		416,570	407,561
Benefits payable	4	-456,101	-437,058
Non-statutory pensions and pensions increase	3	-23,475	-23,833
Payments to and on account of leavers	5	-20,733	-181,468
		-500,309	-642,359
Management expenses	8	-7,499	-7,278
Returns on investments			
Investment income	9	314,619	294,110
Taxes on income		-3,538	-165
Profit and losses on disposal of and changes in value of investments	12	-331,145	896,453
Stock lending	12e	3,008	2,094
Underwriting commission		49	0
Net return on investments		-17,007	1,192,492
Net increase in the net assets available for benefits during the year		-108,245	950,416
Opening net assets of the Fund		11,319,225	10,368,809
Closing Net assets of the Fund		11,210,980	11,319,225

The 2014-15 Management expenses (£81k) and Investment income (£81k) figures have been restated due to new CIPFA disclosure guidelines which were introduced during the 2015-16 reporting period.

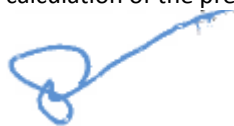
SECTION 12 – STATEMENT OF ACCOUNTS

Net Assets Statement at 31 March 2016

	Note	31 March 2016	31 March 2015
		£000	£000
Investment assets			
Fixed interest securities	12	1,129,723	1,096,230
Equities (including convertible shares)	12	7,896,646	7,974,012
Index-linked securities	12	580,259	608,117
Pooled investment vehicles	12	1,389,330	1,354,482
Direct Property	12	6,500	6,000
Cash deposits	12	126,100	181,000
Other investment balances	12	40,689	41,056
Investment liabilities			
Other investment balances	12	-5,950	-6,000
Investments		11,163,297	11,254,897
Current assets			
Debtors	14	50,345	49,384
Cash balances (not forming part of the investment assets)		8,763	25,012
Current liabilities			
Creditors	15	-11,425	-10,068
Net current assets and liabilities		47,683	64,328
Net assets of the scheme available to fund benefits		11,210,980	11,319,225

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2016. 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 7.

Signed:



Stuart McKinnon-Evans
Director of Finance
City of Bradford Metropolitan District Council

29th September 2016

SECTION 12 – STATEMENT OF ACCOUNTS

Accounting policies

1. Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2015/16 financial year and its financial position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 7.

2. Contributions

Employer contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Employee contribution rates are set out in section 9, Local Government Pension Scheme Regulations 2013 and are reviewed annually. Employer deficit funding contributions are accounted for on the due dates on which they are payable.

Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current assets debtors.

3. Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.

Transfers in or out, including bulk transfers, are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

4. 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.

5. Management expenses

Total management expense is made up of administration, oversight and governance, and investment management expenses.

SECTION 12 – STATEMENT OF ACCOUNTS

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All WYPF staff are charged direct 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 therefore increase or reduce as the value of the investments change. The fees of the external advisors increase by RPI on an annual basis.

In addition, the Fund has engaged with WM - State Street Global Services to report on the performance of the Fund.

The cost of the Fund's in-house investment fund management team are 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 investment management expenses.

6. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 7)

7. Cash and cash equivalents

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

8. 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.

SECTION 12 – STATEMENT OF ACCOUNTS

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

9. Taxation

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

10. Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as loans and receivables, which are stated at nominal value.

A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

11. Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Valuation methodology

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

SECTION 12 – STATEMENT OF ACCOUNTS

The methodologies adopted in valuing financial instruments are explained in greater detail in note 15 to the accounts.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument.

Loans and receivables

The fair value of deposits is considered to be equal to their carrying value. Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable in greater than 12 months as this is not considered material.

12. Additional voluntary contributions (AVCs)

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

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

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 6).

13. 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) Foreign currency purchases are translated into Sterling at the actual purchase rate, all commissions are charged as expense to management costs.
- b) Proceeds of sales of foreign assets are translated into Sterling
 - a. If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.

SECTION 12 – STATEMENT OF ACCOUNTS

- b. Else the mid-market rate on the date of receipt is used.
- c) Purchase of foreign investments are translated into Sterling using the rate at which the foreign currency was purchased or translated to Sterling.
- d) Balance of foreign currency income accounts are moved to capital account using the mid-market rate on the date of movement.
- e) Dividends from foreign investments are translated into Sterling using the mid-market rate on the date of receipt.
- f) When currency is sold we use the actual sale rate and commissions are charged to management expense.

14. Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

15. 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.

16. Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 20 to the accounts.

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

17. Investment transactions

Investment transactions occurring up to 31 March 2016 but not settled until later are accrued in the accounts.

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

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Fund's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund's results and financial position, are explained below.

a) Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 19. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

b) Retirement benefit obligations

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

19. Events after the Balance sheet

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

There have been no such events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

SECTION 12 – STATEMENT OF ACCOUNTS

Note to the accounts

1. Contributions receivable

	2015/16	2014/15
By category	£000	£000
Employers	262,685	259,528
Employees	110,039	108,530
Total	372,724	368,058
By type of employers	£000	£000
Administering Authority	48,289	49,791
Scheduled bodies	283,909	281,946
Admitted bodies	40,526	36,321
Total	372,724	368,058
By type	£000	£000
Employees normal contributions	105,659	104,965
Employees additional contributions	4,380	3,565
Employer's normal contributions	242,691	239,617
Employers deficit contributions	19,994	19,888
Employers augmentation contributions	0	23
Total	372,724	368,058

Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2013) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1 April 2014, and there are several tiered employee contribution rates. For 2015/16 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Additional voluntary contributions

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in note 6.

SECTION 12 – STATEMENT OF ACCOUNTS

2. Transfers in from other pension funds

	2015/16	2014/15
	£000	£000
Individual transfers in from other schemes	20,371	14,670
Bulk transfers in from other schemes	0	1,000
Total transfers in	20,371	15,670

3. Non-statutory pensions increase and recharges

	2015/16	2014/15
	£000	£000
Pensions	23,475	23,833
Lump sums	0	0
Total	23,475	23,833

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.

4. Benefits payable

	2015/16	2014/15
	£000	£000
Pensions		
Funded pensions – retired employees	-330,091	-314,890
Funded pensions – dependants	-27,799	-27,198
Total pensions	-357,890	-342,088
Lump sums		
Funded lump sums on retirement	-87,235	-85,377
Funded lump sums on death	-10,976	-9,593
Total benefits paid in year	-456,101	-437,058
Benefits payable by type of employers		
Pensions		
Administering Authority	-67,904	-68,368
Scheduled bodies	-298,792	-310,113
Admitted bodies	-45,181	-43,110
Other interested bodies with no pensionable employees	-44,224	-15,467
Total pensions	-456,101	-437,058

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

SECTION 12 – STATEMENT OF ACCOUNTS

5. Payments to and on account of leavers

	2015/16	2014/15
	£000	£000
Refund of contributions	-979	-452
Individual transfers	-18,205	-10,763
Bulk transfers	-1,549	-170,253
	-20,733	-181,468

In the reporting period 2014/15 the Greater Manchester Pension Fund (GMPF) was chosen by the Ministry of Justice to administer the LGPS in respect of the National Probation Service, for this reason a bulk transfer of liabilities (£170m) relating to the Probation Service was made to GMPF.

6. AVC Scheme – Equitable Life, Scottish Widows and Prudential

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

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

				2015/16	2014/15
				£000	£000
Value of funds at 1 April				24,282	21,879
Contributions received				4,604	4,304
Transfers and withdrawals				43	32
Internal transfers				0	0
Interest and bonuses/change in market value of assets				-79	2,081
Sale of investments to settle benefits due to members				-4,641	-4,253
Value of funds at 31 March				24,209	24,043

AVC investments by providers	Active members	Members 2015/16	Members 2014/15	2015/16	2014/15
				£000	£000
Equitable Life	45	626	691	2,772	3,003
Prudential	1,500	1,585	1,277	9,779	8,257
Scottish Widows	392	1,318	1,442	11,658	12,783
Total	1,937	3,529	3,410	24,209	24,043

SECTION 12 – STATEMENT OF ACCOUNTS

7. Actuarial present value of promised retirement benefits

Introduction

The Fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the Fund as a whole.

The Fund provides defined benefits, which for membership to 31 March 2016, are based on members' Final Pensionable Pay.

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 p68).

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2013/14 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2013 together with the 2010 figures are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	31 March 2013	31 March 2010
	£m	£m
Fair value of net assets	9,940.30	7,916.91
Actuarial present value of the promised retirement benefits	12,259.30	11,726.54
Surplus / (deficit) in the Fund as measured for IAS26 purposes	-2,319.00	-3,809.63

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2013. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2013	31 March 2010
	% p.a.	% p.a.
Discount rate	4.5	5.5
RPI Inflation	3.4	3.9
CPI Inflation	2.4	3.0
Rate of increase to pensions in payment*	2.4	3.9
Rate of increase to deferred pensions*	2.4	3.9
Rate of general increase in salaries **	3.9	5.4

* In excess of Guaranteed Minimum Pension increases in payment where appropriate

SECTION 12 – STATEMENT OF ACCOUNTS

****** *In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013.*

The assumptions to which the actuarial present value of promised retirement benefits are most sensitive are the discount rate, net of pay and pension increases, and the longevity improvement assumption.

Principal demographic assumptions

Post retirement mortality	31 March 2013	31 March 2010
Males		
Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	22.5	21.7
Future lifetime from age 65 (currently aged 45)	24.7	23.6
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	100%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	25.4	23.9
Future lifetime from age 65 (currently aged 45)	27.7	25.9

* *A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.*

** *The scaling factors shown apply to normal health retirements.*

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	31 March 2013	31 March 2010
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service is 75% of the permitted maximum.	Each member is assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.
Changes in benefits during the accounting period	There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1 April 2014.	

8. Management expenses

	2015/16	2014/15 Restated
	£000	£000
Administration costs	-3,818	-4,054
Investment management expenses	-2,998	-2,580
Oversight and Governance	-683	-644
Total	-7,499	-7,278

2014/15 Investment management figure has been restated due reclassification of direct property cost £81k.

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes £32k in respect of performance related fees paid (2014/15 £24k) and also a statutory audit fee of £48k (2014-15 £48k). No other fees have been paid to the external auditor.

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9. Investment income

	2015/16	2014/15 Restated
	£000	£000
Income from fixed interest securities	41,343	39,016
Dividends from equities	246,768	229,428
Income from index-linked securities	5,451	6,963
Income from pooled funds	19,408	16,653
Income from Direct Property	415	67
Interest on cash deposits	1,234	1,983
Total	314,619	294,110

Investment income 2014/15 has been restated due to new CIPFA guidelines relating to management costs, some costs that were previously charged against investment income have now been charged to management costs.

a) Analysis of Investment income accrued

	2015 Restated UK	2016 UK	2015 Restated NON UK	2016 NON UK	2015 Restated GLOBAL	2016 GLOBAL	2015 Restated TOTAL	2016 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	8,241	9,703	1,924	1,964	0	0	10,165	11,667
Equities	20,532	24,668	328	1,135	0	0	20,860	25,803
Index Linked Securities	1,661	245	198	95	0	0	1,859	340
Pooled Investment Vehicles	0	0	0	0	0	0	0	0
Direct Property holdings	67	311	0	0	0	0	67	311
Cash and cash equivalents	482	396	0	0	32	0	514	396
Total	30,983	35,323	2,450	3,194	32	0	33,465	38,517

Investment income accrued for 2014/15 has been restated to provide the data in line with the asset classes used within the financial statements.

10. Investment Expenses

	2015/16	2014/15
	£000	£000
Internal management costs	-2,573	-2,172
Custody fees	-425	-408
Total	-2,998	-2,580

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11. Direct Property Holdings

	2015/16	2014/15
	£000	£000
Opening balance	6,000	0
Additions:		
Purchases	25	6,387
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase / decrease in market value	475	-387
Other changes in fair value	0	0
Total	6,500	6,000

12. Investments

Movement in the value of investments in 2015/16

	Opening Value at 01.04.15	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.16
	£000	£000	£000	£000	£000
Fixed interest securities	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	706,523	-434,945	-348,944	7,896,646
Index-linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled funds	1,354,482	72,825	-65,063	27,086	1,389,330
Direct Property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other investment debtors	41,056	0	-367	0	40,689
Other investment creditors	-6,000	50	0	0	-5,950
Total	11,254,897	1,144,261	-904,716	-331,145	11,163,297

Comparative movement in the value of investments in 2014/15

	Restated Opening Value at 01.04.14	Purchases Cost	Sales Proceeds	Restated Change in MV	Closing Value at 31.03.15
	£000	£000	£000	£000	£000
Fixed interest securities	956,929	309,177	-240,453	70,577	1,096,230
Equities	7,162,619	555,215	-367,248	623,426	7,974,012
Index-linked securities	598,625	80,563	-156,113	85,042	608,117
Pooled funds	1,189,911	249,519	-202,743	117,795	1,354,482
Direct Property	0	6,387	0	-387	6,000
Cash deposits	318,967	0	-137,967	0	181,000
Other investment debtors	87,526	0	-46,470	0	41,056
Other investment creditors	-7,675	1,675	0	0	-6,000
Total	10,306,902	1,202,536	-1,150,994	896,453	11,254,897

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The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.

a. Investments analysis by security type

	2015/16	2014/15
	£000	£000
Fixed interest securities:		
Public sector quoted	657,199	624,515
Other quoted	453,431	444,632
Unquoted	19,093	27,083
Total Fixed Interest Securities	1,129,723	1,096,230
Equities:		
Quoted	7,156,337	7,346,627
Unquoted	740,309	627,385
Total equities	7,896,646	7,974,012
Index linked securities:		
Public sector quoted	558,032	567,020
UK other quoted	22,227	41,097
Total index linked securities	580,259	608,117
Managed and unitised funds:		
Hedge funds	228,660	258,655
Property	542,902	474,834
Other	617,768	620,993
Total managed funds	1,389,330	1,354,482
Direct Property	6,500	6,000
Cash deposits	126,100	181,000
Other Investment assets	40,689	41,056
Other Investment liabilities	-5,950	-6,000
Total	11,163,297	11,254,897

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

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b. Geographical analysis of investments held as at 31 March 2016

	2016 UK	2016 Non UK	2016 Global	2016 Total
	£m	£m	£m	£m
Fixed Interest Securities	891.3	238.4	0.0	1,129.7
Equities	3,790.5	3,587.3	518.8	7,896.6
Index Linked Securities	522.9	57.4	0.0	580.3
Pooled Investment Vehicles	613.9	473.4	302.1	1,389.4
Property (direct holdings)	6.5	0.0	0.0	6.5
Cash and cash equivalents	126.1	0.0	0.0	126.1
Total	5,951.2	4356.5	820.9	11,128.6

c. Comparative geographical analysis of investments held as at 31 March 2015

	2015 UK	2015 Non UK	2015 Global	2015 Total
	£m	£m	£m	£m
Fixed Interest Securities	869.7	226.5	0.0	1,096.2
Equities	3,895.6	3,590.6	487.9	7,974.1
Index Linked Securities	551.5	56.6	0.0	608.1
Pooled Investment Vehicles	558.4	480.8	315.3	1,354.5
Property (direct holdings)	6.0	0.0	0.0	6.0
Cash and cash equivalents	181.0	0.0	0.0	181.0
Total	6,062.2	4,354.5	803.2	11,219.9

d. Concentration of investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment exceeds 5% of the value of the scheme.

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

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	2015/16	2014/15
	£000	£000
Fixed interest securities		
Treasury 3.25% 2044	56,836	56,965
Index linked securities		
Treasury 2020	n/a	42,234
Treasury 2022	35,280	35,674
Treasury 2024	35,367	35,471
Treasury 2026	41,144	n/a
Treasury 2029	93,397	71,001
Treasury 2030	n/a	34,305
Treasury 2034	58,241	52,711
Treasury 2040	39,026	38,687
Treasury 2044	38,945	43,603
US Treasury 2042	37,745	n/a
Managed and unitised funds		
Aurum ISIS Sterling Fund	77,644	78,192
QIP Ltd	83,249	86,081
Direct Property	6,500	6,000

n/a=no investments

e. Stock lending

	2015/16	2014/15
	£000	£000
UK stock lending		
Income - fixed interest	52	51
Income - UK equities	1,020	737
Overseas equities	1,993	1,358
	3,065	2,146
Less - costs	-57	-52
Total	3,008	2,094

At 31 March 2016, £915.0 million of stock was on loan to market makers, (31 March 2015 £631.4m) and this was covered by collateral totalling £974.0 million, (31 March 2015 £702.8m). The collateral comprised of UK & International Government Bonds £362.2m, (31 March 2015, £202.3m) International Equities £411.5m, (31 March 2015, £267.4m), UK Equities £199.8m, (31 March 2015 £233.1m), Cash £0.3m (31 March 2015 £0m) and Certificates of Deposit £0.4m (31 March 2015, £0.1m). All our securities out on loan are fully indemnified by HSBC our custodian.

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13. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading.

31 March 2016	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
Financial Assets	£000	£000	£000	£000
Fixed interest securities	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances	40,689	0	0	40,689
Debtors	0	50,345	0	50,345
Total financial assets	11,036,647	185,208	0	11,221,855
Financial Liabilities				
Other investment balances	-5,950	0	0	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	-5,950	0	-11,425	-17,375

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

31 March 2015	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
Financial Assets	£000	£000	£000	£000
Fixed interest securities	1,096,230	0	0	1,096,230
Equities	7,974,012	0	0	7,974,012
Index-linked securities	608,117	0	0	608,117
Pooled investment vehicles	1,354,482	0	0	1,354,482
Cash deposits (Investments)	0	181,000	0	181,000
Cash balances (not forming part of the investment assets)	0	25,012	0	25,012
Other investment balances	41,056	0	0	41,056
Debtors	0	49,384	0	49,384
Total financial assets	11,073,897	255,396	0	11,329,293
Financial Liabilities				
Other investment balances	-6,000	0	0	-6,000
Creditors	0	0	-10,068	-10,068
Total financial liabilities	-6,000	0	-10,068	-16,068

f. 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.

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 fixed interest securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Valuations for Property Funds are provided by Fund managers and where available closing bid price is used. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trust. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

Level 3

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

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of investments in Fund of Hedge Funds are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations

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provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.

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

Valuation hierarchy

31 March 2016	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	9,550	543	944	11,037
Loans and receivables	126	0	0	126
Total financial assets	9,676	543	944	11,163
Financial liabilities				
Financial liabilities at fair value through profit or loss	-6	0	0	-6
Total financial liabilities	-6	0	0	-6

31 March 2016	Restated Level 1	Level 2	Level 3	Restated Total
Financial assets at fair value through profit or loss				
Loans and receivables	9,686	475	913	11,074
Total financial assets	181	0	0	181
Financial liabilities	9,867	475	913	11,255
Financial liabilities at fair value through profit or loss				
Total financial liabilities	-6	0	0	-6
	-6	0	0	-6

Financial assets at fair value through profit and loss 2014/15 has been restated to include other investment balances

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14. Current assets -Debtors

Debtors

	2015/16	2014/15
	£000	£000
Contributions due from employers	26,382	26,420
Other Debtors	23,963	22,964
	50,345	49,384
By type of body:		
Central government bodies	55	74
Other local authorities	42,959	41,886
NHS bodies	55	80
Public corporations and trading funds	1,161	1,393
Bodies external to general government	6,115	5,951
	50,345	49,384

15. Current liabilities

Creditors

	2015/16	2014/15
	£000	£000
Unpaid benefits	-6,206	-6,108
Other current liabilities	-5,219	-3,960
	-11,425	-10,068
By type of body:		
Central government bodies	-4,247	-3,960
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Bodies external to general government	-7,178	-6,108
	-11,425	-10,068

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16. 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 2015/16, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £438,136 in respect of support services provided (£605,840 in 2014/15). The support costs for 2015/16 included a full year support for financial, legal and information technology services and a part year charge for accommodation; in December 2014 WYPF purchased their first Direct Property, Aldermanbury House in Bradford and in June 2015 the Fund moved into one of the floors, accommodation costs are therefore no longer paid to Bradford Council.

Employers

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of the Annual report. Contributions in respect of March 2016 payroll are included within the debtors figure in note 14.

UK Central government bodies

The UK Government is a related party as it provides the statutory framework within which the Pension Fund operates. Balances outstanding with the Central government bodies are included within notes 14 and 15.

Members

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

From 1st April 2014 Councillors were no longer entitled to join the scheme and current councillor members will cease their participation when their current term ends.

Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £117,964 (2014 £116,145). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

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The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2016 was valued at £19.2m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2015/16. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

17. Nature and extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast 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 Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at www.wypf.org.uk

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

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

a) Market risk

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

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

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 equity holdings are spread across more than 300 UK companies, and almost 900 foreign companies, and a range of unit trusts and managed Funds.

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

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the benchmark is acceptable. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

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

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

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

b) Price risk

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

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

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 2015/16 reporting period.

Asset Type	2015/16	2014/15
	Potential Market Movement +/- (%p.a.)	Potential Market Movement +/- (%p.a.)
UK equities	10.4	10.2
Overseas equities	9.6	8.9
UK gilts	6.1	6.0
UK corporate bonds	4.8	5.1
UK index-linked	7.3	7.7
Overseas bonds	9.1	8.8
Alternatives (universe)	4.4	5.3
Property	1.7	3.3
Cash	0.2	0.1

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The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

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

Asset type	Value as at 31 March 2016	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	4,394,978	10.4	4,852,056	3,937,900
Overseas equities	3,501,668	9.6	3,837,828	3,165,508
UK gilts	488,485	6.1	518,283	458,687
UK corporate bonds	402,815	4.8	422,150	383,480
UK index-linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Property	549,402	1.7	558,742	540,062
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total investment assets	11,163,297		12,117,591	10,209,003

Asset type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	3,973,559	10.2	4,378,862	3,568,256
Overseas equities	4,000,453	8.9	4,356,493	3,644,413
UK gilts	475,130	6.0	503,638	446,622
UK corporate bonds	394,612	5.1	414,737	374,487
UK index-linked	551,458	7.7	593,920	508,996
Overseas bonds	283,147	8.8	308,064	258,230
Alternatives (universe)	879,648	5.3	926,269	833,027
Property	480,834	3.3	496,702	464,966
Cash	181,000	0.1	181,181	180,819
Other investment assets	41,056	0.0	41,056	41,056
Other investment liabilities	-6,000	0.0	-6,000	-6,000
Total investment assets	11,254,897		12,194,922	10,314,872

c) Interest rate risk

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

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The fund's interest rate risk is routinely monitored by the council 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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2016	31 March 2015
	£000	£000
Cash deposits	126,100	181,000
Cash balances	8,763	25,012
Total	134,863	206,012

d) Interest rate risk – sensitivity analysis

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

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£0	£0	£0
Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total	134,863	1,349	-1,349

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£0	£0	£0
Cash deposits	181,000	1,810	-1,810
Cash balances	25,012	250	-250
Total	206,012	2,060	-2,060

SECTION 12 – STATEMENT OF ACCOUNTS

e) 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 2016 and 31 March 2015:

Currency exposure - asset type	Value as at 31 March 2016	Value as at 31 March 2015
	£000	£000
Overseas quoted fixed interest securities	238,423	222,798
Overseas unquoted fixed interest securities	0	3,690
Overseas quoted equities	3,501,313	3,556,023
Overseas unquoted equities	355	444,430
Overseas quoted index linked securities	57,379	56,659
Overseas unit trusts	473,380	482,102
Property funds	73,441	46,454
Total overseas assets	4,344,291	4,812,156

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2014/15 5.6%).

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

Asset type	Value as at 31 March 2016	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	238,423	252,728	224,118
Overseas unquoted fixed interest securities	0	0	0
Overseas quoted equities	3,501,313	3,711,392	3,291,234
Overseas unquoted equities	355	376	334
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Property funds	73,441	77,847	69,035
Total overseas assets	4,344,291	4,604,948	4,083,634

SECTION 12 – STATEMENT OF ACCOUNTS

Asset type	Value as at 31 March 2015	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	222,798	235,275	210,321
Overseas unquoted fixed interest securities	3,690	3,897	3,483
Overseas quoted equities	3,556,023	3,755,160	3,356,886
Overseas unquoted equities	444,430	469,318	419,542
Overseas quoted index linked securities	56,659	59,832	53,486
Overseas unit trusts	482,102	509,100	455,104
Property funds	46,454	49,055	43,853
Total overseas assets	4,812,156	5,081,637	4,542,675

f) Credit risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 12.e.

g) 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.

SECTION 12 – STATEMENT OF ACCOUNTS

18. Contingent liabilities and contractual commitments

At 31 March 2016 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2016	Un-drawn commitments
	£m	£m
Asset class		
Private equity	715.6	440.8
Property funds	542.9	101.8
	1,258.5	542.6

At 31 March 2015 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2015	Un-drawn commitments
	£m	£m
Asset class		
Private equity	624.6	445.4
Property funds	480.8	57.2
	1,105.4	502.6

19. Accounting Developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2016.

IFRS 9 Financial Instruments (replacement of IAS 39)

The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories:

- Fair Value through profit or loss
- Fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets
- Contractual cash flow characteristics of the instruments.

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

SECTION 12 – STATEMENT OF ACCOUNTS

20. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Internal disputes resolution procedure

With pensions being such a complicated issue at times 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 Disputes Resolution Procedure.

The Internal Disputes Resolution Procedure 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 6 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 Internal Disputes Resolution Procedure 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 being to protect pension scheme members'. From 1 April 2015 the Pensions Regulator's remit was extended to cover Public Service Pension Schemes. The Pension 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's senior management team are:

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APPENDIX B – FURTHER INFORMATION AND CONTACTS

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APPENDIX B – FURTHER INFORMATION AND CONTACTS

Our office at Ground Floor Aldermanbury House, 4 Godwin Street in Bradford, is open Monday to Friday between 08.45 and 16.30.

Company information

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Glossary of terms

A

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.

B

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.

APPENDIX C – GLOSSARY OF TERMS

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.

C

Career average revalued earnings (CARE) pension scheme

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

Cash equivalent value (CEV)

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

Consumer Price Index (CPI)

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

Contracted out

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

Commutation

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

Convertible shares

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

Custodian

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

D

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.

APPENDIX C – GLOSSARY OF TERMS

Death grant

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

Deferred pensioner

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

Deficit payments

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

Denomination

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

Designating body

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

Discretion

This is 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 are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. 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.

E

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.

APPENDIX C – GLOSSARY OF TERMS

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.

F

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.

G

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.

I

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 cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

Internal rates of return (IRR)

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

APPENDIX C – GLOSSARY OF TERMS

L

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.

M

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.

O

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.

P

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.

APPENDIX C – GLOSSARY OF TERMS

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

Personal pension

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

Policy statement

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

Pooled funds

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

Private Equity

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

Q

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.

R

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

APPENDIX C – GLOSSARY OF TERMS

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 1st 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.

S

Scheduled body

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

State Earnings Related Pension Scheme (SERPS)

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

Spot rate

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

Stakeholder pension

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

State pension age

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

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension

APPENDIX C – GLOSSARY OF TERMS

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.

T

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 cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

U

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.

V

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

APPENDIX C – GLOSSARY OF TERMS

detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

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

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

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

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

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



Pension Administration Strategy



Pension Administration Strategy

Contents

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

Regulatory framework & purpose

1. The regulations

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

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

1.1. Purpose

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

2. Review of the strategy

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

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

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

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

3. Liaison and communication

3.1. Authorised contacts for employers

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

A Strategic contact for valuation, scheme consultation, discretionary statements & IDRP

An Administration contact for the day to day administration of WYPF, completing of forms and responding to queries

A Finance contact for completion and submission of the monthly postings and co-ordination of the exception reports

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

If they wish, employers may also nominate additional contacts.

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

When registering, each contact should complete a "main contact registration form and authorised user list" and signing WYPF's user agreement for the secure administration facility.

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

3.2. Liaison and communication with employers

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

- A named **Pension Fund Representative** for regulatory or administration queries, training, advice and guidance.
- A named **Finance business partner** to assist with the monthly returns process
- A dedicated **Contact centre** for member queries

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

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
<i>Ad hoc</i> training	As and when required	Face to face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and Xtra	12 per year and as and when required	E-mail
Social media	Constant	Web

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

<i>Ad hoc</i> meetings	As and when required	Face to face
Workshops	10 per year	Face to face

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

4. Employer duties & responsibilities

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

4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly Postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions was deducted.	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission.	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly return submission. For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	90% compliance or better
			If the employer is not using monthly return, then information is due within 6 weeks of change event.	
50/50 & Main scheme elections	Monthly Return		Notified by the employer via monthly return, WYPF will process the data	90%

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			within 2 weeks following monthly data submission.	compliance or better
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving	90% compliance or better
	Web form		For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report.	
	Monthly returns (exception reports)			
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy.	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification.	100% compliance

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

4.2 Responsibilities

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

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

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

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

4.3 Discretionary powers

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

4.4 Member contribution bands

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

4.5 Internal Disputes 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.

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

5 Payments & charges

5.1 Payments by employing authorities

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

5.2 Paying contributions

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

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

5.3 AVC deductions

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

5.4 Late payment

Employers are reported to The Pensions Regulator where contributions are received late in accordance with the Regulator's code of practice.

5.5 Payment method

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

5.6 Early retirement and Augmentation costs

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

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

5.7 Interest on late payment

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

5.8 Employer contributions

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

5.9 Actuarial Valuation

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

5.10 Administration charges

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

6 Administering authority duties & responsibilities

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

6.1 Scheme Administration

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

- Employers Annual meeting
- Members Annual Meeting
- Pre retirement courses
- New Starters Induction courses
- Complete Guide to Administration
- Your Responsibilities
- Monthly Contributions
- Ill Health Retirement

6.2 Responsibilities

WYPF will ensure the following functions are carried out:

- 6.2.1 Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point access for information relating to the LGPS
- 6.2.2 Create a member record for all new starters admitted to the LGPS
- 6.2.3 Collect and reconcile employer and employee contributions
- 6.2.4 Maintain and update members records for any changes received by WYPF
- 6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the Fund

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

Actuary so that he can determine the assets and liabilities for each employer

- 6.2.6 Communicate the results of the actuarial valuation to the Fund to each employer
- 6.2.7 Provide every active, deferred and pension credit member with a benefit statement each year
- 6.2.8 Provide estimate of retirement benefits on request by 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

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

6.4 Discretionary powers

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

6.5 Internal Disputes Resolution Procedure (IDRP)

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

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

6.6 Fund Performance Levels

The minimum performance targets are shown below:

Service	Days	Minimum Target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits - Payment of Lump sums	3	85%
6. Provide details of Deferred Benefit Entitlement	10	85%

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7. Refund of Contribution – Notification of Entitlement	5	85%
8. Refund of Contribution – Payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirement benefits	10	85%
11. Retirement benefits – Payment of lump sum	3	85%
12. Retirement benefits – Recalculation of pension/lump sum	10	85%
13. Calculation and payment death benefits on receipt of all necessary information	5	85%

14. Make death grant payment to 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 P60's 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 entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

7 Unsatisfactory performance

7.1 Measuring performance

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

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

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

7.2 Unsatisfactory performance

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

APPENDIX D – PENSIONS ADMINISTRATIVE STRATEGY

APPENDIX D1 – MAIN CONTACT REGISTRATION AND AUTHORISED USER LIST



Main contact registration form

Employer name or location codes (for multiple employers)
Employer address

Important: please read the attached notes before you fill this form in.

Strategic contact

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

Administration contact

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

Finance contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	
Date signatures valid from	
Signed (by current authorised signatory)	

APPENDIX D – PENSIONS ADMINISTRATIVE STRATEGY



Authorised user list

Please give the full name, phone number and email address of the additional people you authorise to submit information on your behalf. 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 D – PENSIONS ADMINISTRATIVE STRATEGY

APPENDIX D2 – 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), a minimum half day charge of £110 + vat + cost of recovery actions (court and legal fees) will be levied. Any part or all of this charge may be waived at head of service discretion.
2. Contributions to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Due by 19th month-late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.

APPENDIX D – PENSIONS ADMINISTRATIVE STRATEGY

Performance areas	Reason for charge	Basis of charge
5. Early leavers information	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at
7. Death in membership	Due within 3 working days of the notification - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + vat a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + Failure to comply by employer. This may be waived at head of service discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + vat a day. This may be waived at head of service discretion.

APPENDIX D – PENSIONS ADMINISTRATIVE STRATEGY

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated- Pension liaison officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + vat a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + vat is made. This charge is for each members record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the Court Order.	The charge is £250 + vat for this work.

APPENDIX D – PENSIONS ADMINISTRATIVE STRATEGY

APPENDIX D3 – CHARGING LEVELS

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

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

Level I – Work at Pension Officer Level

Level II – Work at Senior Pension Officer Level

Level III – Work at Pension Manager Level

Funding Strategy Statement

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 FSS. The key requirements for preparing the FSS can be summarised as follows:

After consultation with all such persons as it considers appropriate, the Administering Authority will prepare, maintain and publish their funding strategy;

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

- the statutory guidance issued by CIPFA for this purpose; and
- the Statement of Investment Principles (SIP) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) (“The Investment Regulations”); and

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 the SIP.

- 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. Contributions to the Fund from employers should be set

APPENDIX E – FUNDING STRATEGY STATEMENT

so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a common rate of employer contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2 Purpose of Funding Strategy Statement (FSS)

- 2.1** Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.
- 2.2** The purpose of this FSS is to set out the processes by which the Administering Authority:
- 2.2.1** establishes a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
 - 2.2.2** supports the regulatory requirement to maintain as far as possible stable employer contribution rates;
 - 2.2.3** makes a prudent longer-term view of funding those liabilities.
- 2.3** It should be **stressed** at the outset that as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers’ contribution rates through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contribution rates and, therefore, 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 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 admitted 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;
- 3.1.2** manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable; and
- 3.1.3** maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the Fund is to:

- 3.2.1** receive monies in respect of contributions from employers and employees, transfer values and investment income; and
- 3.2.2** pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

4 Responsibilities of Key Parties

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

4.2 The Administering Authority should:-

- 4.2.1** operate a pension fund;
- 4.2.2** collect employee and employer contributions, investment income and other amounts due to the pension fund;
- 4.2.3** invest all monies held in accordance with the SIP;
- 4.2.4** maintain adequate records for each Scheme member;
- 4.2.5** exercise discretions within the regulatory framework, taking into account the cost of decisions;

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- 4.2.6** take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- 4.2.7** ensure sufficient cash is available to meet liabilities as they fall due;
- 4.2.8** pay from the pension fund the relevant entitlements as stipulated in the Regulations;
- 4.2.9** provide membership records and financial information to the actuary promptly when required;
- 4.2.10** prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles in consultation with interested parties;
- 4.2.11** monitor all aspects of the Fund's performance and funding and amend the FSS/SIP accordingly;
- 4.2.12** manage the valuation process in consultation with the actuary; and
- 4.2.13** effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer.

4.3 Each individual employer should:

- 4.3.1** deduct contributions from employees' pay correctly;
- 4.3.2** pay all contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date;
- 4.3.3** develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;
- 4.3.4** make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;
- 4.3.5** provide adequate membership records to the Administering Authority promptly as required;
- 4.3.6** notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding;
- 4.3.7** notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding; and
- 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.

4.4 The Fund Actuary should:

- 4.4.1** prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;

APPENDIX E – FUNDING STRATEGY STATEMENT

- 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 termination of Scheme employers.
- 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 required by the regulations; and
- 4.4.6** ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his role in advising the Fund.

5 Solvency Issues and Target Funding Levels

Risk Based Approach

- 5.1** The Fund adopts a risk based approach to funding rather than a 'deterministic' approach which gives little idea of the associated risk. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:
 - 5.1.1** the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
 - 5.1.2** the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
 - 5.1.3** the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).
- 5.2** These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the appropriate levels of employer contribution payable and, by extension, the appropriate valuation approach to adopt. 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

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- 5.3** The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term.
- 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.
- 5.5** For Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be:
- 5.5.1** the Projected Unit method of valuation; and
 - 5.5.2** assumptions such that, if the Fund had reached the Solvency Target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 22 years.

This then defines the Solvency Target.

- 5.6** For Admission Bodies and other bodies whose liabilities are expected to be orphaned following cessation, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after cessation.

Probability of Funding Success

- 5.7** The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

APPENDIX E – FUNDING STRATEGY STATEMENT

- 5.8** The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is just under a 70% chance that the Fund would reach or exceed its Solvency Target after 22 years.

Funding Target

- 5.9** The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the future service costs and any adjustment for the surplus or deficiency set the level of contributions payable, then dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The key assumptions used for assessing the Funding Target are summarised in Appendix 1
- 5.10** Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible, contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.
- 5.11** For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

Funding Targets and assumptions regarding future investment strategy

- 5.12** For Scheduled Bodies and Admission Bodies with a subsumption commitment from a Scheme Employer of sound covenant, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets.

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5.13 For Admission Bodies and other bodies whose liabilities are expected to be orphaned on cessation, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such cessation, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of cessation (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

5.14 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target.

Recovery Periods

5.15 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, the employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme. Further, this is based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term

5.16 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 requires additional contributions from the employer to meet the shortfall. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target for that employer or group of employers is payable.

APPENDIX E – FUNDING STRATEGY STATEMENT

5.17 Additional contributions 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 lower 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, designating and admission bodies with subsumption guarantees - 22 years

5.17.2 admission bodies with a fixed or known term of participation - remaining period of participation

5.17.3 other admission bodies - future working life of members

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;

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.

5.19 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. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

5.20 In determining the above principles the Administering Authority has had regard to:

5.20.1 the responses to the consultation on the FSS principles;

5.20.2 relevant guidance issued by the CIPFA Pensions Panel;

5.20.3 the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose;

5.20.4 the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Employer Contributions

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- 5.21** As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience, between the various employers in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted.
- 5.22** In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions are set out in Appendix 1. For the purpose of the 2013 valuation the Fund Actuary has calculated the normal cost based on the new career average benefit structure expected to be in place from 1 April 2014.
- 5.23** The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:
- 5.23.1** a maximum deficit Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see below).
- 5.23.2** where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps.
- 5.23.3** on the cessation of an employing authority’s participation in the Scheme, the Fund Actuary will be asked to complete a termination valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the separate Admission Bodies Policy document at Appendix 2.
- 5.24** With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the

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employer's contribution rate. For deaths in service and tier 1 and tier 2 ill health retirement the experience will be spread across all employers.

5.25 Two key principles making up the funding strategy adopted for the 2013 actuarial valuation are to:

5.25.1 provide stability in employer contribution rates as far as is possible, thereby avoiding wide fluctuations year on year in those rates. To achieve this stability and ensure gradual movements in employers' contribution rates, the practice of phasing any increases or decreases in employers' rates up to 6 years from 1 April 2014 was adopted where appropriate and required;

5.25.2 retain a maximum 22 year recovery period for meeting a deficit as adopted at the 2010 Valuation.

5.26 With regard to the two principles outlined in paragraph 5.25 above, every Scheme Employer (i.e. those identified in paragraph 5.17.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contribution rates or phase any increase over a shorter period than 6 years.

5.27 It may not be possible to adopt the two principles outlined in paragraph 5.25 for some or all of the employers identified in paragraphs 5.17.2 and 5.17.3, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these two groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the Administering Authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.

5.28 In adopting the 22 year deficit recovery period for the 2013 Valuation, the Administering Authority has had regard to the need to balance the short-term reduced cash requirement which the 22 year recovery period would deliver against the desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range.

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Smoothing of Contribution rates for admission bodies

- 5.29** 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 full funding may precipitate failure of the body in question, leading to costs for other participating employers.
- 5.30** The renewed Compact is an agreement between the Coalition Government, and their associated Non-Departmental Public Bodies, Arms Length Bodies and Executive Agencies, and civil society organisations (which for the purpose of the Compact include charities, social enterprises, voluntary and community groups). The agreement aims to ensure that the Government and civil society organisations work effectively in partnership to achieve common goals and outcomes for the benefit of communities and citizens.
- 5.31** Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, taking account of its responsibilities under the Compact, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.
- 5.32** The implication of this is that, during the period of relaxation, contribution rates for admission bodies can be set at a level lower than full funding would require. However, where deficit payments are being deferred, the bodies should be aware that, all things being equal, this will lead to a higher contribution requirement in future. As a minimum, such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the Funding Target method and assumptions adopted for scheduled bodies and those with a subsumption guarantee.

Notional sub-funds

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

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5.34 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.

5.35 The notional sub fund allocated to each employer is tracked between valuations by rolling it forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income allocated as set out below. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. Further adjustments are made for:

5.35.1 A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.

5.35.2 Allowance for any known material internal transfers within the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.

5.35.3 Allowance for death in service and other benefits shared across all employers in the Fund (see above).

5.35.4 An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

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

5.36.1 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is not material, estimated cashflows will be used.

5.36.2 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary will instead use an analysis of gains and losses to roll forward the notional sub fund. Analysis of gains and losses methods are less precise than use of cashflows. They involve calculation of gains and losses to the surplus or deficit at the previous valuation and then compare the surplus or deficit calculated at the valuation with the liabilities evaluated at this valuation to determine the employer's implied notional asset holding.

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- 5.37** The distribution of the investment portfolio between asset classes, and the allocation of investment performance, will be exactly the same for every employer in the Fund. The Fund has one investment portfolio, and employers' shares of the portfolio will be pro-rata to their participating share of the Fund. The Fund's Investment Advisory Panel approves the distribution of the investment portfolio between the various asset classes, and no separate or different notional distribution will be applied to any employer.

Former Participating Bodies

- 5.38** Where an employer ceases to participate in the Fund, the Administering Authority will obtain a cessation valuation from the actuary which will determine a cessation contribution on the assumption that, unless a subsumption arrangement is in place, the assets will assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. This approach minimises the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund.

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

- 6.1** In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the SIP.
- 6.2** It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.
- 6.3** Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations. However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate

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would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced

- 6.4** Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time, reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.
- 6.5** The Fund's current benchmark investment strategy, as set out in its SIP, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. The expected rate of return and the target set for investment returns in the SIP are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

7 Identification of risks and counter-measures

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

Investment risk

- 7.2** This covers items such as the performance of financial markets and the Fund's Investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:
- 7.2.1** assets not delivering the required return (for whatever reason, including manager underperformance)
 - 7.2.2** systemic risk with the possibility of interlinked and simultaneous financial market volatility
 - 7.2.3** insufficient funds to meet liabilities as they fall due
 - 7.2.4** inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon

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7.2.5 counterparty failure

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

7.3.1 equities – industry, country, size and stock risks

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

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

7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

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

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

Liability risk

7.6 The main risks include interest rates, pay and price inflation, changing retirement patterns and other demographic risks.

7.7 The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

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

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- 7.9** If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review the bonds that are in place for Admission Bodies.

Liquidity and Maturity risk

- 7.10** This is the risk of a reduction in 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. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,
- 7.10.1** budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
 - 7.10.2** an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
 - 7.10.3** public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
 - 7.10.4** scheme changes and higher member contributions in particular may lead to increased opt-outs;
 - 7.10.5** a high take-up of the 50/50 option will reduce member contributions to the Fund.
- 7.11** The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

Regulatory and compliance risk

- 7.12** Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. The Government is also carrying out a review of the structure of the LGPS.
- 7.13** The Administering Authority will keep abreast of all the changes to the LGPS 2014. The Administering Authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

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Employer risk

- 7.14** These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.
- 7.15** The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

Governance risk

- 7.16** Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, or an admission body closing the scheme to new entrants.
- 7.17** The Fund seeks to maintain regular contact with employers to mitigate this risk, and has Pension Fund Representatives for this purpose. The Fund would also advise employers to pay past service deficit payments as lump sums, rather than as a percentage of payroll, to avoid an under payment accruing as a result of a reduction of the payroll.
- 7.18** To protect the Fund on the admission of a new employer, the existing scheme employer (which should liaise with the Fund) or the Fund if there is no existing scheme employer, will undertake a risk assessment and determine the requirement for a bond or indemnity, which should be reviewed annually.
- 7.19** The Fund will monitor employers with a declining membership, and may introduce a more conservative Funding strategy for such employers.

8 Monitoring and Review

- 8.1** The Administering Authority has taken advice from the Fund Actuary in preparing this Statement, and will consult with senior officials of all the Fund's participating employers.

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

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Appendix 1

Actuarial Valuation as at 31 March 2013

Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Principal assumptions

Investment return (discount rate)

The discount rate for the 2013 valuation is 5.6% p.a. for the periods pre and post retirement with the exception of Admission Bodies which will ultimately give rise to Orphan liabilities where the discount rate is 5.2% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 3.6% (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.4% in light of the increase in gilt yields since the valuation date.

The asset out-performance assumptions represent the allowance made for the long-term additional investment performance on the assets of the Fund relative to the Bank of England Bond Curve as at the valuation date.

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

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

The CPI inflation assumption at the valuation date is set as RPI inflation less 0.9%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising

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from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.

Salary increases

The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.5% p.a. over the consumer price inflation assumption as described above.

Pension increases

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

Mortality

Post-retirement Mortality Base Rates

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

Ill-health: Standard SAPS Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health) 105%

Females (normal health) 100%

Males (ill-health) 110%

Females (ill-health) 120%

Future improvement to base rates

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An allowance for improvements in line with the CMI 2012, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

Pre-retirement mortality

Males: As for normal health retirements but with a 75% scaling factor

Females: As for normal health retirements but with a 75% scaling factor

Early retirements

Members who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits. Members joining on or after 1 October 2006 are assumed to retire at age 65.

Withdrawals

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

Retirement due to ill health

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier) 75%

Tier 2 (middle tier) 10%

Tier 3 (lower tier) 15%

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Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

90% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.

90% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

Take up of 50/50 scheme

10% of staff earning less than £21,000 are assumed to join the 50/50 scheme.

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.3% of Pensionable Pay added to the cost of future benefit accrual.

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.

Funding method

For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods the salary

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increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target

Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the “normal cost”) for the 2013 actuarial valuation

Discount rate (pre-retirement)	5.6% for Scheduled, Resolution and Bodies with subsumption guarantees 5.2% (Orphan Admission Bodies in service 3.6% (Orphan Admission Bodies left service)
Discount rate (post-retirement)	5.6% Scheduled, Resolution and Bodies with subsumption guarantees 3.6% (Orphan Admission Bodies)
Rate of general pay increases	3.9%
Rate of price inflation (RPI)	3.3%
Rate of price inflation (CPI)	2.4%
Rate of pension increases (on benefits in excess of GMPs)	2.4%
Rate of pension increases on post-88 GMPs	2.0%
Rate of deferred pension increases	2.4%
Rate of GMP increases in deferment	3.6%

APPENDIX 2

Policy on Admission Bodies and Cessation Valuations

1. Background

- 1.1** Under the Local Government Pension Scheme Regulations 2013, certain employers are allowed to participate in the Fund if they satisfy the relevant criteria set out in the Regulations. These are known as admission bodies.
- 1.2** There are a number of types of employer which participate in the Fund. Certain employers, such as local authorities are categorised as “Scheme Employers”. The employees of Scheme Employers have a statutory right to participate in the Fund.
- 1.3** An admission body is an employer which satisfies certain criteria and applies to participate in the Fund. It is required to have an “admission agreement” with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- 1.4** Regulation 64 of the LGPS Regulations 2013 requires that where a Scheme employer (including an admission body participating in the Scheme) ceases to be a Scheme employer or no longer has any active members the appropriate administering authority must obtain -
- (a)** an actuarial valuation, as at the exit date, of the liabilities of the fund in respect of the exiting employer’s current and former employees; and
 - (b)** a revised rates and adjustment certificate showing the exit payment due from the exiting employer in respect of those benefits.

2. Types of Admission Body

2.1 The following bodies are admission bodies with whom an administering authority may make an admission agreement-

- (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.

3. Risks and responsibilities

3.1 Admission bodies under paragraph 1(d) 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 on premature termination of the contract. 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

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require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. However, as agreed with the 5 main Councils in the Fund (which are the Scheme employers for most of the new admissions under paragraph 1(d)), the Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund'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. Where, for any reason, it is not desirable for a 1(d) admission body to enter into an indemnity or body the admission body must secure a guarantee from the Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme Employer's contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme Employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme Employer's liabilities and notional pool of Fund assets.

3.2 Other admission bodies are now required to carry out an assessment of the level of risk on premature termination of the contract. 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 should 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

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- (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.

3.3 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.

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

4. Reducing or mitigating risks

Faced with the potential risks identified above, the administering authority has adopted a variety of policies in entering into admission agreements but the key one is that for other admission bodies WYPF will only consider admission if the body is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme Employer of the Fund and the body has a sound financial standing. The Fund's preference is for a Scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the Fund. Where such a commitment is not available, an orphan funding target will be adopted, to protect the Fund as set out in paragraph 5.3 of the Funding Strategy Statement and explained further below. In the extreme, the Administering

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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. For paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the WYPF must admit to the Scheme the eligible employees of that body.

5. Subsumed liabilities

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

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in more risky investments than Government bonds.

6. Orphan liabilities

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

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

APPENDIX E – FUNDING STRATEGY STATEMENT

the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

To the extent that the administering authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

7. Cessation of participation

Where an employing authority ceases participation, a cessation valuation will be carried out in accordance with Administration 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.

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 in the exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in 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.

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 the 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 Director of Finance 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 of 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

The quorum of the Committee shall be 3 members.

Roles and Functions

- 2.2** The functions of the Committee affecting the West Yorkshire Pension Fund are to:
1. approve the Statement of Accounts and related documents in accordance with the Accounts and Audit Regulations 2015;
 2. receive matters of a financial nature that External Audit request be considered by a member body, including any that may concern the Council's governance arrangements;

APPENDIX F – GOVERNANCE COMPLIANCE STATEMENT

3. consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;
4. seek assurances that action is being taken on risk related issues determined by auditors and inspectors;
5. review the financial statements, External Auditor's opinion and reports to members and monitor management action in response to the issues raised by External Audit;
6. discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions 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; and
7. review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary
8. Consider the reports of External Audit and inspection agencies

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

3 WYPF Investment Advisory Panel

3.1 The WYPF Investment Advisory Panel (hereinafter referred to as 'the Panel') comprises of nineteen representatives. WYPF covers the geographical areas 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

APPENDIX F – GOVERNANCE COMPLIANCE STATEMENT

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 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.

APPENDIX F – GOVERNANCE COMPLIANCE STATEMENT

- 3.12** In the event of conflict of opinions 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 (hereinafter referred to as ‘the Group’) comprises of twenty representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trades 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 the 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 Pensions Administration and Investment Management functions of WYPF, and also receive the 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.

APPENDIX F – GOVERNANCE COMPLIANCE STATEMENT

- 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 the WYPF.

5 WYPF Pension Board

- 5.1** WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.
- 5.2** The Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.
- 5.3** The WYPF Pension Board comprises of 8 representatives. There are four member representatives from the Trade Unions (2 from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, 2 other councillors from the other district Councils and one employer representative nominated from all the other employers in the Fund).
- 5.4** The Board will meet twice a year on such dates as they determine.
- 5.5** The quorum of the Board shall be three (Chair plus one employer representative and one member representative).

6 Annual General Meetings

- 6.1** Each year, usually in October, WYPF holds an Employers' Annual General Meeting and a separate Scheme Members' Annual General 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 up-date 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 and Joint Advisory Group. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee’s “Trustee Training Fundamentals’ event, which is a 3-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 Trades Unions and active member representatives on the Investment Advisory Panel and Joint Advisory Group 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 Pension Board.

8 Register of Interests

All voting members of the Investment Advisory Panel, Joint Advisory Group and Pension Board must complete a Declaration of Acceptance of Office Form and annually complete a Conflicts of Interest form.

Communications Policy

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

Introduction

Our communications policy has been prepared to meet our objectives about how we communicate with our key stakeholders. We currently administer the Local Government Pension Scheme (LGPS) for 381 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters Pension Schemes both old and new for a number of fire authorities. This policy is effective from April 2015 and will be reviewed annually.

Our stakeholders

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

- Members
- Representatives of members
- Prospective members
- Employing authorities

Key objectives

To communicate the scheme regulations and procedures in a clear and easy to understand style

- To use plain English for all our communications with stakeholders
- To identify and use the most appropriate communication method taking account of differing stakeholders needs
- To use technologies to provide up to date and timely information to stakeholders
- To engage with our stakeholders face-to-face when possible

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

APPENDIX G – COMMUNICATIONS POLICY

- To ensure continuous development we plan to:
- Implement member self-service in April 2015
- develop and publish a series of webinars and e-learning
- improve the web provision for Firefighters
- increase the information we give to employing authorities when they join the scheme or change main contacts

Communications events 2015–2016

Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
LGPS deferred members (including representatives of deferred members)	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web

APPENDIX G – COMMUNICATIONS POLICY

	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Social media	Constant	Web
Communication	Format	Frequency	Method of distribution
LGPS pensioner members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

Communications events - 2015–2016 Fire fighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face

APPENDIX G – COMMUNICATIONS POLICY

	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Scheme booklet	Constant	Web
Communication	Format	Frequency	Method of distribution
Firefighter deferred members (including representatives of deferred members)	Annual Benefit Statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
Communication	Format	Frequency	Method of distribution
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

APPENDIX G – COMMUNICATIONS POLICY

Communications events 2015–2016 Councillors

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

Communications events - 2015–2016 Employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
Communication	Format	Frequency	Method of distribution
Employing authorities	Employer guide	Constant	Web/electronic document
	<i>Ad hoc</i> training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manual/toolkits	Constant	Web/electronic document

APPENDIX G – COMMUNICATIONS POLICY

	Pension Matters and Xtra	12 per year and as and when required	E-mail
	Social media	Constant	Web
	Annual meetings	As and when required	Face to face
	Ad hoc meetings	As and when required	Face to face
	Workshops	10 per year	Face to face

Contacts us

Members

WYPF contact centre

Tel: (01274) 434999

Email: wypf@bradford.gov.uk

Address: WYPF, PO Box 67, Bradford, BD1 1UP

Employers

Jenny Gregory (Team Manager – Business Relations): 01274 437588

Pension Fund Representatives

David Parrington: 01274 433840

Sheryl Clapham: 01274 432541

Lisa Darvill: 01274 432540

WYPF management

Rodney Barton Director WYPF

Yunus Gajra Business Development Manager

Grace Kitchen Service Centre Group Manager

Ola Ajala Financial Controller

Caroline Blackburn Technical and Development Manager

Statement of Investment Principles

1. Introduction

- 1.1 The Statement of Investment Principles has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
- 1.2 City of Bradford Metropolitan District Council became the administering authority of the West Yorkshire Pension Fund in 1986. The Fund covers the five District Councils of West Yorkshire together with numerous other employers.

2. Investment Decision Making Process

- 2.1 The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.
- 2.2 The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.
- 2.3 Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

3. Types of Investments To Be Held

- 3.1 The West Yorkshire Pension Fund will hold investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.
- 3.2 A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.
- 3.3 The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

- 3.4 The Fund will not invest directly in unquoted companies, as the Fund's private equity investment will be undertaken via a portfolio of funds.
- 3.5 Stock lending will be actively pursued up to the 35% limit as permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

4. Balance Between Different types of Investment

- 4.1 The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.
- 4.2 Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.
- 4.3 The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2014/15 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
Bonds – Total	14–20
UK Fixed Interest Gilts	2–8
UK Index Linked Gilts	2–8
Corporate Bonds	1–7
Global Bonds	1–5
Equities – Total	57.5–72.5
UK Equities	30–40
Overseas Equities	25–35
Property	3–7
Private Equity	3–7
Private Infrastructure	0–4
Hedge Funds	1–5
Listed Alternatives UK	0–2
Listed Alternatives OS	0–2
Cash	0–2

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

5. Risk

- 5.1 To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.
- 5.2 Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an 'Investment Strategy Review' for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.
- 5.3 Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.
- 5.4 Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary.
- 5.5 Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

6. Expected Return on Investments

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 such as 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 the WM Company.

7. Realisation of Investments

The majority of investments to be held will be in fixed interest securities and equities that are quoted on recognised stock markets, and may be easily realised if required. The liquidity in other asset classes varies enormously.

8. Transaction Costs

- 8.1 The in-house team of investment managers utilise a core list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and Overseas share transactions are at competitive rates negotiated by the in-house investment managers. There are no soft commissions or commission recapture programmes.
- 8.2 Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking services.

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

9. Socially Responsible Investment

- 9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.
- 9.2 The voting policy of 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.
- 9.3 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 60 local authority pension funds with combined assets of £150 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.
- 9.4 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.
- 9.5 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

10. Exercise of Rights Attached to Investments

- 10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, 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 is published on the Fund's website.
- 10.2 Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.
- 10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

11. 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

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

Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Statement of Investment Principles and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

14. Risk and Liabilities

Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. The Investment Panel has commissioned independent asset and liability studies from time to time to provide comment on the current asset policy and associated risks. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

15. Performance Assessment

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

16. Responsible Ownership

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. Transparency and Reporting

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

APPENDIX H1

Conflicts 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 Conflicts of Interest Policy of the 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 the WYPF whether directly or in an advisory capacity.
- 1.4 This Conflicts 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

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- 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
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

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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 member, 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 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.
- 3.5 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.
- 3.6 In accepting any role covered by this Policy, those individuals agree that they must:
 - acknowledge any potential conflict of interest they may have;
 - be open with the Administering Authority on any conflicts of interest they may have;
 - adopt practical solutions to managing those conflicts; and
 - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

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.

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

5. Other administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
- employees who are required to adhere to the CBMDC Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

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:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
- at the same time, has:
 - a separate personal interest (financial or otherwise) or
 - 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.

Some examples of potential conflicts are included in Appendix 3.

- 6.2 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.
- 6.3 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:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue
- 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)

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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

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.

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

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

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

8.4.1 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:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- 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
- 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.

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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:

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- 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
- Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

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 H – STATEMENT OF INVESTMENT PRINCIPLES

APPENDIX H2

Legislation, Regulation and Guidance on Conflicts of Interest

The requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is established and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance. The guidance can be viewed at: www.lgpsboard.org/index.php/about-the-board/board-guidance

The Pensions Act 2004

The Public Service Pensions Act 2013 added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code. The code can be viewed at:

www.thepensionsregulator.gov.uk/guidance/guidance-conflicts-of-interest.aspx

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Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (set out below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the ‘Nolan Principles’, the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all staff in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers’ Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Information about these requirements can be viewed at: www.actuaries.org.uk/regulation/pages/conflicts_of_interest

Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

APPENDIX H – STATEMENT OF INVESTMENT PRINCIPLES

Other Administering Authority Requirements

In addition to the requirements of this Policy, Joint Advisory Group, Investment Advisory Panel and Pension Board members and co-opted members (including non-voting co-opted members) are required to adhere to the CBMDC Members' Code of Conduct or the CBMDC Code of Conduct for Employees.

Pension Board Members

In addition to the requirements of this Policy, Pension Board members are required to adhere to the Terms of Reference of the Pension Board.

Employees

In addition to the requirements of this Policy, officers of CBMDC are required to adhere to the CBMDC Code of Conduct for Employees.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to CBMDC or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the WYPF and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person, or organisation as is appointed to advise the Investment advisory Panel or joint advisory Group or Fund officers as long as there is no conflict of interest between the two roles.

The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these must be shared with the Fund.

Appendix 3

Examples of potential Conflicts of Interest

- a) An elected member on the Joint Advisory Group or Investment Advisory Panel is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.
- b) A member of the Joint Advisory Group or Investment Advisory Panel is on the board of a Fund Manager that is being considered for appointment.
- c) An officer of the Fund or member of the Joint Advisory Group or Investment Advisory Panel accepts a dinner invitation from a service provider who has submitted a bid as part of a tender process.
- d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) An officer of the Fund is asked to provide guidance to the Pension Board on the background to an item considered at the Joint Advisory Group or Investment Advisory Panel. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that item.
- g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- h) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, providing assistance with monitoring the covenant of employers.
- k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Joint Advisory Group, Investment Advisory Panel or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board.

WYPF Risk Management Report

APPENDIX I – 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.

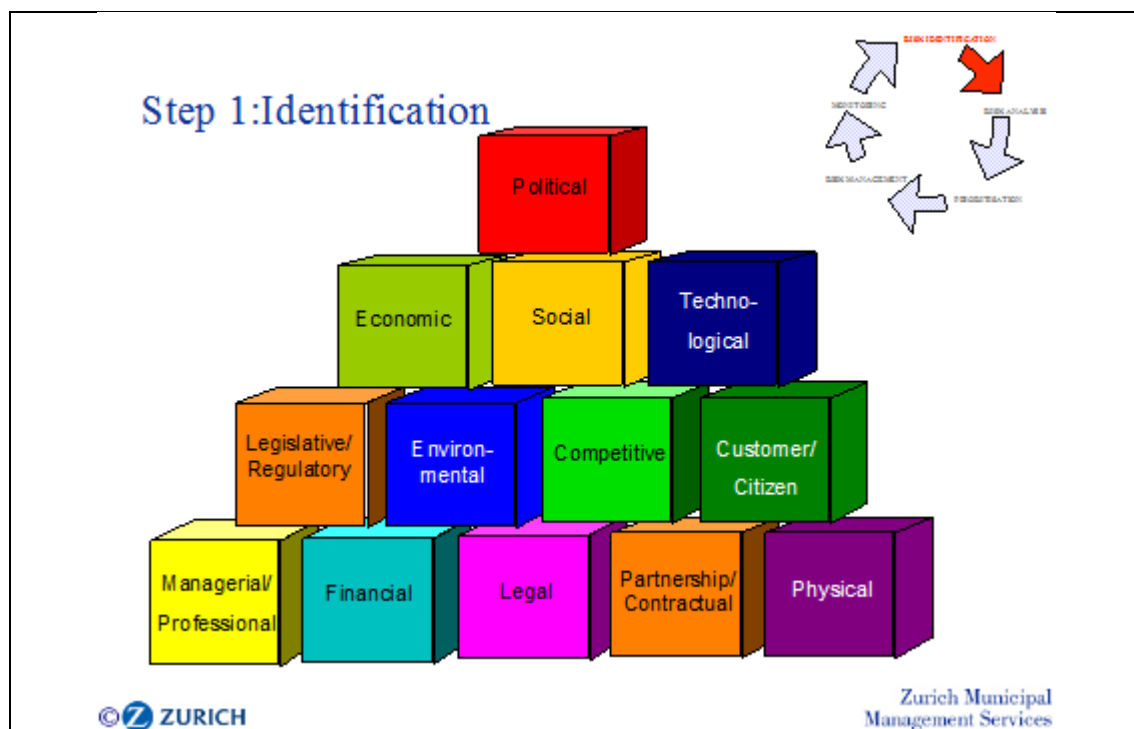
WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

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The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior Managers and covers 13 categories of risk as shown below.



APPENDIX I – RISK MANAGEMENT REPORT

Identified risks

Economic

Scenario	Short name
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports

Political

Scenario	Short name
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
54	Introduction of LGPS 2014
55	Impact of Central Government Spending Review

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Technological

Scenario	Short name
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data

Legislative/Regulatory

Scenario	Short name
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS

Managerial/Professional

Scenario	Short name
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff

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Scenario	Short name
49	Key staff on long term absence

Finance

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension
56	Monthly Contribution Returns

Competitive

Scenario	Short name
27	Lack of PI's and overall performance management framework
57	Lincolnshire Pension Fund Shared Service

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Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

Social

Scenario	Short name
4	Reduction in proportion of active members

Partnership / Contractual

Scenario	Short name
20	Partnership with South Yorkshire Fire and Humberside Fire
38	Firefighters Pension Scheme
53	South Yorkshire Fire, Humberside Fire and North Yorkshire Fire

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.

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The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
54	Introduction of LGPS 2014

APPENDIX I – RISK MANAGEMENT REPORT

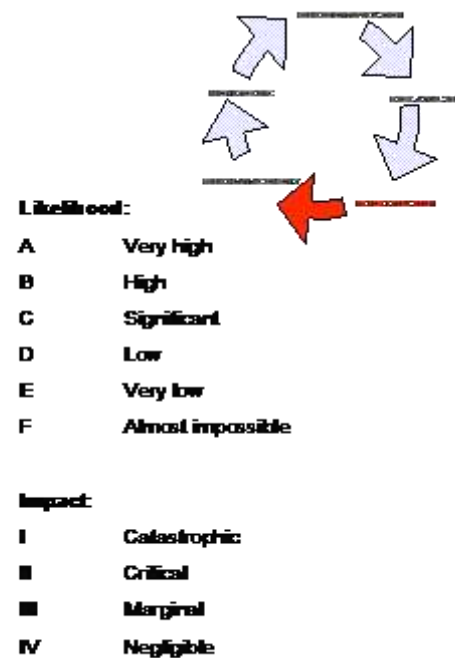
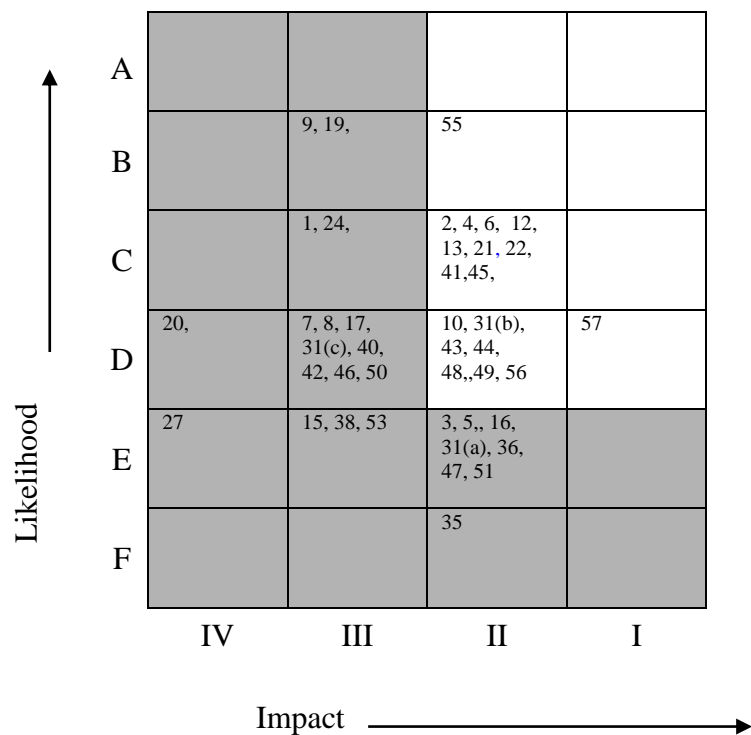
Scenario	Short name
55	Impact of Central Government Spending Review
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund Shared Service

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.

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As part of a regular review, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 18 of these above their acceptable tolerance level, 25 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – July 2014



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Risk management and monitoring

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

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

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
2	C2	Valuation continues to register a deficit in the pension fund		Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions rise in longevity (Funding level remains the main comparator)	<ul style="list-style-type: none"> • 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'	Annually	Ongoing

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 200+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> Fund stop showing net inflows of cash Investment strategy no longer consistent with maturity profile FSS and SIP become out of date Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing
6	C2	Council elections could bring about a change to Investment Panel and JAG members Equal levels of support given to all major political groups	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings	
10	D2	Change of Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: <ul style="list-style-type: none"> Civica user group EDM user group LGPS group Payroll user group 	Ensure regular attendance and report back from the User Groups/Meetings as necessary. Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available. Develop product that meets WYPF requirements	Quarterly	Ongoing

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
12	C2	Lack of Information sharing with employers Too much information is supplied by employers on paper medium	Enhancements to UPM2 are progressing.	Develop employers web site Encourage automatic transmission of starter, amendment and leaver data. The Fund operates an 'Pensions Administration Strategy' document which sets out the action required by Employing Authorities and WYPF.	David Robertson / Yunus Gajra	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing
13	C2	Disaster recovery	Disaster recovery plan in place with ICM for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing
21	C2	Greater level of support required/expected by some employers	Turn down requests for support, treat it as low priority or to charge for the additional work	Monitor number and type of requests for support	Management Review	Reduce the number of non standard requests	Monthly	Ongoing
22	C2	Recruitment and retention of experienced staff in Pensions Administration, particularly in relation to single status not recognising market forces.	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
31(b)	D2	<p>External Fraud</p> <p>Participation in NFI.</p> <p>Life Certificates to high risk pensioners annually.</p> <p>Life certificates to low risk categories sent out every 7 years as a minimum.</p> <p>Returned payments or pay advices, records are immediately suspended.</p> <p>Close working relationship with Internal Audit.</p>	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	<p>No cases of fraud or earlier discovery</p> <p>Establish tighter controls in system for production of data for NFI exercise</p>	Annual	
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	<p>Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits.</p> <p>Asset and liability study being done.</p>	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing	

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
43	D2	<p>Customer satisfaction drops below acceptable levels</p> <p>Newsletters to current members issued three times a year, pensioners and deferred members once a year, councillor members once a year</p> <p>Monthly info. update to employers</p> <p>ABS's to current and deferred members</p> <p>Member Annual meeting</p> <p>Employer Annual meeting</p> <p>Large employer group meeting</p> <p>Seminars for employers</p> <p>Leaver questionnaires</p> <p>Employer satisfaction questionnaires</p> <p>Complaints procedures</p> <p>Web site</p> <p>Published SIP</p> <p>Published FSS</p> <p>Contact Centre</p> <p>Member of Plain English Campaign</p> <p>'Pensions Administration Strategy' document issued to each employing authority participating in the Fund.</p> <p>Governance policy statement and Communications policy published.</p>	Adequate	<p>Revise SIP each year</p> <p>Produce a Pensions Administration Strategy,</p> <p>Governance reviewed, Compliance statement produced.</p>	Yunus Gajra JAG	<p>Reduction in complaints</p> <p>Reduction in IDRP cases.</p> <p>Attract new bodies to the Fund</p> <p>More timely info from employers, Improved employer satisfaction</p> <p>KPI 8</p>	Annual	March nn

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
44	D2	Payroll failure Payroll contingency plan in place Disaster Recovery plan in place	Adequate	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review
45	C2	Industrial Action Contingency plans in place	Adequate	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required	
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required	
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required
50	D3	Access to sensitive/personal data by staff	Only authorised staff have access to WYPF records	DBS checks are carried out for all new staff	Yunus Gajra	Prevent unauthorised access	As required	
55	B2	Impact of Central Government Spending Review	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing
56	D2	Introduction of monthly contribution returns	Briefings and requirements specified to Employers. Pilot project set up with Big 5 Employers, Internal resources allocated to project.	Monitor returns from Employer and chase up missing ones	Ola Ajala	Receipt of monthly returns which get posted to members records	Monthly	Monthly
57	D1	Lincolnshire Pension Fund Shared Service	Project Team set up to oversee project	Produce a project plan	Yunus Gajra	Smooth transition from Mouchel to WYPF and service effective from 1.4.15.	Monthly	See Project Plan

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

APPENDIX I – RISK MANAGEMENT REPORT

Future review and revision of risks

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

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

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

West Yorkshire Pension Fund - Pension Board

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 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.

Degree of Knowledge and Understanding

- 2.1 Being conversant with the rules of the LGPS and any document 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 LPGA include the LGPS Regulations, Investment Regulations, Transitional Regulations (including and earlier Regulations as defined in the Transitional regulations) to the extent they remain applicable and any statutory guidance referred to in the regulations.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

- 2.4 To ensure knowledge and understanding of the Pension Board is maintained 50% of the Board will be appointed on a 2 year rolling basis.

Induction Training

As part of the induction training Board Members are required to undertake the Pensions Regulator's online toolkit training. This training provide will enable Board Members to learn about managing public service pension schemes.

The Pensions Regulators website can be found at:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

A document which will help identify training needs and to record and reflect on the training once completed can be found at:

www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc.

The Pensions Regulator website includes further details on Understanding your Role and Scheme Management.

Training

- 4.1 Board Members are expected to attend regular training events.
- 4.2 Training will be delivered through a variety of methods including:
- In house training days provided by officers and/or external providers
 - Training as part of meetings provided by officers and/or external advisers
 - External training events
 - Circulation of reading material
 - Attendance at seminars and conferences offered by industry- wide bodies
 - Links to on-line training
- 4.3 Appendix B can be used to help assist Board members to identify areas where training is required

Appendix A

Policies which are documented and which you must have a working knowledge are:

	Where they can be found
Member and Employer information	
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	www.wypf.org.uk

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

Relevant policies	
Conflicts of Interest Policy	To be supplied
Internal Dispute Resolution Procedure	www.wypf.org.uk/Member/Publications/Booklets
Reporting of Breaches Procedure	To be supplied
WYPF Policy Statements	
Statement of Investment Principles	www.wypf.org.uk/Member/Publications/policyStatements
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	To be supplied
Others	
Actuarial Valuation report and Rates and Adjustment Certificate	www.wypf.org.uk/Member/publications/Valuation
WYPF Risk Register	To be supplied
Annual Report and Accounts	www.wypf.org.uk/Member/Publications/ReportAndAccounts
Investment Management and activity	www.wypf.org.uk/Member/Investments

Appendix B

Pension Knowledge and Understanding training analysis

	Training Required Yes/No	Date Training received
Background and Understanding of the Legislative Framework of the LGPS		
<ul style="list-style-type: none"> Differences between public service pension schemes like the LGPS and private sector trust-based schemes 		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
<ul style="list-style-type: none"> • Role of the IPSPC and its recommendations • Key provisions of the 2013 Act • The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers • An overview of local authority law and how Administering Authorities are constituted and operate • LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations) 		
<p>General pensions legislation applicable to the LGPS</p> <p>An overview of wider legislation relevant to the LGPS including:</p> <ul style="list-style-type: none"> • Automatic Enrolment (Pensions Act 2008) • Contracting out (Pension Schemes Act 1993) • Data protection (Data Protection Act 1998) • Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights • Freedom of Information (Freedom of Information Act 2000) • Pensions sharing on divorce (Welfare Reform and Pensions Act 1999) • Tax (Finance Act 2004) • IORP Directive 		
<p>Role and responsibilities of the Local Pension Board</p> <ul style="list-style-type: none"> • Role of the Local Pension Board • Conduct and conflicts 		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
<ul style="list-style-type: none"> • Reporting of breaches • Knowledge and understanding • Data protection 		
Role and responsibilities of the Administering Authority <ul style="list-style-type: none"> • Membership and eligibility • Benefits and the payment of benefits • Decisions and discretions • Disclosure of information • Record keeping • Internal controls • Internal dispute resolution • Reporting of breaches • Statements, reports and accounts 		
Funding and Investment <ul style="list-style-type: none"> • Requirement for triennial and other valuations • Rates and adjustments certificate • Funding strategy statement • Bulk transfers • Permitted investments • Restrictions on investments • Statement of investment principles • CIPFA guidance • Appointment of investment managers • Role of the custodian 		
Role and responsibilities of Scheme Employers <ul style="list-style-type: none"> • Explanation of different types of employers • Additional requirements for admission bodies • Automatic Enrolment 		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
<ul style="list-style-type: none"> • Deduction and payment of contributions • Special contributions • Employer decisions and discretions • Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006) • TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007) 		
Tax and Contracting Out <ul style="list-style-type: none"> • Finance Act 2004 • Role of HMRC • Registration • Role of 'scheme administrator' • Tax relief on contributions • Taxation 		
Role of advisors and key persons <ul style="list-style-type: none"> • Officers of the Administering Authority • Fund actuary • Auditor • Lawyers • Investment managers • Custodians • Administrators – in house v. third party • Procurement of services • Contracts with third parties 		
Key Bodies connected to the LGPS <p>An understanding of the roles and powers of:</p> <ul style="list-style-type: none"> • Courts • Financial Services Authority 		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
<ul style="list-style-type: none"> • HMRC • Information Commissioner • Pensions Advisory Service • Pensions Ombudsman • The Pensions Regulator 		

Reporting Breaches Procedure

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the West Yorkshire Pension Fund (WYPF), the Local Government Pension Scheme managed and administered by City of Bradford MDC, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This procedure applies, in the main, to:
- all members of the Joint Advisory Group, Investment Advisory Panel and Pension Board;
 - all officers involved in the management of the Pension Fund;
 - any professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - officers of employers participating in the West Yorkshire Pension Fund who are responsible for pension matters.

2. Requirements

This section clarifies the full extent of the legal requirements and to whom they apply.

3. Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
 - (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

3.2 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

3 Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the West Yorkshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelinereg/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Director – WYPF provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Director - WYPF, a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

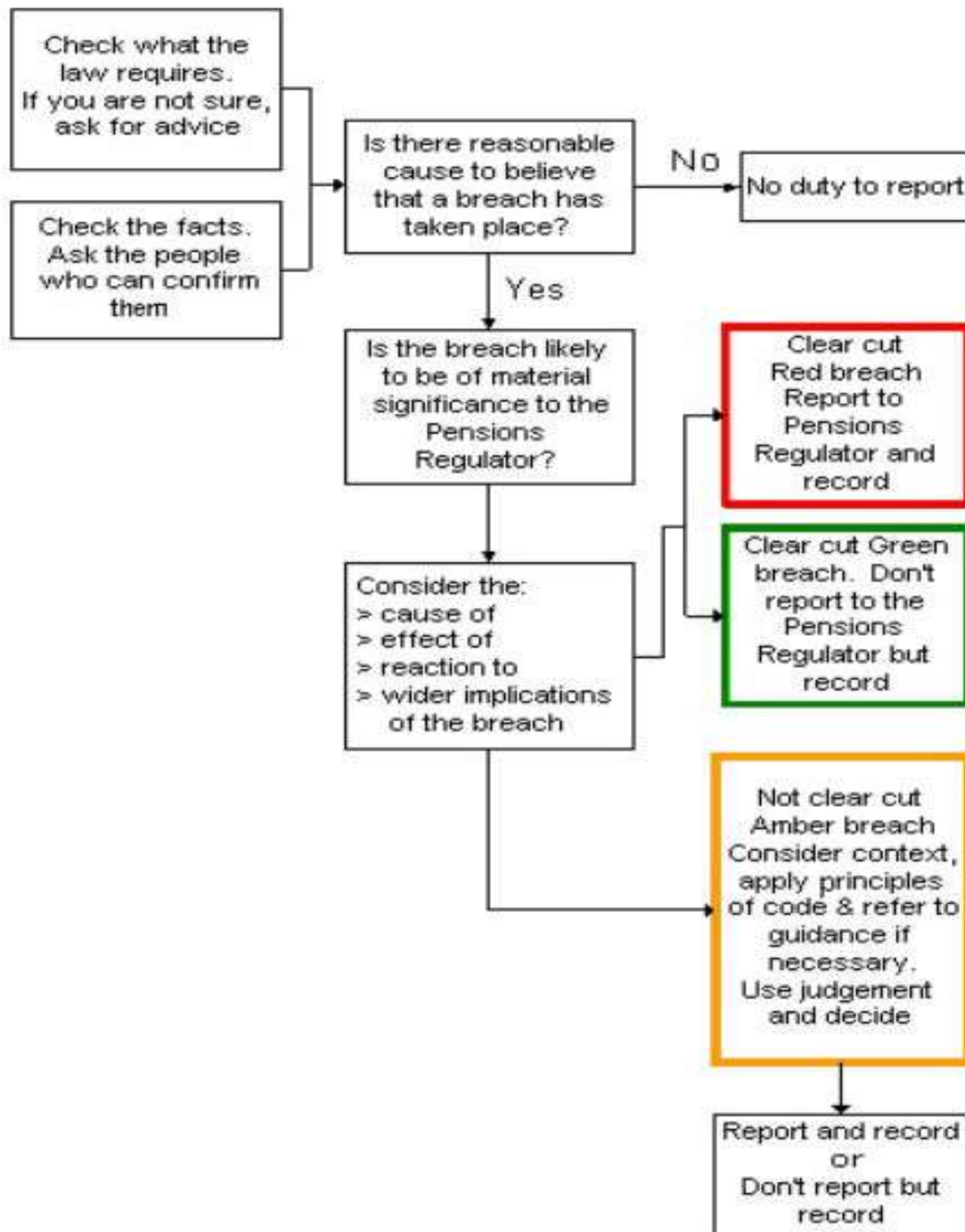
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure. Individuals should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

- 3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

3.5 Referral to a level of seniority for a decision to be made on whether to report

Director – WYPF is designated to ensure this procedure is appropriately followed. The Director is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Director – WYPF at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Director - WYPF is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any officer if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Director - WYPF may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board, Joint Advisory Group, Investment Advisory Panel or Management meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report, nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Director – WYPF. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the next Joint Advisory Group meeting, and this will also be shared with the Pension Board.

3.10 Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (West Yorkshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is City of Bradford MDC).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number; and
- whether the breach has been reported before.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Joint Advisory Group and Pension Board

A report will be presented to the Joint Advisory Group and Pension Board setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 Review

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

APPENDIX J1

1. Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

2. The cause of the breach

2.1 Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

2.2 When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

3. The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Joint Advisory Group, Investment Advisory panel or Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

- Conflicts of interest of Joint Advisory Group, Investment Advisory panel or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

4. The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

5. The wider implications of the breach

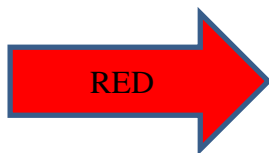
Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

APPENDIX J2

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link:

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)**Red**

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

APPENDIX J3

Example Record of Breaches

Date	Category (e.g. administration contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigati ons	Outstanding actions

Pension Board of City of Bradford Metropolitan District Council for West Yorkshire Pension Fund

Terms of Reference

1. Introduction

- 1.1 City of Bradford Metropolitan District Council (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 WYPF Pension Board.

2. Objectives

The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

- 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS;
- 2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- 2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and Appointment for Pension Board members

- 4.1 Membership of the Pension Board shall be eight (8) in number. The Pension Board will consist of an equal numbers of member and employer representatives.

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- 4.2 Pension Board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

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

5.3.1 Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 7.1 below.

5.3.2 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.

6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF
- 6.2 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.

7. The Chair

- 7.1 The Council as Scheme Manager will appoint one Councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the Chair on the Pension Board
- 7.2 The Chair of the Board shall:
- 7.2.1 ensure that the Board delivers its purpose as set out in these Terms of Reference;
 - 7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
 - 7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

Each Pension Board member should endeavour to attend all Pension Board meetings during the year. In the event of consistent non-attendance by any Pension Board member then the tenure of the membership should be reviewed at the next Pension Board meeting.

9. Term of Office/Appointment

- 9.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).
- 9.2 Upon initial establishment of the Board in 2015 50% of members (comprising of two (2) 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.
- 9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.
- 9.4 Pension Board members may be reappointed without limitation on terms subject to the Pension Board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

- 10.1 Other than by ceasing to be eligible a Pension Board member may normally only be removed from office during a term of appointment by the agreement of the Board.
- 10.2 Board membership may be terminated prior to the end of the term of office due to:
 - 10.2.1 A member representative no longer being a representative of the body on which their appointment relied
 - 10.2.2 An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - 10.2.3 A board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.
 - 10.2.4 The representative being withdrawn by the nominating body and a replacement identified.
 - 10.2.5 A board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - 10.2.6 A Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.
 - 10.2.7 A Board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the Administering Authority under the LGPS regulations.

11. Number of Meetings

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

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

12. Creation of Working Groups/Sub Boards

The Pension Board may establish sub-committees and working groups as and when required. The Pension Board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The Pension Board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of Conduct and Conflicts of Interest policy

- 13.1 The principles included in the Council's Code of Conduct for Members applies to all member of the Pension Board. The Code of Conduct is set out in Part 4 of the Council's Constitution:

http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution

- 13.2 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.
- 13.3 All voting members of the Pensions Board must complete a Declaration of Acceptance of Office Form, and Disclosure of Financial and other interest form.
- 13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting Rights

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

15. Other Attendees

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

16. Secretariat Services to the Board

Pension Board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC “Constitution of the Council and Executive Arrangements”. All reasonable costs will be met by the Fund.

17. Agenda

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.

18. Quorum

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

19. Publication

In accordance with the Act the Council shall publish information about the Board to include:

- 19.1.1 The names of Board members and their contact details
- 19.1.2 The representation of employers and member on the Board
- 19.1.3 The role of the Board
- 19.1.4 These Terms of Reference

20. Allowances/Expenses

No member or representative of the Pension Board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Board and attending training events, shall be reimbursed to all members and the cost will be met by the Fund.

21. Knowledge and Understanding and Capacity of Representative Members

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

- 21.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and

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- 21.1.2 the requirements of the Pensions Regulator; and
- 21.1.3 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and have knowledge and understanding of:
- the law relating to pensions; and
 - such other matters as may be prescribed.
- 21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.
- 21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.
- 21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

- 22.1 The Board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the Board may attend a Committee meeting as an observer.
- 22.2 The Board should report any concerns over a decision made by the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.
- 22.3 On receipt of a report the Committee shall within a reasonable period, consider and respond to the Board.
- 22.4 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
- 22.5 Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
- 22.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

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23. 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.

24. Core Functions:

- 24.1 The first core function of the Board is to assist the Council in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.
- 24.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.
- 24.3 In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Council's function. Any such request should be reasonably complied with in both scope and timing.
- 24.4 In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

25. Data Protection

- 25.1 The Pensions Board is considered a committee of and part of the Council's legal entity. The Council is and remains the data controller responsible for DPA compliance, including for processing carried out by the Pension Board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.
- 25.2 The Pension Board will therefore adhere to the data protection policies of the Council.

26. Review of Terms of Reference

- 26.1 These Terms of reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every two (2) years.
- 26.2 These terms of reference were adopted on:

20th March 2015 - On behalf of the Council (Governance and Audit Committee)