WEST YORKSHIRE PENSION FUND

ADMINISTERED BY

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PENSION SCHEMES REGISTRY NUMBER 10041078

REPORT AND ACCOUNTS (ABRIDGED)

FOR THE YEAR ENDED 31 MARCH 2013

WEST YORKSHIRE PENSION FUND

ANNUAL REPORT 2012 / 2013

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FOREWORD

A year where investment markets made positive progress saw the assets of the fund rise by £1.16 billion to £9.94 billion, an increase of over 13%.

The fund continued its high weighting to equity investment, the asset class with the best long-term returns, during the year. While equity markets produced the highest returns in the year, all asset classes made a positive contribution. The Investment Panel reviews the asset allocation quarterly, and makes adjustments based on future expected returns and volatility.

Nationally, work continued on the new career average scheme to be introduced from 1 April 2014, and West Yorkshire Pension Fund (WYPF) has contributed to this through the working party set up to develop the scheme, and in responding to the formal consultations issued by the Department for Communities and Local Government.

Regardless of the work in preparation for the new scheme, the administrative load on the scheme continues to rise. In the last five years the membership of the scheme has risen from 212,000 to 246,500, an increase of over 16%, and the number of employers has risen almost 70%, from 184 to 311.

I would like to thank members of the Joint Advisory Group, the Investment Advisory Panel, our external advisors, and all the investment and administration staff for their continuing efforts, which provide a quality service to all the scheme members and employers.

I hope you find the Report and Accounts both useful and interesting.

Ian Greenwood
Chair
Joint Advisory Group
Investment Advisory Panel

MANAGEMENT STRUCTURE

Management Structure as at 31 March 2013

Members of the West Yorkshire Pension Joint Advisory Group

Bradford – Councillor G Miller (Deputy Chair), Councillor N Ikram,Councillor H Middleton.

Calderdale – Councillor B Metcalfe, Councillor S Baines MBE, Councillor J Beacroft-Mitchell.

Kirklees – Councillor E Firth, Councillor N Mather, Councillor H Richards.

Leeds – Councillor P Davey, Councillor C Fox, Councillor T Hanley.

Wakefield – Councillor G Stokes, Councillor L Shaw, Councillor G Walsh.

Trades Union Representatives
S Morris - GMB
I Greenwood OBE – Unison (Chair)

Scheme Member Representatives
Sarah Moses
Kenneth Sutcliffe

Members of the Investment Advisory Panel

Bradford – Councillor G Miller (Deputy Chair), Councillor N Ikram, Councillor H Middleton.

Calderdale – Councillor B Metcalfe, Councillor S Baines MBE

Kirklees – Councillor E Firth, Councillor C Preest.

Leeds – Councillor C Fox, Councillor T Hanley.

Wakefield – Councillor G Stokes, Councillor L Shaw.

Trades Union Representatives
S Morris – GMB
I Greenwood OBE – UNISON (Chair)
C Robinson - UNISON

Scheme Member Representatives
Peter Meer
Gerald Hey

External Advisers
Noel Mills, Mark Stevens.

Director – West Yorkshire Pension Fund
Rodney Barton

Head of Finance, Calderdale Council
Pete Smith

Appointments made by West Yorkshire Pension Fund in the administration of the Local Government Pension Scheme are as follows.

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 AVC Customer Services Stirling FK9 4UE
Appointed Persons (IDRP Procedure)	Tony Reeves, Chief Executive City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
	Rodney Barton Director – West Yorkshire Pension fund City of Bradford Metropolitan District Council Britannia House Hall Ings Bradford BD1 1HX
Auditors	Mazars LLP, Durham The Rivergreen Centre Aykley Heads Durham DH1 5TS
Banking Services	HSBC PO Box 45 47 Market Street Bradford BD1 1LW

Computer Services	Civica plc Vanguard House Dewsbury Road Leeds LS11 5DD
Legal Adviser	Suzan Hemingway City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
Medical Adviser (IDRP Procedure)	Dr. B Yew, AFOM Scheme Medical Advisor Santia Occupational Health Santia House Parc Nantgarw Cardiff CF15 7QX

PENSION ADMINISTRATION REVIEW

Pension 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 the benefits are paid under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Transitional Provisions) Regulations 2008, the Local Government Pension Scheme (Administration) Regulations 2008, and other applicable overriding legislation. The government issues the pension scheme regulations through the Department for Communities and Local Government. The regulations have the force of law.

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 pension's administration and investment teams. WYPF's Pension Schemes Registry number is 10041078. Contributing members are contracted out of the State Second Pension.

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.

Achievements during the year

Annual meetings

WYPF held its twelfth annual meeting for scheme members at the Cedar Court Hotel in Huddersfield in October 2012. The guest speaker was Carol Bamforth from the Yorkshire Air Ambulance.

As usual the meeting was chaired by Councillor Ian Greenwood, chair of WYPF's Investment Advisory Panel and Joint Advisory Group. There were also presentations from Rodney Barton, WYPF's director, and from the fund's external investment advisers Noel Mills and Mark Stevens. Our employer annual meeting was also held in October 2012. Guest speaker was Jeff Houston, Head of Pensions at the Local Government Employers. Other presentations covered the proposals for the new pension scheme, the new pension's administration system, additional voluntary contributions and updates on the fund, its investments, and the general economic and market scene. These were very well received by those present.

Pension Scheme of the Year Awards

West Yorkshire Pension Fund was shortlisted in 4 categories at the Local Government Chronicle awards held in London:

Corporate Governance Awards
Fund of the Year (above £2 billion)
Knowledge and Skills Award
Quality of Service Award

Whilst we did not win the awards we were singled out and received a 'High Commendation' in the Corporate Governance and Quality of Service awards.

West Yorkshire Pension Fund was also shortlisted under six categories at the professional pension's pension scheme of the year awards:

Public Sector Scheme of the Year
Best DB Scheme Innovation
Best Investment Strategy
DB Communications (public)
Best Use of IT
Best Administration

Employer workshops

During the year WYPF continued to run a successful series of free one-day and half-day workshop sessions for employers. Four different workshops (Introduction to West Yorkshire Pension Fund (full day); Complete guide to administration (half day); your responsibilities (half day); and Contributions and year-end data (half day) continue to attract interest from employers. The workshops are delivered by WYPF staff and are designed to give employers a good understanding of the pension scheme. Feedback from participants on the courses has been very positive.

Changes in benefits

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). The increase also applies to members who have left the scheme but who have deferred benefits in WYPF for payment later, usually at normal retirement age. This year the increase was applied on 9 April 2012 and, for those who met the qualifying conditions, the basic increase was 5.2%.

Pension administration section

As in previous years, the workload of the pension administration section continued to expand, with an increase in the number of scheme members participating in the WYPF. Service delivery continues to be underpinned by WYPF's accreditation to
ISO 9001:2000, the Quality Management System. WYPF staff are committed to providing the best possible service to customers, and will continue to work to ensure that WYPF's service represents best value to all its stakeholders. The cost of the pensions administration service in WYPF, when compared with all other local-authority pension funds, shows it to be well below national averages. In 2011/12 (latest published data), the cost for WYPF equated to £20.98 per scheme member compared with the average for all local-authority pension funds of £28.00 per scheme member.

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.

Knowledge and skills framework

WYPF recognises the importance of ensuring that all staff and members charged with financial management and decision making with regard to the pension scheme are fully equipped with knowledge and skills to discharge the duties and responsibilities allocated to them. WYPF therefore seeks to appoint individuals who are both capable and experienced and will provide or arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. Newly appointed staff have a training plan which identifies their training needs and requirements, and a record of achievement which identifies what training was received and when.

Panel members remain active in undertaking training and attending investment conferences in order to maintain an informed and current appreciation of the changing investment landscape and to monitor both new opportunities and the potential pitfalls that can arise for schemes such as the West Yorkshire Pension Fund. Over the past financial year the members of the Investment Advisory Panel have represented the fund at a number of industry conferences and training events these include; The LGC Investment Summit, LGPS Conference, LGP Investment Forum, LAPFF Conference, NAPF Conference and the IBC Conference. Panel members were also invited to a presentation given by Tim Lunn from AON Hewitt who are the scheme's actuary, on the upcoming triennial actuarial valuation. In addition to the investment and pension industry conferences, all new members are invited to attend the LGPS three-day trustee training, on the fundamentals of investment and governance

Training for staff included undertaking professional qualifications such as the IPP foundation degree in Pensions Administration and the APMI qualification, and attendance at NAPF Local Authority Conference, Pension Managers Conference, CIPFA Better Governance Forum and Pensions Network, Eversheds Conference, Mercers LGPS Summit Conference and various other seminars.

New Years Honours

Congratulations to Ian Greenwood, Chair of WYPF, who received an OBE in the Queen's New Year honours, recognising his services to Local Government.

Training and development

During 2012/2013 WYPF continued its commitment to the training and development of staff by ensuring relevant Technical, Managerial and IT skills were developed.

Professional qualifications

Several members of staff were supported throughout the year to undertake relevant professional qualifications. These included:

- Pensions Management Institute (APMI),
- Institute of Payroll Professionals (IPP) Foundation Degree in Pensions Admin and Management,
- Vocationally Related Qualification (VRQ) Certificate in Pensions Administration (CPA)

During 2012/2013 several members of staff progressed with their qualifications by completing various elements within them. One member of staff successfully completed all the elements of the VRQ in Public Sector Pensions Administration.

In addition to supporting professional qualifications we have also undertaken a large number of other training activities. These include numerous training events to brief staff on pensions and overriding legislation.

Disaster recovery and risk management monitoring

WYPF has a disaster-recovery contract in place with ICM who provide office space and replacement IT equipment in Wakefield in the event of a disaster. A disaster-recovery test normally takes place every year to prove that WYPF can restore both the Pensions Administration system and the electronic document management and workflow system, and the last test was successfully performed in September 2012. Issues around access to network services and applications which have previously been identified are being discussed further with Bradford Council, with a resolution due in July 2013.

New LGPS 2014 proposals

Following consultations with members, employers, funds and other interested parties the proposals announced in May 2012 for the new LGPS 2014 have been accepted. The main provisions of the new LGPS 2014 are outlined below.

1. A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor.
2. The accrual rate will be 1/49th.
3. There will be no normal scheme pension age, instead each member's Normal Pension Age would be their State Pension Age.
4. Average member contributions to the scheme will be 6.5% with the rate determined on actual pay.
5. There will be an option for members to elect to pay half contributions for half pension, while retaining the full value of other benefits. This is known as the 50/50 option.
6. For current scheme members, benefits for service prior to 1st April 2014 will be protected, with protected past service continuing to be based on final salary and Normal Pension Age.
7. Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers.

On 21 December 2012 DCLG published its consultation document covering the draft regulations on membership, contributions and benefits for the LGPS from April 2014. A further consultation on these draft regulations was published on 27 March 2013. At the same time a consultation was issued on the draft LGPS (Transitional Provisions and Savings) Regulations. Further consultations are expected on draft Governance and Administration Regulations.

DCLG also published a consultation on 11 April 2013 regarding whether councillors and other elected local office holders should be allowed to continue their membership in LGPS 2014.

MEMBERSHIP TRENDS

Membership trends

More than 246,000 members and beneficiaries employed by 311 separate organisations participate in the WYPF. The numbers shown for 31 March 2012 have been restated to reflect changes after the 2011/12 financial statements were finalised.

	31 March 2013	31 March 2012
Active members	90,919	88,026
Beneficiaries Current pensioners (including widows and children's pensions in payment)	72,666	70,651
Deferred members		
- deferred pensioners	72,270	68,885
- undecided leavers	2,426	2,333
- frozen refunds	8,257	8,255
Totals	**246,538**	**238,150**

ADMISSIONS TO THE FUND
Employees joining the fund were as follows.

	2013	2012
Employees/councillors joining with no previous service	10,951	8,357
Employees with transfers from:		
- other local government funds	34	19
- other pension schemes	151	146
Totals	**11,136**	**8,522**

WITHDRAWALS FROM THE FUND
Benefits awarded to members leaving employment were as follows.

	2013	2012
Members awarded immediate retirement benefits	2,187	3,606
Benefits awarded on death in service	100	123
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	5,958	7,983
Totals	**8,245**	**11,712**

PARTICIPATING EMPLOYERS

Participating employers

At 31 March 2013 WYPF had 311 participating employers as detailed below.

Abbey Grange Church of England Academy
ABM Catering Ltd
Ackworth Parish Council
Affinity Trust
Aire Valley Homes Leeds
Airedale Academy
All Saints C.E. J. & I. School
Amey Community Limited IT Services
Amey Community Limited FM Services
Amey Community Ltd Bradford BSF Phase 2 FM Services
Amey Community Ltd Bradford BSF Phase 2 ICT Services
Amey Infrastructure Services Limited (Wakefield)
Appleton Academy
Arts Council England
Aspire-i
B B G Academy
Barnardo's (Askham Grange Prison)
Batley Girls High School
Batley Grammar Free School
Beech Hill School
Beeston Primary Trust
Belle Isle Tenant Management Organisation
Belle Vue Girls School
Bingley Grammar School
Birstall Primary School
Bolton Brow Primary Academy
Boston Spa School
Bradford Academy
Bradford College
Bradford Diocesan Academies Trust
Bradford District Care Trust
Bradford District Credit Union Ltd
Bradshaw Primary School
Brighouse Academy
Brighter Futures Academy Trust
Brooksbank School Sports College
Bruntcliffe Trust School
Bullough Contract Services Ltd
Bullough Contract Services Ltd (Leeds City College)
Bulloughs (All Saints Primary)
Bulloughs Bingley Grammar School
Burley Parish Council
Burnley Road Academy
Buttershaw Business and Enterprise College
C & K Careers Limited
CAFCASS
Calderdale College
Care Quality Commission
Carillion Integrated Services
Carroll Cleaning Company Ltd (Calderdale)

Carroll Cleaning Company Ltd (Whetley)
Castle Hall Academy
Castleford Academy
Catering Academy Ltd
Catholic Care (Diocese of Leeds)
Christchurch C E Academy
City of Bradford Metropolitan District Council
City of Wakefield Metropolitan District Council
Coalfields Regeneration Trust
Cockburn High School Trust
Community Accord
Compass (Leeds PFI Schools)
Compass Contract (Buttershaw School)
Compass Contract Services (UK) Limited
Compass Contract Services (UK) Limited (Chartwell)
Compass Contract Services (UK) Limited (Ilkley Grammar School)
Cottingley Primary Academy
Craft Centre & Design Gallery Ltd
Crawshaw Academy Trust
Crescent Purchasing Limited
Crigglestone St James C E Primary Academy
Crofton Academy
David Young Community Academy
De Lacy Academy
Denby Dale Parish Council
Dixons Allerton Academy
Dixons City Academy
EACT – Leeds West Academy
East North East Homes Leeds
Elite Cleaning and Environmental Services Ltd
English Basketball Association
Feversham College Academy
Feversham Primary Academy
Fieldhead Junior Infant and Nursery Academy
First West Yorkshire Limited
Fleet Factors Limited
Foundation Housing
Foxhill Primary School
Freeston Academy
Garforth Academy
Gawthorpe Community Academy
Green Lane Primary Academy
Greenhead Sixth Form College
Greenvale Homes Limited
Greetland Academy
Groundwork Leeds
Groundwork Wakefield
Halifax Opportunities Trust
Hanson School
Harrison Catering Services Ltd
Hebden Royd Town Council
Heckmondwike Grammar School Academy Trust
Hemsworth Town Council
Hepworth Gallery Trust

HF Trust Ltd
Hill Top First School
Hipperholme & Lightcliffe High School Academy
Hochtief Facility Management UK Limited
Hollingwood Primary School
Holly Bank Trust
Holme Valley Parish Council
Holy Trinity Primary C of E Academy
Horbury Academy
Horbury Bridge C E Junior & Infant School
Horsforth School Academy
Horsforth Town Council
Huddersfield New College
Hugh Gaitskell Primary School Trust
igen Limited
Ilkley Grammar School Academy
Ilkley Parish Council
Incommunities
Independent Cleaning Services Limited (ICS)
Initial Catering Services Limited
Initial Facilities Management
International Food & Travel Studio
Interserve (Facilities Management) Ltd
Interserve Project Services Limited
Jerry Clay Academy
Keelham Primary School
Keighley Town Council
Killinghall Primary School
King James School
Kings Science Academy
Kirkburton Parish Council
Kirklees Active Leisure
Kirklees College
Kirklees Metropolitan Council
Kirklees Neighbourhood Housing Limited
Knottingley St. Boltolph’s C of E Academy
Lady Elizabeth Hastings School
Laisterdyke Business & Enterprise College
Leeds Centre for Integrated Living
Leeds Citizens Advice Bureau
Leeds City College
Leeds City Council
Leeds College of Art & Design
Leeds College of Building
Leeds College of Music
Leeds East Academy
Leeds East Primary Partnership Trust
Leeds Grand Theatre and Opera House Limited
Leeds Housing Concern
Leeds M.I.N.D.
Leeds Metropolitan University
Leeds North West Education Partnership
Leeds Racial Equality Council
Leeds Society for Deaf & Blind People

Leeds Trinity University College
Liberty Gas Group Ltd
Lightcliffe C.E. Primary School
Lighthouse School
Lindley Junior School Academy Trust
Local Government Yorkshire & Humber
Longroyde Junior School
LPM Cleaning Ltd
Luddendenfoot Academy
Manston St James Academy
McMillan Education Trust
Mears Ltd
Mellors Catering Services Ltd (LCC)
Meltham Town Council
Menston Parish Council
Metropolitan Borough of Calderdale
Micklefield Parish Council
Middleton Primary School Trust
Minsthorpe Academy Trust
Mirfield Free Grammar Academy
Mitie Pest Control
Mitie PFI Limited
Moor End Academy Trust
Morley Academy
Morley Town Council
Morrison Facilities Services Ltd (South)
Morrison Facilities Services Ltd (West)
Myrtle Park Primary School
National Coal Mining Museum For England
NEW College, Pontefract
Normanton Town Council
North Halifax Grammar Academy
North Huddersfield Trust School
North Kirklees Citizens Advice Bureau
Northern School of Contemporary Dance
Northorpe Hall Child & Family Trust
Notre Dame Sixth Form College
NPS (North East) Limited
NPS Leeds Limited
Oakbank School
Oakworth Primary School
Ofsted
Old Earth Academy
Open College Network Yorkshire & Humber Region
Ossett Academy & Sixth Form College
Ossett Trust
Otley Town Council

Outwood Grange Academy
Outwood Primary Academy, Kirkhamgate
Outwood Primary Academy, Ledger Lane
Overthorpe C of E Academy
Park Lane Learning Trust
Park View Primary Academy
Pennine Housing 2000 Limited
People in Action (Leeds) Limited
Pinnacle FM Ltd (Leeds)
Pinnacle FM Ltd (Kirklees)
Pontefract Education Trust
Pool Parish Council
Priesthorpe School Trust
Prince Henrys Grammar School
Prospects Services (Bradford)
Pudsey Grangefield School
Purston E-ACT Academy
Rainbow Primary Free School
Rastrick High School Academy Trust
Ripon Diocesan C of E Council For Social Aid
Ripon House
RM Education PLC
Rodillian Academy
Rooks Nest Academy
Royds Community Association
Royds Hall Trust School
Royds Learning Trust
Russell Hall First School
Ryburn Valley High School
Ryecroft Primary Academy
Ryhill Parish Council
Salendine Nook Academy Trust
Salterlee Academy Trust
Samuel Lister Academy
Schools Linking Network
Scout Road Academy
Sea Fish Industry Authority
Shanks Waste Management Limited
Shelley College
Shibden Head Primary Academy
Shipley College
Simpsons Lane Academy
SITA UK Limited
Skills for Care Limited
Society for the Blind of Dewsbury, Batley and District
South Elmsall Town Council
South Hiendley Parish Council
South Leeds Academy
South Ossett Infants Academy
Spen Valley Foundation Trust
SSE Contracting Ltd
St Anne’s Community Services
St Anne's Community Services (Bradford)
St Catherine's Catholic High School
St Chad's C of E Primary School

St John's Approved Premises
St John's (CE) Primary Academy Trust
St John’s C of E Primary School (Bradford)
St John’s Primary Academy Rishworth
St Michael & All Angels C of E School
TaylorShaw Ltd (Batley Girls High School)
TaylorShaw Ltd
The Anah Project
The Bishop Wheeler Catholic Academy Trust
The Bishop Konstant Catholic Trust
The Cathedral C Of E Academy Trust
The Co-Operative Academy of Leeds
The Crossley Heath Academy Trust
The Farnley Park Academy
The Police & Crime Commissioner for West Yorkshire
The Vale Primary Academy
Thornhill Community Academy
Thornton Grammar School
Todmorden Town Council
Trinity Academy Halifax
Turning Point
United Response
University Academy Keighley
University of Bradford
University of Huddersfield
UPP Leeds Metropolitan University
Wakefield & District Housing
Wakefield City Academy
Wakefield College
Welsh Assembly Government
West North West Homes Leeds
West Vale Primary School
West Yorkshire Fire & Rescue Authority
West Yorkshire Probation Trust
West Yorkshire Integrated Transport Authority
West Yorkshire PTE
West Yorkshire Valuation Tribunal Service
Westborough High School
Westwood Primary School Trust
Wetherby Town Council
Whetley Academy
Whitehill Community Academy
William Henry Smith School
Willow Green Academy
Wilsden Parish Council
Woodhouse Grove School
Woodkirk Academy
Woodside Academy
Yorkshire Community Housing Limited
Yorkshire Purchasing Organisation

QUALITY MANAGEMENT

Quality management

In June 2012 WYPF was successfully reaccredited to the ISO 9001:2008 Quality Management System. WYPF first achieved accreditation in 1994 and have successfully been reaccredited every three years since. (WYPF gained accreditation back in 1994 to BS5750 and then ISO 9002 prior to ISO 9001:2008).

The scope of the ISO 9001:2008 certification is:

The administration of the Local Government Pension Scheme on behalf of participating scheduled and admitted bodies as defined by the Local Government Pension Scheme Regulations. The administration of the Fire Pension Schemes in accordance with Firefighters Pension Orders respectively.

WYPF Quality policy

We will provide an efficient and effective service to all our scheme members by responding quickly to requests for information and advice.

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

As part of the Quality Management System, several systems and procedures have been put in place to ensure the service provided 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
- statistical monitoring of our processes, including calculating and paying pensions, so we can ensure benefits are paid on time
- surveying customers about their experience of our service, and
- holding regular Management Review meetings to review quality issues.

Key Performance Indicators

WYPF has set Key Performance Indicators against which we monitor our achievements.

In addition, Bradford Council has set customer service performance indicators against which we must monitor our performance.

WYPF Key Performance Indicator

	2011/12	2012/13
The percentage of lump sums paid within three days from the later of receipt of notification of retirement or date of retirement.	97.08%	96.42%
Employer satisfaction with the service provided by the Pensions Administration section	86.60%	86.57%

	2011/12	2012/13
The percentage of visitors waiting less than seven minutes at a reception point.	100% 3,567 customers	100% 3,758 customers
The percentage of phone calls answered within 20 seconds.	99.27%	99.13%
The percentage of incoming phone calls answered.	81.44% 94,730 phone calls answered	66.69% 125,752 phone calls answered

POLICY STATEMENTS

Policy statements

Local authority pension funds have a statutory responsibility under the regulations governing the scheme to prepare and publish five policy statements.

Statement of Investment Principles

The Statement of Investment Principles describes the investment decision-making process, the types of investment to be held and the balance between them, the risk and expected return on investments, the realisation of investments, socially responsible investment, responsible ownership and the exercise of rights attached to investments and compliance with the Institutional Shareholders Committee principles, the latest development of the Myners principles.

Funding Strategy Statement

The Funding Strategy Statement establishes a clear and transparent strategy for the fund identifying how employers' pension liabilities are best met while maintaining a stable contribution rate and taking a prudent long-term view of funding those liabilities.

Pension Administration Strategy

The Pension Administration Strategy is concerned with ensuring that everything runs smoothly for members, employers and the fund, covering procedures for liaison and communication with employers, levels of performance for employers and the fund, and procedures to ensure that employers and the fund comply with statutory requirements.

Communication Policy Statement

The Communication Policy is designed to provide members, representatives of members and employers with the information they need to understand their pension arrangements.

Governance Compliance Statement

The Governance Compliance Statement sets out the arrangements made by City of Bradford Metropolitan District Council for the administration of the fund. It has delegated responsibility to the Corporate Governance and Audit Committee, assisted by the Investment Advisory Panel and the Joint Advisory Group.

The full text of these five policy statements is on the fund's website-www.wypf.org.uk

INVESTMENT REPORT

Review of the operation of the Investment Advisory Panel 2012/13

This is a report on the activities of the investment panel for the financial year 2012-2013. The period was expected to deliver more of the slow recovery from the financial crisis that markets had delivered in the previous financial year. However the panel was aware that many of the issues that had caused markets concerns in recent years remained, including the economic performance of peripheral Europe and the extent to which central banks globally remained engaged in unorthodox monetary policies. As this financial year would end with the pension fund undergoing the triennial actuarial valuation the investment panel were particularly focused on monitoring any volatility within the fund and the bond yields used for discounting its liabilities as the period ended.

After ending the previous financial year strongly, the new period got off to a difficult start as doubts about the sustainability of the global recovery again surfaced. Weaker economic data from the US and evidence of slowing growth in China worried investors and global equity markets retreated. European banking issues again came to the fore this time and the worrying state of the Spanish banks took centre stage. These concerns, along with initially worrying Greek election results, dominated opinion on the Eurozone, and despite a direct Spanish bank bailout being agreed towards the end of the quarter, European equity markets finished sharply lower as the first quarter of the new financial year closed. In fact all major equity markets finished lower over the quarter as a whole despite a late rally driven by relief over the aforementioned EU help for the beleaguered European banking system.

In contrast to equities, bonds, particularly in the so-called ‘safe haven’ areas, enjoyed strong returns as yields were driven lower by investors seeking safety from the uncertainly in parts of Europe. US, UK and even German ten-year bonds all rose to offer yields well below 2%. Sterling was also a beneficiary of these movements, ending the quarter higher against the Euro.

Over the summer months equity markets enjoyed better performance. In response to continuing concerns about the peripheral economies of Europe, the European Central Bank again intervened in the secondary bond markets of these economies. The latest intervention, dubbed Outright Monetary Transactions, was in theory unlimited and this combined with the announcement of a third round of quantitative easing from the US Federal Reserve boosted equity markets globally. The safe-haven bond markets fell back on the news of further central bank intervention but peripheral bond yields fell sharply helping overall sentiment despite continued sluggish growth in most major economies and concerns about slowing growth in China.

The panel recognised that the outlook for equities remained more favourable than for bonds and continued to allocate new cash into equity markets in the faster-growing emerging markets and the US equity market, where corporate profits remained strong and the important housing market had begun to show signs of recovering. Where opportunities were present in bond markets these were concentrated in the corporate bond area, mainly in the UK but also in other overseas areas where value was present.

Global equity markets ended the calendar year strongly reassured by ECB president Draghi’s statement that the bank would do ‘whatever it takes’ to support the euro. All major markets ended the year strongly with the exception of the US where concerns over the so-called ‘fiscal cliff’ came once more to the fore. Better economic news from China raised hopes that the feared hard landing would be avoided. In Japan the new administration's announcement of a pro-growth agenda was very well received by the equity market, which rose sharply, while simultaneously the Yen fell.

Things were much more mixed in bond markets with ten-year yields rising in the safe-haven markets of the US and UK but with European peripheral yields continuing to fall. The UK government's decision to leave RPI as the linking mechanism for index-linked gilts and not switch to CPI led to a sharp rally in these bonds as the calendar year ended.

New cash was allocated by the panel in a number of equity markets as the medium-term outlook for equities continued to look better than for bonds, as it had for some time. The changes announced in Japanese economic policy had created an opportunity in equities not seen for a long time in this economy and the panel decided to allocate some new cash into this area of the market.

The final quarter of the fiscal year started very strongly for equity markets in particular, with most markets continuing to rally strongly over the first two months of the new year. This early-year rally took a number of equity markets to, or near to post financial crisis highs and in some cases all-time highs. The eleventh hour US budget deal averted the worst outcome markets had feared for the fiscal cliff, even if many of the long-term issues remain unresolved. Continuing signs of improvement in the US housing and auto markets combined with the ongoing support of the Federal Reserve remain supportive to the US equity market. Better economic data from China and the new policy direction in Japan also lends support elsewhere. Despite this fairly supportive environment, the recent strong run in equities and the potential for Europe to throw up more unpleasant surprises will encourage the investment panel to remain vigilant and cautious as we enter the new financial year.

Throughout the period the panel continued to allocate new monies to areas where opportunities were considered strongest. These included new investment in US equities, and further investment in emerging markets. Towards the end of the financial year, changes in the outlook for Japanese equities and signs of continuing progress in Europe allowed for allocations into these areas for the first time in a number of years. Overall the panel continues to regard most bond markets as offering little long-term value at these levels, however, where opportunities have presented themselves in areas such as UK corporate bonds these have been taken, particularly towards the beginning of the financial year when the yields on offer remained attractive. Opportunities in private equity remain interesting and given the long-term nature of the investment approach adopted by the panel this asset class continues to be allocated to, such that the target level of exposure is maintained throughout the investment cycle.

As has been highlighted in previous reports, 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 a market-leading standard of governance.

During any financial year it is normal for some members of the panel to leave and to be replaced with new faces. This year was no exception. During the period we welcomed Councillors N. Ikram, S. Baines MBE and C. Preest. They replaced departing panel members Councillors Young and Ridgeway and Mr. Tony Pearson the Unison representative and Deputy Chair. The panel wishes to thank them for their enormous contribution to the scheme during the period of their tenure.

During the period politics briefly intervened in the otherwise apolitical operations of the investment panel. Long-standing chairman Councillor Ian Greenwood lost his seat on the council and therefore resigned the chairmanship of the panel. Councillor H Middleton was elected chair for one meeting before subsequently stepping down for a returning Mr Ian Greenwood OBE, who was reinstated unanimously as the Chair, but, from the position of union representative for Unison. The panel would like to thank Councillor Middleton for his tremendous help during this brief period of upheaval and welcome back Chairman Ian Greenwood OBE, whose dedication, enthusiasm and experience remains a tremendous asset to the fund. Councillor Glen Miller was elected as deputy chairman. With the smooth running of the investment panel assured we return to business as usual.

Panel members remain active in undertaking training and attending investment conferences in order to maintain an informed and current appreciation of the changing investment landscape and to monitor both new opportunities and the potential pitfalls that can arise for schemes such as West Yorkshire Pension Fund. Over the past financial year the members of investment panel have represented the fund at a number of industry conferences and training events, including the LGC Investment Summit, LGPS Conference, LGP Investment Forum, LAPFF Conference, NAPF Conference and the IBC Conference. Panel members were also invited to a presentation given by Tim Lunn from AON Hewitt, the scheme's actuary, on the upcoming tri-annual actuarial valuation. In addition to the investment and pension industry conferences, all new members are invited to attend the LGPS three-day trustee training, on the fundamentals of investment and governance

In addition to monitoring the investment activities of the internal managers at the regular quarterly meetings, members of the panel and external advisors also meet in Bradford and London to review the managers of the Currency, Private Equity and Fund of Hedge funds, in which the pension scheme has investments. West Yorkshire Pension Fund has investments in a wide spread of assets with the aim of providing additional sources of return and increased diversification. These assets include areas such as commercial property, private equity, funds of hedge funds and active currency management. During the period it was decided that some of the currency managers were not delivering the required level of investment performance and that the outlook in terms of generating currency returns was unlikely to materially change, at least in the medium term. With this background the panel decided that the fund's capital could be better deployed in other asset classes. Over the period notice was given to liquidate all the active currency mangers with the exception of one programme whose manager was able to demonstrate an ability to generate the required returns even in the current market conditions.

In February 2013 the panel reviewed eight private equity managers in Bradford where the fund had total commitments of £100m. These face-to-face meetings provide members of the panel with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. In addition to gaining an insight into the general outlook for the various investment types by sector and style the panel can monitor any changes to investment approach in the appointed managers and directly compare progress with the expectations that management had previously generated in their strategy updates.

In addition to the ongoing governance activity that the panel undertakes in relation to the investment activities of the fund, communication with both employers and members remains an important aspect of the panel's activities. In October the annual meetings for both employers and members took place in Bradford and Huddersfield respectively. These popular annual events provide an opportunity for members to hear about the investment environment as well as changes to the asset allocation and a review of investment performance. In addition to the economic and investment background these meetings provide an opportunity for members to hear about the administration aspects of the fund and any changes that have taken place for members or employers. As always there was an opportunity to ask questions and these were answered for the whole meeting's benefit. The meeting with the employers was particularly interesting this year with many questions being asked about the expected implications of the new LGPS. Good use was made of the guest speaker Jeff Houston from the Local Government Association who spoke about auto enrolment. Jeff was able to answer the many questions that were forthcoming from the audience.

In terms of responsible ownership the panel continued to exercise its shareholder voting rights. The panel adopts the PIRC shareholder voting guidelines for this purpose, making use of the full-extended service. The fund is able to vote on almost 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. Such engagement is conducted through the LAPFF where panel Chairman Ian Greenwood remains very active. The growing importance of this area had been recognised by the panel and a specific working group is to be formed to monitor environmental, social and governance issues and report back regularly.

The investment performance of the fund is independently measured by the WM Company. The panel will continue 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, the fund returned 14.0%; compared with 12.9% for the scheme's benchmark. The fund remains ahead of its benchmark over one, three, five and ten year periods. These investment returns place the fund in the middle of the range over one year against the local authority average. However, over longer periods the fund remains ahead of its peer group.

As the new financial year begins, the panel will continue to operate to the highest levels of governance and for the benefit of members, pensioners and employers alike. The results of the 2013 actuarial valuation will help inform the panel's decisions about investment strategy and will form a basis for evaluating the fund-specific benchmark, which itself will be reviewed during this financial year.

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

The fund is a registered member of CREST in its own right, and the fund's UK fixed-interest and equity shareholdings are held on CREST in dematerialised form. Consequently, all custodial responsibilities relating to these assets are undertaken by the in-house investments section.

A custodian is appointed for the safe keeping of the fund's overseas assets, and for the settlement of transactions, income collection, overseas tax reclamation and other administrative actions in relation to these assets. HSBC continues its role as custodian for WYPF.

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 is agreed at quarterly meetings of the Investment Panel. There are twelve professional investment managers and seven administration/settlement staff in the in-house investment team.

The in-house investment management costs continue to be among the lowest of all local authority pension funds. In 2011/12, the Fund's in-house investment management costs were £7.47 per scheme member compared with the national average for all local authority pension funds of £84.10.

The panel adopted a fund-specific benchmark from 1 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 into hedge and currency funds was completed during the year. The fund holds 2.7% in cash, a small increase on the previous year. The return on cash balances remains at a historic low.

Investment performance

The fund returned 14.0% in 2012/13, above both the return on the fund-specific benchmark of 12.9%, and the average return for all local authority pension funds of 13.8%. This positioned the fund in the 50th 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 8.3%; over the last five years it was 6.8%; and over the last ten years it was 10.2%. These returns are well above the local authority pension fund average of 8.1%, 6.5% and 9.4% respectively, which on a league table basis places WYPF in the 54th, 41st and 11th percentile over these periods.

The longer-term out-performances against the local 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.

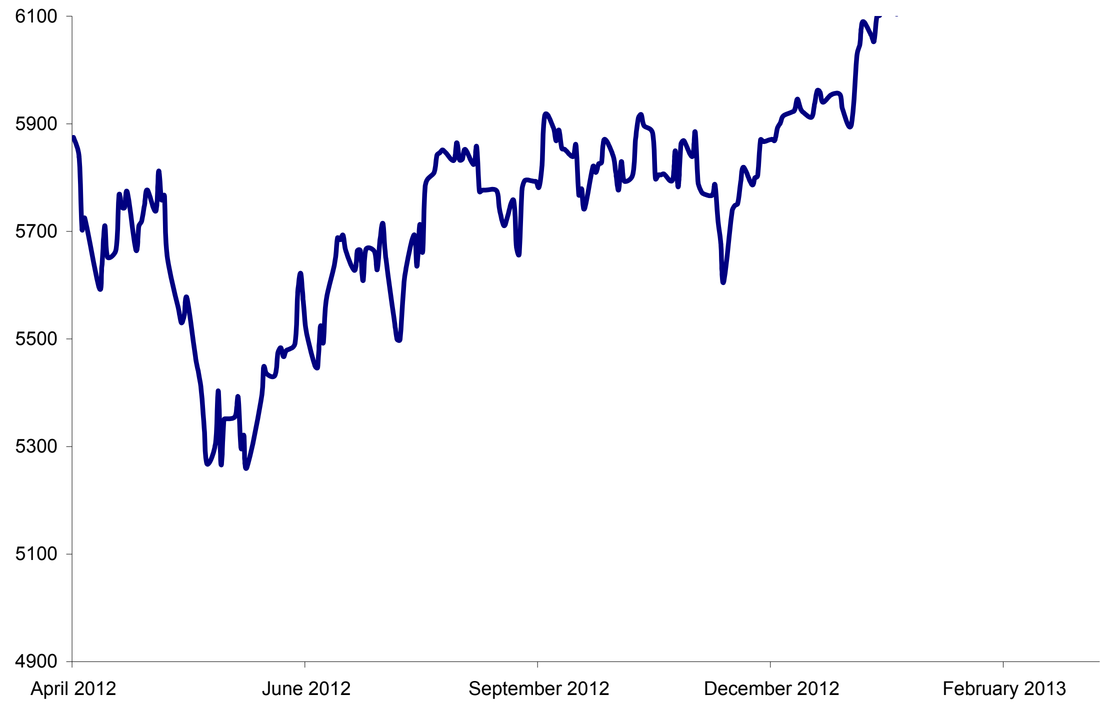
Commentary on international equities investment markets

Europe's economic woes continued during the year as southern Europe suffered from the effects of austerity with falling real incomes, high unemployment and the reining in of government spending. The crises in Greece and subsequently in Cyprus along with the possibility of contagion in Spain and Italy threatened the existence of the euro. However, decisive action by the European Central Bank to do 'whatever it takes' to support the currency, and the promise of unlimited intervention, cooled market nerves and dramatically reversed the upward spiral in peripheral European bond yields.

This led to the strong performance of European equity markets in the latter half of the year with major indices up by almost 20% in some cases, partly in relief that the worst may possibly be over and partly in anticipation of the longed-for economic recovery. There is certainly evidence of increased competitiveness in the form of lower unit costs and more flexible labour policies. However these changes along with the austerity measures have had a negative impact on domestic demand, which may take longer to recover. There is already talk that austerity may have reached its limits politically and socially, and growth policies may be necessary to put life back in the patient. There is certainly an appetite for this amongst a large proportion of the populace, and politicians and bureaucrats may be left with no alternative.

The US economy and stock market have been a relative success story over the year with the FTSE North American Index returning 13.5% in local currency and 19.3% in Sterling terms. Unlike many other western countries, their economy grew modestly over the year with GDP rising 1.8%, unemployment falling to 7.7%, and the property market showing signs of recovery. This has been driven by moderate growth in the domestic economy that has offset weakening exports suffering from poor European markets and slower growth in China.

<u>FTSE North America Index (USD)</u>



The US economy remains fragile. The government is heavily in debt and net borrowing continued to rise until President Obama's re-election unlocked the political impasse that had prevented a workable agreement being reached on effective budgetary controls. Since then matters have improved and progress has been made on the process of 'sequestration' or budget cuts, which together with tax rises is helping to stabilise the country's debt burden. However, more budgetary cuts are needed despite the constant risk they could stall economic recovery.

The year under review in Japan was largely unremarkable until the second half of the year. The economic background remained lacklustre with deflation continuing and the country suffering from a trade deficit as imports, particularly of energy, outweighed exports, which struggled in the face of weak economies abroad. The investment climate then changed dramatically when new prime minister Abe announced a more aggressive policy to reflate the economy via fiscal and especially monetary policy. A 2% inflation target was set over the next couple of years. The immediate impact was on the exchange rate as the Yen weakened against the major currencies and expectations for corporate earnings and asset prices turned positive. The stock market took off and rose over 50% from its low point in summer.

FTSE Japan Index (Yen

Generally speaking 2012 was an exceptionally good year for Asian, particularly ASEAN (South East Asian) regional equity markets, led by a significant rally in Malaysia, Indonesia, the Philippines and Thailand, all of which made new highs, with returns enhanced in sterling terms by the relative strength of local currencies.

Elsewhere in Asia the more developed markets were a little less strong. Towards the end of the year Japan's new policy of purposely weakening the Yen represented a particular challenge for the important export industries in Korea and Taiwan. However, the principal negative impact throughout the period was felt in Australia's resource sector with its close ties to mainland China. Here economic growth was the weakest it has been in over a decade, and international investors in commodities such as iron ore and copper (for whom the theme of rapid Chinese urbanisation is of overwhelming importance) have become concerned that the exceptionally long upswing to the business cycle in their sector might be turning.

The relative weakness in Chinese macro conditions during 2012 essentially represented a deliberate policy choice as the country moves to a lower growth trajectory less reliant on net exports and fixed-asset investment and more driven by internal demand. That is not an easy transition and there have clearly been problems related to overheating, especially in the housing market. Subsequent to the once in a decade leadership transition, 2013 looks set to continue in similar vein. Strong controls over the residential property sector will be maintained and credit growth perhaps constrained (after an aggressive increase last year). The best hope for the local market this year centre around the possibility of important, consumption positive legislation such as the relaxation of the long-standing single child policy and the less well known, but equally important, Hukou registration system, which governs access to public health and welfare.

During the year G7 bond yields fell as the eurozone crisis continued and expectations of stronger recoveries were disappointed, particularly in the US and UK. 10-year German Bund yields fell from 1.8% in early April 2012 to end at 1.29%. 10-year US Treasury yields fell from 2.18% to 1.85% over the period. Weak recoveries, and outright contraction of GDP in some developed economies, removed the threat of policy tightening and the US Fed implemented the most aggressive quantitative easing (QE) programme yet in December 2012. Although the Bank of England suspended QE in November 2012, speculation continued about its continuation amid the low growth in the economy. In Japan 10-year yields fell to around 0.5% in response to the Bank of Japan's aggressive new QE stance on deflation. The eurozone crisis erupted in Q2 2012 as doubts surfaced about the solvency of Greece. The pressure on the ECB to assist distressed sovereigns only eased when its president Mario Draghi promised to do whatever necessary to stabilise the euro. Cyprus was the latest casualty of the crisis in March 2013 when its banking system collapsed only to be stabilised by an agreed loan package with the eurozone and IMF.

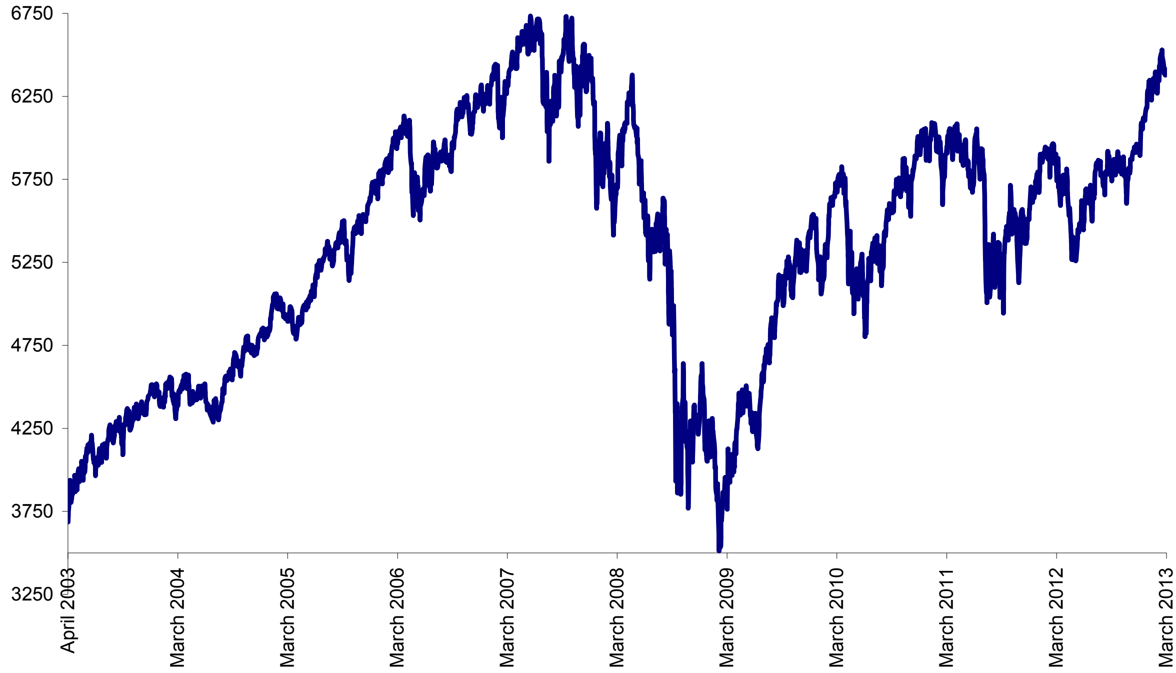
Corporate credit spreads tightened during the year but remained volatile, particularly in Q3 2012. There was a flood of issuance in Q4, once the eurozone crisis had stabilised, but good quality non-financial spreads tightened further as investors sought yield.

UK equities

The UK equity market returned an impressive 16.8% over the year ended 31 March 2013. Four years on from the depths of the global financial crises, the FTSE 100 Index has increased by a total of 82%, ending March 2013 at 6411. This is not far off the all-time high of 6732 reached in June of 2007 just prior to the crisis.

The 10-year chart illustrates both the depth of the financial crisis and the significant recovery achieved in the last four years and in particular the last 12 months.

FTSE 100 Index



The strength in the UK equity market is particularly marked when considering the continuing weakness in the UK domestic economy. A major advantage peculiar to the UK equity market is its high exposure to overseas earnings, including the higher growth emerging and developing markets, and the recovering US economy. Conversely, exposure to the struggling European economies impacted negatively.

The WYPF UK equity portfolio, valued at £3.54bn, and representing 35.9% of the fund, outperformed the market returning a very pleasing 17% over the 12 months. This was in part as a result of investing in a combination of high yield stocks and high growth stocks, particularly those with emerging market exposure. The UK equity portfolio has outperformed both the All Share and peer group consistently over the long term due to good stock selection by the in-house team. The fund was overweight relative to the market in industrials, beverages, leisure and fixed line telecoms which all significantly outperformed the market.

The UK equity portfolio continues to provide the fund with useful liquidity by way of dividend income. UK dividends of £123m were received in the year.

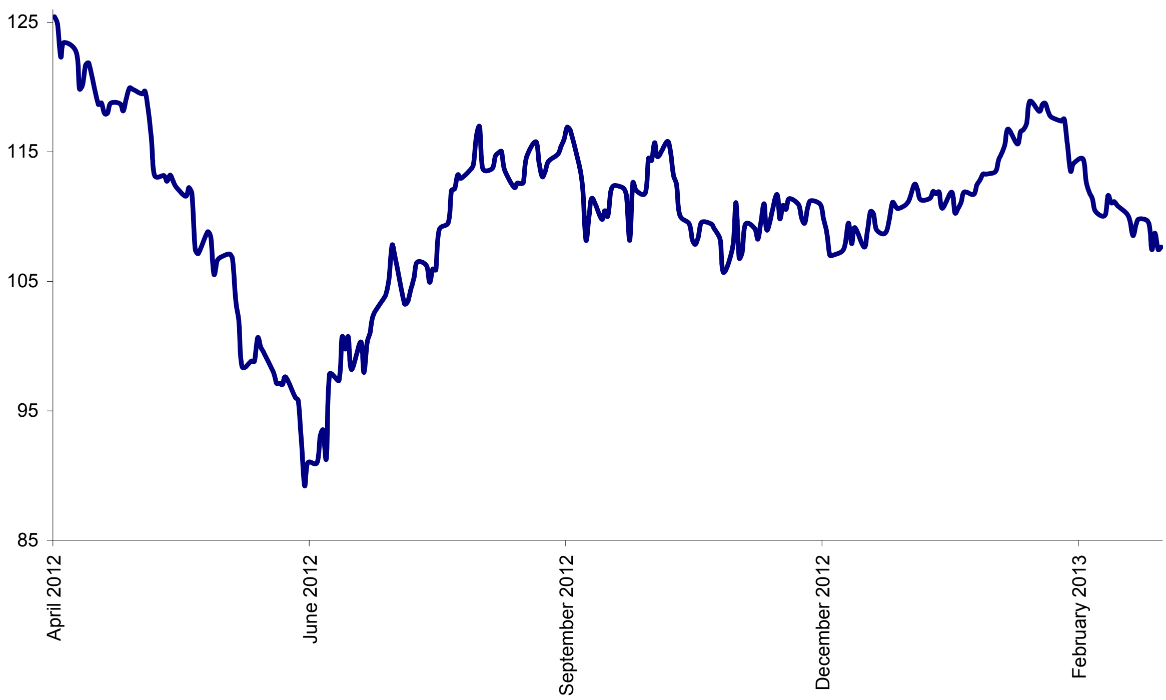
UK domestic banks continue to divest, of non core activities, working towards more sustainable funding ratios and increasing net interest margins. Investor confidence is returning, but the banks continue to court bad publicity and shareholder activism by persisting with high remuneration and bonus packages. They are also still subject to heavy fines for mis-selling to both the consumer and small business community, and for unethical conduct in connection with LIBOR fixing.

It was another poor year for miners with the FTSE All Share Mining Index down 12.38% over the year, reflecting the worsening macro environment in Europe over the early part of the year and reducing optimism over China's growth prospects. Compounding this were growing costs in mining amidst declines in commodity prices. However, the mining sector has recently announced large capex cuts and some job losses as they try to become leaner and more efficient companies. This should give the miners a healthier base from which to grow, should we see a sustained recovery in the US and indeed evidence that China's attempts to rebalance the economy have not overly damaged its growth expectations.

Over the course of 2012/13, the oil price traded within the range of $125 and $90. Initially volatile, prices settled in the second half of the year. The Middle East problems remain in focus, and despite the situation in Libya calming down, unrest is continuing in Syria, although this is far less influential on oil in general.

Demand for crude oil is showing signs of tailing off as the global economic slowdown continues to hit, particularly in Europe, which five years ago accounted for 18% of global oil demand; by 2012 this percentage had fallen to 14.7%. Oil inventories have risen suggesting that prices are likely to fall in the coming year as supply outweighs demand.

Brent Oil Price (USD)



2012 was a remarkable year for retailers. The general retail sector outperformed the UK stockmarket by 23.4% over the year. There was wide disparity across the sector, with stronger companies such as Next and ASOS having very strong growth, whilst the high street again saw a number of struggling retailers declare bankruptcy and close down. Online shopping was particularly strong and those retailers with a strong internet offering will continue to benefit going forward. In the food retail sector, where consumers are increasingly price aware, the smaller discount stores such as Aldi are rapidly gaining market share over the big four supermarket stocks.

The UK economy narrowly avoided a triple dip recession, but the economic indicators remain mixed. GDP oscillated around the zero mark during the year; the most recent analysis suggests that the UK economy grew by 0.6% over the year. However, the ailing UK economy remains dependant on an all time low interest rate of 0.5% and £375 billion of quantitative easing. In this respect it is not unlike other western economies still recovering from the 2008 crises, but the UK economy has remained weak and further stimulus is a possibility.

Unemployment rose to 7.9% in February, a jobless total of 2.56m. Those claiming job seekers allowance fell to 1.53m, but the number of people employed also fell to 29.7m. The widening gap between the claimant count and the headline unemployment total suggests a growing section of the population neither working nor claiming benefits.

Public sector net debt continued to deteriorate reaching £1.16 trillion, 73.5% of GDP, and is expected to peak at 85.6% in 2016-17. The worsening outlook prompted credit agency Moody's to strip the UK of its AAA rating.

The UK trade deficit deteriorated to £3.6bn. Falling exports and rising imports continuing a trend which has persisted since 2011, weakening sterling exacerbated this.

Average earnings rose by just 0.8% in the year to February. Compared to CPI of 2.8% and RPI of 3.3%, it is clear that the consumer is being squeezed harder and cannot be relied upon to fuel economic recovery.

Only two economic indicators suggest an optimistic outlook. Industrial production showed the first signs of turning positive by the year end. Evidence of a slight recovery in the domestic housing market was also apparent towards the end of the year, with house prices up 0.3% year on year. However much of this rise relates to London and the south east of England. Government and Bank of England measures to bring more first time buyers into the market succeeded according to the latest figures. A 17% increase in first time buyer mortgages was seen and these accounted for 43% of all new mortgages.

The UK equity market remains resilient against the poor UK domestic situation. Following the strong performance over the year, UK equities trade on 16 times historic earnings which is slightly higher than the long term average. Despite this, earnings growth of 10% is expected in both 2013 and 2014 by way of exposure to higher growth markets. This would value the UK equity market at 12 times forward earnings, yielding 4% and thus looking reasonably attractive.

UK corporate bonds

UK bond market investments continued to perform very strongly over the year; the UK FT All Government Gilt Index returned 5.3%. UK Index Linked Gilts returned 10.2%. Investment into bonds has been considered a safer investment than equities but the attraction has continued to push up market values and push down yields. The yield on 10 year bonds stood at just 1.7% at the end of the period. Compared to a 3% rate of inflation, the real yield is now in negative territory.

The search for higher yields has squeezed spreads over gilts on corporate bonds further. Spreads over gilts in excess of 2.5% have become scarce. The resultant rise in corporate bond prices has been considerable, making the fund's heavy investment into this category a well timed and profitable one. The return on the fund's corporate bond portfolio over the year exceeded 12% compared to the benchmark of 2%. This has been achieved by stock selection and by expanding investment into high yielding investment trusts with similar characteristics to corporate bonds, in particular those with underlying debt assets and low correlation with equities.

The fund is now comfortably above benchmark weight in corporate bonds and is locked into good yields on that portfolio looking forward to the medium term.

Private equity

Following the global financial crisis in mid to late 2008, private equity-backed dealflow experienced a pronounced decline, reaching a low in the first quarter of 2009 before steadily recovering through to the second quarter of 2011. With the re-emergence of market turmoil in August 2011, due to the growing European debt crisis, private equity backed dealflow witnessed another slowdown in the fourth quarter of 2011 and the first quarter of 2012 remained challenging. Despite a difficult opening to the year, 2012 saw a rebound in the second quarter to 2012 as the number and aggregate value of buyout deals approached the post Lehman high witnessed during 2011. In particular, North America recorded a post-Lehman high in both the number and aggregate value of deals in 2012. In contrast, Europe struggled in the midst of the European sovereign debt crisis for most of the year before responding strongly in the fourth quarter of 2012.

Deal activity on WYPF investments mirrored the rebound in the second quarter of 2012, with capital calls increasing by 63% quarter on quarter. Meanwhile, realisations only increased by 17% from the first quarter to the second quarter of 2012 but then more than doubled from £11.4m (second quarter of 2012) to £26.6m in the third quarter of 2012. There was net investment of £9.9m in the second quarter of 2012 followed by a net realisation of £15.3m in the third quarter of 2012. The fourth quarter of 2012 and the first quarter of 2013 were approximately cashflow neutral.

During the twelve months to 31 March 2013, the WYPF's Euro denominated funds (representing 25.8% of total net undrawn commitments at the start of the period) called €14.7m and distributed €40.9m (net €26.2m realised). Meanwhile, USD denominated funds (representing 56.9%) called $68.9 and distributed $67.7m (net $1.2m invested). Sterling denominated funds called £17.6m and distributed £3.2m (net £14.4m invested). Overall, net proceeds generated from the WYPF's private equity portfolio for the year to 31 March 2013 were £6.2m. The weighting of this portfolio as a proportion of the WYPF equated to 5.0%, down from 5.1% in the previous year.

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 8.47%, 7.98% and 6.36% in their respective local currency fund denominations. In sterling terms, this amounted to an overall IRR of 10.45% for the year to 31 March 2013.

Commitments during the year were made to the following Funds:

Fund	WYPF Commitment (£m)
NorthEdge Capital Fund I	8.0
Sciens Aviation Special Opportunities Fund II	6.3
Key Capital Partners VII	2.6
Lexington Middle Market Investors III	22.6
NB Strategic Co-Investments Partners II	16.1
Goldman Sachs Asset Management Vintage VI	16.1
Lexington Co-Investments Partners III	28.8
Equitix Fund III	22.0
TOTAL	**122.5**

At 31 March 2013, net un-drawn commitments amounted to £332.0m. On funds that have not yet wound up, cumulative drawdowns to date equal £622.8m, while cash distributions to date equal £338.3m. The valuation of invested capital is £495.8m.

The strategy and approach to this asset class remains unchanged. Net investment will continue to be monitored closely, but will ultimately follow from the pre-determined steering level- a commitment strategy for amounts and timings that aims to efficiently achieve a 5% exposure to private equity.

Currency funds

During the 12 months to 31 March 2013, WYPF redeemed fully from one of the two remaining currency funds. Performance in aggregate was disappointing (+2.5%) but individually fairly divergent, with performance ranging from -0.9% to 6.3% for the period. The one remaining currency manager will in future form part of the Hedge Fund portfolio.

Hedge funds

WYPF's allocation to FoHFs for the twelve months to 31 March 2013 returned 5.20% versus 4.78% for the HFRI Fund of Funds Composite Index (USD). During the last financial year, WYPF fully redeemed from one of its FoHF managers. A decision was also made to halve the position of another FoHF. As reported in last year's accounts, WYPF is reducing the level of diversification to a more suitable level whilst lessening the fee-level paid. Of the four remaining FoHF investments, fund returns for the year ranged between 3.96% and 5.73%.

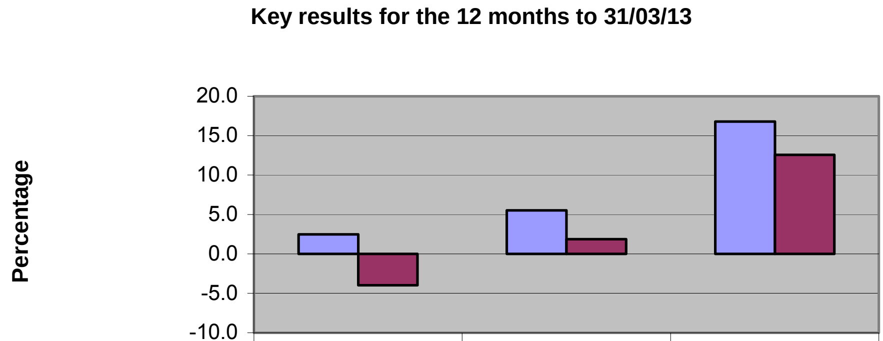
In order to increase the return/risk ratio further, WYPF, with the help of an investment adviser, also invested in seven single manager hedge funds during the year. The strategic mix at financial year end was approximately 70% Multi-Strategy and 30% Macro oriented. The Multi-Strategy managers performed best during the period, reflecting their ability to remain flexible and adjust their allocations in reaction to market-changing events. In aggregate, these seven funds returned 5.48% from inception (1 May 2012) to 31 March 2013 (in their USD denominated currency). This compares to 3.38% for the HFRX Global Hedge Fund Index (USD).

There are signs that the choppy and binary 'risk-on risk-off' environment is abating, which in turn should lead to a better environment for hedge funds. This along with a continued approach by WYPF to seek improved fee structures whilst avoiding unnecessary diversification should lead to better returns

Property

For the twelve months to 31 March 2013, total returns for All Property amounted to just 2.5% (IPD monthly, Mar ’13). All Property capital values declined, albeit only marginally, in each of the 17 months to March 2013 and are 4.8% lower than at the recent peak recorded in October 2011. Since the beginning of Q4 2012, there have been early signs of stabilisation, with a deceleration in the pace of yield expansion and rental declines. (All Property capital values now stand 12.1% higher than the low point in July 2009, but 37.4 % below the 2007 peak).

The return comparison of Property with Gilt and UK Equity returns is detailed in the bar chart below.



	All Property	Gilts (5-15years)	Equities (All-share)
Total Return	2.5	5.5	16.8
Capital Growth	-4.0	1.9	12.6

Asset Class

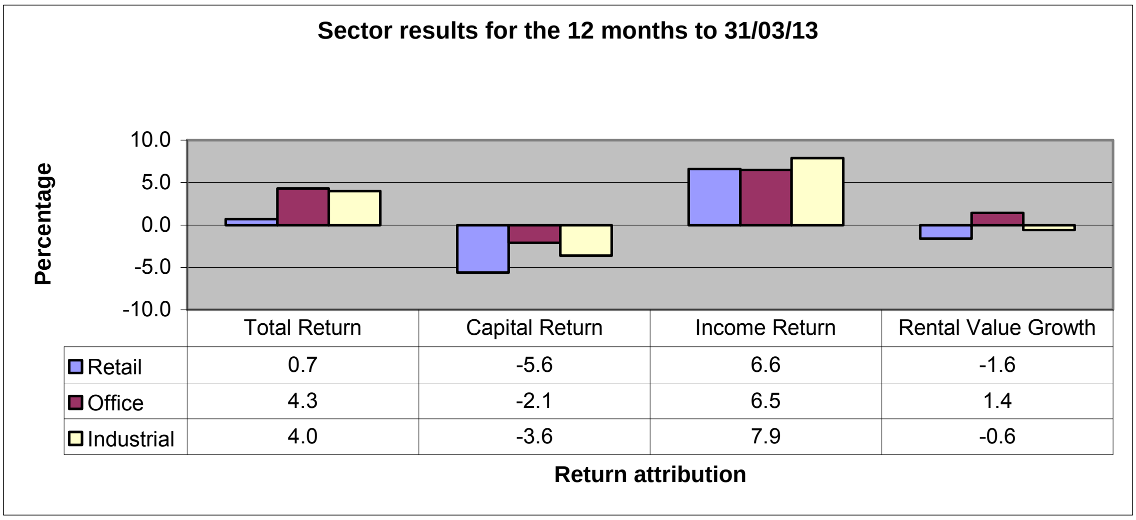
Source: IPD Index

The yield spread between low risk (prime) and high risk (secondary/tertiary) property assets continues to be polarised reflecting investor risk aversion and a flight to quality. Prime yields have broadly stabilised, while good secondary yields in the office and industrial sectors appear to have peaked. Secondary retail yields, however, continue to be affected by the weaker occupational story. Risk aversion towards weaker secondary/tertiary properties remains high.

Uncertainty in the occupier market, along with new regulatory pressures for the banks, has resulted in a subdued banking market that is reluctant to lend against anything other than prime assets (quality asset, prime location and strong tenant). Within this market niche, however, competition from the banks is slowly increasing; evident from their margins, which are beginning to narrow.

The risk premium (yield differential) being built into secondary/non-London good quality property, could in the medium-to-long term translate into strong investment returns as investors search for yield.

Excluding London City and West End Offices, which are up 2.6% and 5.1% respectively, average rents on most property types are typically down 0–2% over the last twelve months (IPD, Mar ’13). One particular outlier is Shopping Centres, where rents are 3.4% lower than twelve months ago. During the twelve months to 31 March 2013, they were again the worst performing sub-sector (-2.9%), along with the Rest of UK Offices (-2.5%) (total returns, IPD). WYPF is significantly underweight in Shopping Centres but slightly overweight in the Rest of UK Offices compared to the agreed benchmark of the All Pooled Property Funds Index. As alluded to above, the best performing sub-sectors during the twelve months to 31 March 2013 were again West End Offices (9.8%) and City Offices (6.8%). WYPF is underweight in West End Offices but of equal weighting in City Offices when compared to the All Pooled Property Funds Index.



	Total Return	Capital Return	Income Return	Rental Value Growth
Retail	0.7	-5.6	6.6	-1.6
Office	4.3	-2.1	6.5	1.4
Industrial	4.0	-3.6	7.9	-0.6

Source: IPD Index

During the year, a number of the property funds held by WYPF reported redemption, liquidity and, in some cases, going concern issues. This situation has, in large part, been driven by larger investors wanting to avoid unit-holder concentration within any one fund and therefore wanting to mitigate or lessen the likelihood that they themselves have liquidity issues. Once these larger investors put themselves on the redemption queue, other investors tend to join them as a protection measure. Ultimately, this can result in the trust manager adopting a forced sale basis for the bid price of the fund. Because the WYPF agreed benchmark uses NAV pricing whilst WYPF uses bid price when available, performance is likely to be negatively affected in the short term.

As recorded in last year's report and accounts, the strategy over the medium-to long-term is to move to an 80:20 geographical split between UK and non-UK property on WYPF's Property Unit Trust investments, when the timing is right. The current split is still approximately 92:8 in favour of UK property. Net investment for UK and non-UK property during the period was £0.2 and £0.3 million, respectively.

AVC investments

WYPF has 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.

The scheme values and membership information at 31 March 2013 are as follows.

	Equitable Life	**Scottish Widows**	**Prudential**
Scheme value	£3,378,019	£12,298,498	£4,995,050
Scheme members with an AVC policy			
At 31 March 2013	830	1,618	770
At 31 March 2012	896	1,703	392
Members still contributing	57	475	703

Analysis of investments held at 31 March 2013

		Book Cost	Market Value	
United Kingdom				
Quoted		£M	£M	%
Fixed Interest	- Public Sector Bonds	378.5	413.5	4.2
	- Corporate Bonds	303.7	339.5	3.5
Index-Linked	- Public Sector	368.6	516.8	5.3
	- Corporate	31.6	54.7	0.6
Ordinary and Convertible Shares (Equities)		1,823.9	3,430.8	34.9
Unit Trusts	- Property	194.9	267.5	2.7
	- Other	30.5	108.4	1.1
Fund of Hedge Funds		253.8	298.7	3.0
Currency Funds		19.4	22.4	0.2
Unquoted				
Fixed Interest	- Corporate Bonds	29.7	32.4	0.3
Ordinary and Convertible Shares (Equities)		0.3	0.3	0.0
Cash Deposits		356.2	356.2	3.6
Private Equity		104.3	145.7	1.5
	SUB-TOTAL UK	3,895.4	5,986.9	61.0
Foreign				
Quoted				
Fixed Interest	- Public Sector Bonds	101.0	108.7	1.1
	- Corporate Bonds	66.1	69.9	1.3
Index-Linked	- Public Sector	110.5	125.6	1.3
Ordinary and Convertible Shares (Equities)		1,679.3	2,638.9	26.9
Unit trusts	- Property	26.0	22.8	0.2
Unit trusts	- Other	181.4	464.0	4.7
Unquoted				
Fixed Interest	- Corporate Bonds	53.0	59.1	0.6
Private Equity		250.8	350.1	3.6
	SUB-TOTAL FOREIGN	2,468.1	3,839.1	39.1
	TOTAL	6,363.5	9,826.0	100.0

Analysis of UK equity investments as at 31 March 2013

	Cost		Market Value		No. of Companies
	£M	%	£M	%	
Oil and Gas Producers	251.2	13.8	487.8	14.2	20
Oil Equipment and Services	12.3	0.7	25.0	0.7	7
Chemicals	10.1	0.6	28.5	0.8	8
Alternative Energy	1.4	0.1	1.3	0.0	2
Forestry & Paper	3.8	0.2	5.9	0.2	1
Industrial Metals & Mining	4.5	0.2	1.6	0.0	2
Mining	154.0	8.4	287.2	8.4	18
Construction & Materials	6.3	0.3	8.1	0.2	4
Aerospace & Defence	31.0	1.7	80.9	2.4	8
General Industrials	12.2	0.7	27.8	0.8	5
Electronic & Electrical Equipment	7.8	0.4	19.9	0.6	9
Industrial Engineering	15.2	0.8	48.4	1.4	11
Industrial Transportation	2.6	0.1	4.2	0.1	2
Support Services	63.7	3.5	133.6	3.9	23
Automobiles & Parts	5.0	0.3	11.8	0.3	1
Beverages	29.4	1.6	158.1	4.6	3
Food Producers	10.9	0.6	83.1	2.4	6
Household Goods	18.0	1.0	77.0	2.2	5
Personal Goods	3.7	0.2	14.8	0.4	4
Tobacco	43.5	2.4	173.9	5.1	2
Healthcare Equipment & Services	2.4	0.1	12.0	0.4	3
Pharmaceuticals and Biotechnology	73.7	4.0	233.9	6.8	5
Food and Drug Retailers	25.6	1.4	72.9	2.1	4
General Retailers	20.8	1.1	58.3	1.7	13
Media	78.7	4.3	97.3	2.8	16
Travel and Leisure	58.1	3.2	103.8	3.1	20
Fixed Line Telecommunications	44.9	2.5	48.7	1.4	3
Mobile Telecommunications	140.9	7.7	177.4	5.2	2
Electricity	6.9	0.4	26.8	0.8	2
Gas, Water and Multiutilities	47.0	2.6	108.6	3.2	5
Banks	331.4	18.2	364.6	10.6	5
NonLife Insurance	22.7	1.2	31.1	0.9	6
Life Insurance	85.6	4.7	118.3	3.5	6
Real Estate Investment Services	6.1	0.3	8.5	0.3	4
Real Estate Investment Trusts	31.3	1.7	43.2	1.3	9
Financial Services	47.1	2.6	62.5	1.8	12
Equity Investment Instruments	73.6	4.0	122.7	3.6	30
Software and Computer Services	21.2	1.2	31.2	0.9	14
Technology Hardware and Equipment	19.6	1.1	30.4	0.9	8
TOTALS	1,824.2	100.0	3,431.1	100.0	308

Analysis of overseas equity investments as at 31 March 2013

Country	Book Cost £M	Market Value £M	No. of Holdings
Australia	107.0	167.9	36
Austria	3.9	6.1	8
Belgium	4.6	1.1	2
Brazil	49.0	50.3	34
Canada	41.3	58.1	13
Chile	3.9	4.1	7
China	53.1	79.4	33
Colombia	3.2	3.1	2
Denmark	11.5	25.5	11
Ireland	13.2	23.9	13
Finland	21.5	25.3	14
France	55.0	107.5	28
Germany	47.2	96.2	31
Greece	6.6	1.6	12
Hong Kong	62.0	94.0	38
India	0.9	4.4	2
Indonesia	10.2	24.1	11
Italy	50.2	43.0	40
Japan	291.5	347.1	92
Korea	56.5	125.7	28
Malaysia	19.4	32.8	16
Mexico	16.0	32.3	16
Netherlands	26.1	47.2	16
Norway	18.4	39.2	21
Peru	3.1	3.6	3
Philippines	10.2	26.5	9
Portugal	6.3	6.1	9
Singapore	30.1	57.5	24
South America	2.5	6.9	1
Spain	60.3	78.9	26
Sweden	34.8	71.7	29
Switzerland	30.3	129.5	16
Taiwan	34.8	48.2	25
Thailand	16.5	52.3	13
United States	397.9	604.3	92
Other Asian	3.0	9.1	2
Other Eastern European	13.2	19.8	4
Other Western European	24.1	33.1	7
Other International	40.0	51.5	18
TOTALS	1,679.3	2,638.9	802

List of twenty largest holdings

as at 31 March 2013

Company/Stock	Market Value £M	Percentage of Total Fund %
HSBC	199.3	2.0
BP	195.8	2.0
Vodafone	170.9	1.7
Royal Dutch Shell	160.1	1.6
GlaxoSmithKline	144.1	1.5
British American Tobacco	127.6	1.3
Diageo	90.9	0.9
Rio Tinto	87.3	0.9
BHP Bilton	84.2	0.8
Astrazeneca	74.7	0.8
Standard Chartered	69.1	0.7
BG Group	67.6	0.7
Sabmiller	66.7	0.7
Unilever	65.2	0.7
National Grid	56.5	0.6
Reckitt Benckiser	56.0	0.6
Prudential	53.5	0.5
Tesco	53.4	0.5
Barclays	53.2	0.5
Aviva Property Fund	47.5	0.5
	1,923.6	19.5

ACTUARY'S REPORT

West Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2013

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 2010 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 2010 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 £7,942.3M) covering 93% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2011 is:

- 13.8% of pensionable pay p.a. 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 2011, amounting to £33.6M in 2011/12, and increasing by 5.3% 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 2011 (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. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are 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.

Discount rate for periods in service Scheduled Bodies Admission Bodies	7.15% p.a. 6.25% p.a.
Discount rate for periods after leaving service Scheduled Bodies Admission Bodies	7.15% p.a. 4.75% p.a.
Rate of pay increases:	5.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.3% 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 2010. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013 preparation for which is already under way. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 are required by the Regulations to be signed off by 31 March 2014.

8. This Statement has been prepared by the current 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 2010. 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 2010 is available on the Fund's website at the following address www.wypf.org.uk

Aon Hewitt Limited

30 April 2013

AUDIT REPORT

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE PENSION FUND

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of West Yorkshire Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and 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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Mark Kirkham, for and on behalf of Mazars LLP, Appointed Auditors
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

September 2013

ACCOUNTS

The 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 2013 and its income and expenditure for the year ended 31 March 2013.

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.

Fund Account for the year ended 31 March 2013

	Note	2013 £000	2012 £000
Dealings with members, employers and others directly involved with the fund			
Contributions receivable	1	338,463	367,746
Transfers in	2	21,751	21,374
Other income		1	0
Non-statutory pensions and pensions increases recharged	3	24,270	24,097
		384,485	413,217
Benefits payable	5	(388,624)	(406,858)
Non-statutory pensions and pensions increase	3	(24,270)	(24,097)
Payments to and on account of leavers	7	(14,482)	(14,366)
Administrative and other expenses borne by the scheme	8	(4,375)	(4,840)
		(431,751)	(450,161)
Net withdrawals from dealings with members		**(47,266)**	**(36,944)**
Returns on investments			
Investment income	9	253,204	236,214
Taxes on income		(2,087)	(2,954)
Profit and losses on disposal of and changes in value of investments	11	952,712	(62,006)
Stock lending	10	1,167	1,577
Underwriting commission		4	0
Investment management expenses		(1,842)	(1,738)
Net return on investments		**1,203,158**	**171,093**
Increase in the net assets available for benefits during the year		1,155,892	134,149
Opening net assets of the Fund		8,784,413	8,650,264
Closing net assets of the Fund		**9,940,305**	**8,784,413**

Net Assets Statement at 31 March 2013

	Note	2013	2012
		£000	£000
Investment assets	11		
Fixed interest securities		1,023,063	**918,993**
Equities (including convertible shares)		6,565,740	**5,667,062**
Index-linked securities		697,136	**636,598**
Pooled investment vehicles		1,183,798	**1,225,230**
Cash deposits		356,205	**239,332**
Other investment balances		53,743	**34,408**
Investment liabilities			
Other investment balances		(14,903)	**(2,986)**
Investments at 31 March		**9,864,782**	**8,718,637**
Current assets			
Debtors	15	50,905	**57,890**
Cash balances (not forming part of the investment assets)		34,182	**18,339**
Current liabilities			
Creditors	16	(9,564)	**(10,453)**
Net current assets and liabilities		**75,523**	**65,776**
Net assets of the Fund available to fund benefits at 31 March		**9,940,305**	**8,784,413**

Signed : ………………………………………………………………..

Stuart McKinnon-Evans
Director of Finance
City of Bradford Metropolitan District Council
30 September 2013

Accounting policies

1. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 6 to the accounts.

2. Contributions

Contributions are accounted for on an accruals basis.

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 in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as financial assets.

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. Administrative expenses

All administrative expenses are accounted for on an accruals basis. These costs are met from within the employer contribution rate.

6. 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.

7. Investment income

Interest due on fixed - interest securities, index-linked securities and short - term investments is accounted for on an accruals basis, income from UK equities is accounted for on the date when stocks are quoted ex-dividend, and other investment income is accounted for when received.

8. 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 a fund expense as it arises.

9. Investment management expenses

Investment management expenses are accounted for on an accruals basis and disclosed within the Fund Account. These costs are met from within the employer contribution rate.

10. Financial assets and liabilities

On initial recognition, the fund is required to classify financial assets and liabilities into held-to-maturity investments, available-for-sale financial assets, held-for-trading, designated at fair value through profit or loss, or loans and receivables.

The assets and liabilities held by West Yorkshire Pension Fund are classified as designated at fair value through profit or loss, or loans and receivables.

Financial instruments at fair value through profit or loss

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the fund manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. Financial assets that the fund designates on initial recognition as being at fair value through profit or loss are recognised at fair value, and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in profit or loss as they arise.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value.

11. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Fair value for a net open position in a financial instrument in an active market is the number of units of the instrument held multiplied by the current bid price (for financial assets) or offer price (for financial liabilities).

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.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 14 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. These items include creditors and accruals.

Fair values of financial instruments carried at amortised cost

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 over a period greater than 12 months, as this is not considered material.

12. Additional Voluntary Contributions (AVCs)

In line with Regulation 5(2) (c) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 1998, AVCs are not shown in the Fund Account and Net Assets Statement. Details of AVC investments are, however, included in the commentary in the 'Investment Report' and in the 'Notes to the Accounts' (Note 4).

AVC investments are valued by the Equitable Life Assurance Society, Scottish Widows and Prudential. Those AVC funds that relate to the with profits fund are valued at contributions. The value of the unit linked fund element is based on the bid price of the relevant fund at the year end date.

13. Currency translation

Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year-end. Any gains or losses arising are treated as part of the change in market value of investments. Transactions throughout the year are translated at the exchange rate prevailing at the time.

14. Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

15. Critical accounting estimates and judgements

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.

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 cash flow analysis and valuation models. These require management judgement and contain significant estimation uncertainty.

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 (note 6) and doesn’t comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which is disclosed in note 6.

16. 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.

17. Contingent liabilities and contractual commitments

Aggregate undrawn commitments at 31st March 2013 equated to £405.4m (31 March 2012: £361.8m). (Note 19)

These 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.

Notes to the accounts

1. Contributions receivable

	2013 £000	2012 £000
Employers	238,987	263,216
Members	99,476	104,530
Total contributions received	338,463	367,746

These are further analysed by type of member body:

	2013 £000	2012 £000
Employers' contributions		
Administering authority	48,800	56,996
Scheduled bodies	257,320	273,998
Admitted bodies	32,147	35,856
Bodies with no further interest	196	896
Total contributions received	338,463	367,746

Employers are required to pay contributions at a rate set by the Fund's actuary at 3 yearly intervals.

The employers' contributions for 2012/13 reflect the rates set for the three financial years 2011/2012 to 2013/14 arising from the 2010 actuarial valuation.

Employees' contributions are as set out in the LGPS regulations from 1 April 2008, and there are several tiered employee contribution rates. For 2012/13 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 7.5% to be paid on salaries over £85,300 a year.

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 4.

2. Transfers in from other pension funds

	2013 £000	2012 £000
Individual transfers in from other schemes	20,613	19,188
Bulk transfers in from other schemes	1,138	2,186
Total transfers In	21,751	21,374

3. Non-statutory pensions and pensions increase recharged

	2013 £000	2012 £000
Pensions	24,270	24,097

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, out of current revenues.

Costs of annual inflation proofing for non-participating employers are also recharged.

4. AVC Scheme with Equitable Life, Scottish Widows and Prudential

Details of AVC transactions are as follows:

	2013 £000	2012 £000
Income		
Contributions received	3,531	2,702
Transfer values	14	58
Internal transfers from other policies	0	10
	3,545	2,770
Expenditure		
Life assurance premiums	3	4
Retirement benefits	1,315	1,747
Leavers (transfers and withdrawals)	483	1,154
Deaths	4	953
Refunds / surrenders	14	10
	1,819	3,868

The aggregate amounts of AVC investments are:-

	2013 £000	2012 £000
Equitable Life	3,378	3,523
Prudential	4,995	2,632
Scottish Widows	12,298	11,319
	20,671	17,474

5. Benefits payable

	2013 £000	2012 £000
Pensions		
Retired Employees	286,444	264,494
Dependants	24,978	22,732
	311,422	287,226
Lump Sums		
Lump Sums on Retirement	67,401	109,209
Lump Sums on Death	9,801	10,423
	77,202	119,632
Total Benefits Payable	388,624	406,858

These are further analysed by type of member body:

	2013 £000	2012 £000
Benefits		
Administering authority	60,693	66,363
Scheduled bodies	280,946	288,582
Admitted bodies	41,291	48,851
Other interested bodies with no pensionable employees	5,694	3,062
Total benefits paid	388,624	406,858

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

Details of AVC Benefits are shown in Note 4.

6. Actuarial present value of promised retirement benefits

Introduction

IAS26 requires the "actuarial present value of the promised retirement benefits" to be disclosed, which is the IAS26 terminology for what IAS19 refers to as the "defined benefit obligation".

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme. The Fund provides defined benefits, based on members' Final Pensionable Pay.

Actuarial present value of promised retirement benefits	Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2010/11 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed. CIPFA have also indicated that comparator values at the 2007 valuation should also be provided. The results at both dates 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.

	Value as at 31 March 2010 **£Ms**	**Value as at 31 March 2007** **£Ms**
Fair value of net assets	7,916.91	7,305.96
Actuarial present value of the promised retirement benefits	11,726.54	9,175.58
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(3,809.63)	(1,869.62)

Assumptions	The latest full triennial actuarial valuation of the Fund's liabilities in accordance with the requirements of IAS26 took place at 31 March 2010. The principal assumptions used by the Fund's independent qualified actuaries were:

	31 March 2010 **(% p.a.)**	**31 March 2007** **(% p.a.)**
Discount rate	5.5	5.4
RPI Inflation	3.9	3.1
CPI Inflation	3.0	N/A
Rate of increase to pensions in payment*	3.9	3.1
Rate of increase to deferred pensions*	3.9	3.1
Rate of general increase in salaries **	5.4	4.85

** In excess of Guaranteed Minimum Pension increases in payment where appropriate*
*** 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 2010.*

Principal demographic assumptions

Post retirement mortality	31 March 2010	31 March 2007
Males		
Base table	Standard SAPS Normal Health All Amounts tables (S1NMA)	Standard tables PMA92
Rating to above base table *	0	2
Scaling to above base table rates **	105%	100%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.	In line with Medium Cohort improvements
Future lifetime from age 65 (currently aged 65)	21.7	20.3
Future lifetime from age 65 (currently aged 45)	23.6	21.3
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard tables PFA92
Rating to above base table *	0	1
Scaling to above base table rates **	105%	100%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.	In line with Medium Cohort improvements
Future lifetime from age 65 (currently aged 65)	23.9	24.0
Future lifetime from age 65 (currently aged 45)	25.9	25.0

* 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.

	31 March 2010	31 March 2007
Commutation	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.	50% of members are assumed to take the maximum amount permitted of their pension entitlement, the remaining 50% of members are assumed to take cash based on 3/80ths accrual.

Benefits paid during the accounting period

The switch to CPI as the basis for future revaluation and pension increases has a significant impact on the actuarial present value of the promised retirement benefits.

This is because all pensions, once they come into payment, and the deferred pensions of former employees, will now be increased in line with an index that is expected, over the long term, to be lower than the RPI index it replaces. This, in turn, will reduce the value of the benefits and hence the value placed on those benefits.

The Fund's actuary has estimated that, had the switch to CPI been implemented on 31 March 2010, the actuarial present value of the promised retirement benefits would have reduced by £1,260.29M. i.e. the actuarial present value of promised retirement benefits would have been £10,466.25M

Volatility of Results

Our calculations involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used.

The present value of the defined benefit obligations are linked to yields on high quality corporate bonds whereas the majority of the assets of the Fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will therefore lead to volatility in the funded status of the Fund disclosed under IAS26 as amended by the Code of Practice.

7. Payments to and on account of leavers

	2013 £000	2012 £000
Refund of contributions	22	54
Individual transfers	14,460	14,508
Bulk transfers	-	(196)
Total transfers out	14,482	14,366

All transfer values paid during the year were calculated either in accordance with the provisions of the Local Government Pension Scheme Regulations, or where applicable, in the manner required by Chapter IV of Part IV of the Pension Schemes Act 1993. Where both methods of calculation could be applied, the higher amount was paid in all cases.

Details of AVC Refunds and Transfers are shown in Note 4.

8. Administrative expenses and other expenses borne by the Fund

	2013 £000	2012 £000
Administration and processing	4,546	4,644
Actuarial fees	(223)	127
Audit fee	48	61
Legal and other professional fees	4	8
	4,375	4,840

In 2012/13 an amount previously set aside for Actuarial fees has been reversed.

9. Investment income

	2013 £000	2012 £000
Income from fixed interest securities	41,775	38,809
Dividends from equities	185,362	173,518
Income from index-linked securities	8,289	8,967
Income from pooled investment vehicles	14,680	13,023
Interest on cash deposits	3,098	1,897
	253,204	236,214

10. Stock lending

		2013 £000	2012 £000
Stock lending			
Income -	Fixed interest	132	570
	UK equities	353	108
	International equities	1,133	1,097
		1,618	1,775
Less -	Costs	(451)	(198)
		1,167	1,577

As at 31 March 2013, £895.2 million of stock was on loan to market makers, and this was covered by collateral totalling £960 million (which includes an appropriate margin) comprising UK & International Bonds (£403.8 million), International Equities (£56.4 million), UK Equities (£255.5 million) and UK & International Government Bonds (£244.3 million).

11. Investments

	Opening value at 01.04.12	Purchases cost	Sales proceeds	Change in MV	Closing value at 31.03.13
	£000	£000	£000	£000	£000
Fixed interest securities	918,993	283,250	(248,412)	69,232	1,023,063
Equities	5,667,062	403,371	(254,262)	749,569	6,565,740
Index-linked securities	636,598	77,425	(77,624)	60,737	697,136
Pooled investment vehicles	1,225,230	58,513	(173,119)	73,174	1,183,798
Cash deposits	239,332	116,873	0	0	356,205
Other investment assets	34,408	0	19,335	0	53,743
Other investment liabilities	(2,986)	(11,917)	0	0	(14,903)
Totals	8,718,637	927,515	(734,082)	952,712	9,864,782

Comparative movements for 2012:

	Opening Value at 01.04.11	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.12
	£000	£000	£000	£000	£000
Fixed Interest Securities	755,761	397,576	(284,578)	50,234	918,993
Equities	5,675,486	371,932	(249,868)	(130,488)	5,667,062
Index-linked Securities	552,466	198,802	(188,906)	74,236	636,598
Pooled Investment Vehicles	1,396,320	9,528	(124,630)	(55,988)	1,225,230
Cash Deposits	195,864	43,468	0	0	239,332
Other Investment assets	32,742	0	1,666	0	34,408
Other Investment liabilities	(432)	(2,554)	0	0	(2,986)
Totals	8,608,207	1,018,752	(846,316)	(62,006)	8,718,637

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.

The cash deposits balance represents a current element of the investment assets.

	2013 £000	2012 £000
Fixed interest securities:		
UK public sector quoted	413,515	402,179
UK Other quoted	339,463	280,866
UK Unquoted	32,427	27,354
Overseas public sector quoted	108,652	101,652
Overseas other quoted	69,927	82,182
Overseas unquoted	59,079	24,760
	1,023,063	918,993
Equities:		
UK quoted	3,430,785	3,024,848
UK unquoted	145,969	127,747
Overseas quoted	2,638,846	2,199,031
Overseas unquoted	350,140	315,436
	6,565,740	5,667,062

Index linked securities:		
UK public sector quoted	516,799	473,482
UK other quoted	54,696	48,436
Overseas public sector quoted	125,641	114,680
	697,136	636,598
Managed and unitised funds:		
Currency funds	22,380	86,904
Fund of hedge funds	298,718	307,952
Property	290,319	310,361
Other	572,381	520,013
	1,183,798	1,225,230
Cash Deposits:		
Sterling	356,205	239,332

Concentration of Investments

The SORP and Code 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 makes 5% of the value of the scheme. Those which make 5% of a class of security are listed below:

		2013 £000	2012 £000
Fixed interest securities	Treasury 1.75% 2022	61,206	n/a
	Treasury 4.25% 2027	n/a	46,465
Index linked securities	Treasury 2020	56,298	63,642
	Treasury 2022	37,578	34,096
	Treasury 2024	77,240	75,047
	Treasury 2027	n/a	38,206
	Treasury 2030	62,622	57,164
	Treasury 2035	57,328	51,700
	Treasury 2040	50,926	59,213
	USA Treasury 2022	41,024	43,232
Managed and unitised funds	Arden Alternative Advisors SPC	n/a	72,634
	Aurum ISIS Sterling Fund Ltd	68,517	66,036
	QIP Ltd	76,276	72,142

12. Financial instruments – classification

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

	31 March 2013			
Financial assets	**Designated as at fair value through profit or loss £000**	**Loans and receivables £000**	**Financial assets/liabilities at amortised cost £000**	**Total financial assets / liabilities £000**
Fixed interest securities	1,023,063	0	0	1,023,063
Equities	6,565,740	0	0	6,565,740
Index-linked securities	697,136	0	0	697,136
Pooled investment vehicles	1,183,798	0	0	1,183,798
Cash deposits	0	356,205	0	356,205
Other investment balances	53,743	0	0	53,743
Debtors	0	50,905	0	50,905
Total financial assets	**9,523,480**	**407,110**	**0**	**9,930,590**
Financial liabilities				
Other investment balances	14,903	0	0	14,903
Creditors	0	0	9,564	9,564
Total financial liabilities	**14,903**	**0**	**9,564**	**24,467**

	31 March 2012			
Financial assets	**Designated as at fair value through profit or loss £000**	**Loans and receivables £000**	**Financial assets/liabilities at amortised cost £000**	**Total financial assets / liabilities £000**
Fixed interest securities	918,993	0	0	918,993
Equities	5,667,062	0	0	5,667,062
Index-linked securities	636,598	0	0	636,598
Pooled investment vehicles	1,225,230	0	0	1,225,230
Cash deposits	0	239,332	0	239,332
Other investment balances	34,408	0	0	34,408
Debtors	0	57,890	0	57,890
Total financial assets	**8,482,291**	**297,222**	**0**	**8,779,513**
Financial liabilities				
Other investment balances	2,986	0	0	2,986
Creditors	0	0	10,453	10,453
Total financial liabilities	**2,986**	**0**	**10,453**	**13,439**

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

13. Financial instruments – fair values of financial assets and liabilities

The following table summarises the carrying values of financial assets and liabilities presented on the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

Financial Assets	Carrying value 2013 £000	Carrying value 2012 £000	Fair value 2013 £000	Fair value 2012 £000
Trading and other financial assets at fair value through profit or loss	9,523,480	8,482,291	9,523,480	8,482,291
Loans and receivables	407,110	297,222	407,110	295,923
Total financial assets	**9,930,590**	**8,779,513**	**9,930,590**	**8,778,214**
Financial Liabilities				
Trading and other financial liabilities at fair value through profit or loss	14,903	2,986	14,903	2,986
Financial liabilities at amortised cost	9,564	10,453	9,564	10,453
Total financial liabilities	**24,467**	**13,439**	**24,467**	**13,439**

14. Financial instruments – valuation

Valuation of financial instruments carried at fair value.

The valuations of financial instruments 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. Products 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 instrument 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. Products classified as level 2 are property funds and currency funds.

Property Funds are valued at closing bid price. 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 Trusts. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

Investments in Currency Funds are valued using net asset values provided by fund managers as at 31 March. Assurance over these valuations is gained from fund managers in the form of ISAE3402 (UK) SSAE16 (USA) reports and audited accounts which are prepared in accordance with appropriate accounting standards.

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 fund of 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. Cash flow 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. Assurance over these valuations is gained from fund managers in the form of ISAE3402 (UK) SSAE16 (USA) reports and audited accounts which are prepared in accordance with appropriate accounting standards. 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 fund performance in March, as informed by fund managers.

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. Following a reclassification of some investments the figures for 2012 have been restated.

Valuation hierarchy

	31 March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit or loss	8,324	313	886	9,523
Loans and receivables	407	0	0	407
Total financial assets	**8,731**	**313**	**886**	**9,930**
Financial liabilities				
Financial liabilities at fair value through profit or loss	15	0	0	15
Total financial liabilities	**15**	**0**	**0**	**15**

	31 March 2012			
	Level 1	Level 2	Level 3	Total
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit or loss	7,264	398	821	8,483
Loans and receivables	297	0	0	297
Total financial assets	**7,561**	**398**	**821**	**8,780**
Financial liabilities				
Financial liabilities at fair value through profit or loss	3	0	0	3
Total financial liabilities	**3**	**0**	**0**	**3**

15. Current assets

	2013 £000	2012 £000
Contributions due from employers	28,226	29,282
Other debtors	22,679	28,608
	50,905	57,890

Further analysed by type of body:

	2013 £000	2012 £000
Central government bodies	2,166	5,934
Other local authorities	41,021	44,218
NHS bodies	8	44
Public corporations and trading funds	1,748	1,591
Bodies external to general government	5,962	6,103
	50,905	57,890

16. Current liabilities

	2013 £000	2012 £000
Unpaid benefits	6,137	6,361
Other current liabilities	3,427	4,092
	9,564	10,453

Further analysed by type of body:

	2013 £000	2012 £000
Central government bodies	3,427	4,077
Other local authorities	0	14
NHS bodies	0	0
Public corporations and trading funds	0	0
Bodies external to general government	6,137	6,362
	9,564	10,453

17. Related party transactions

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

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. Contributions in respect of March 2013 payroll are included within the debtors figure in note 15.

Central government bodies are related parties and are included within the creditors figure in note 16.

In 2012/13, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £578,514 in respect of support services provided (£573,742 in 2011/12). The charge included accommodation, financial, legal and information technology services.

Under legislation introduced in 2003/04, eligible councillors are entitled to join the scheme.

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 £116,624 (2012 £112,863).). Details of the remuneration for these two posts are included in Note 30 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31 March 2013 was valued at £17.9m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2012/13. 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.

18. 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 www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure 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, 700 foreign companies, and a range of unit trusts and managed Funds.

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

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 2012/13 reporting period.

Asset Type	2012/13 Potential Market Movement +/- (%p.a.)	2011/12 Potential Market Movement +/- (%p.a.)
UK Equities	13.0	15.2
Overseas Equities	12.2	14.8
UK Gilts	5.5	5.5
UK Corporate bonds	4.2	5.3
UK Index-linked	7.1	6.4
Overseas bonds	7.5	9.5
Alternatives (Universe)	3.7	9.5
Property	1.1	5.8
Cash	0	0

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 2013	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,576,754	13.0	4,041,732	3,111,776
Overseas Eq	2,988,986	12.2	3,353,642	2,624,330
UK Gilts	413,515	5.5	436,258	390,772
UK Corporate bonds	371,890	4.2	387,509	356,271
UK Index-Linked	571,495	7.1	612,071	530,919
Overseas Bonds	363,299	7.5	390,546	336,052
Alternatives (Universe)	893,479	3.7	926,538	860,420
Property	290,319	1.1	293,513	287,125
Cash	356,205	0.0	356,205	356,205
Other investment assets	53,743	0.0	53,743	53,743
Other investment liabilities	(14,903)	0.0	(14,903)	(14,903)
Total Investment Assets	**9,864,782**		**10,836,855**	**8,892,709**

Asset type	Value as at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,152,595	15.2	3,631,789	2,673,401
Overseas Eq	2,514,467	14.8	2,886,608	2,142,326
UK Gilts	402,179	5.5	424,299	380,059
UK Corporate bonds	308,220	5.3	324,556	291,884
UK Index-Linked	521,918	6.4	555,321	488,515
Overseas Bonds	323,274	9.5	353,985	292,563
Alternatives (Universe)	914,869	9.5	1,001,782	827,956
Property	310,361	5.8	328,362	292,360
Cash	239,332	0.0	239,332	239,332
Other investment assets	34,408	0.0	34,408	34,408
Other investment liabilities	(2,986)	0.0	(2,986)	(2,986)
Total Investment Assets	**8,718,637**		**9,777,456**	**7,659,818**

Interest rate risk

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

The fund’s direct exposure to interest rate movements as at 31 March 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2013 £000s	31 March 2012 £000s
Cash deposits	356,205	239,332
Cash balances	34,182	18,339
Total	**390,387**	**257,671**

Interest rate risk - sensitivity analysis

The council 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 2013	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	356,205	3,562	(3,562)
Cash balances	34,182	342	(342)
Total change in assets available	**390,387**	**3,904**	**(3,904)**

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	239,332	2,393	(2,393)
Cash balances	18,339	183	(183)
Total change in assets available	**257,671**	**2,576**	**(2,576)**

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 2013 and 31 March 2012:

Currency exposure - asset type	Value as at 31 March 2013	Value as at 31 March 2012
	£'000	£'000
Overseas quoted fixed interest securities	178,579	183,834
Overseas unquoted fixed interest securities	59,079	24,760
Overseas quoted equities	2,638,846	2,199,031
Overseas unquoted equities	350,140	315,436
Overseas quoted index linked securities	125,641	114,680
Overseas unit trusts	464,007	427,223
Property funds	22,794	21,477
Total overseas assets	**3,839,086**	**3,286,441**

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 5.8%, (2011/12 7.1%).

A 5.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2013	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas quoted fixed interest securities	178,579	188,937	168,221
Overseas unquoted fixed interest securities	59,079	62,506	55,652
Overseas quoted equities	2,638,846	2,791,899	2,485,793
Overseas unquoted equities	350,140	370,448	329,832
Overseas quoted index linked securities	125,641	132,928	118,354
Overseas unit trusts	464,007	490,919	437,095
Property funds	22,794	24,116	21,472
Total overseas assets	**3,839,086**	**4,061,753**	**3,616,419**

Asset type	Value as at 31 March 2012	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas quoted fixed interest securities	183,834	196,886	170,782
Overseas unquoted fixed interest securities	24,760	26,518	23,002
Overseas quoted equities	2,199,031	2,355,162	2,042,900
Overseas unquoted equities	315,436	337,832	293,040
Overseas quoted index linked securities	114,680	122,822	106,538
Overseas unit trusts	427,223	457,556	396,890
Property funds	21,477	23,002	19,952
Total overseas assets	**3,286,441**	**3,519,778**	**3,053,104**

b) 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. Stock lending and the associated collateral at the year end are detailed in note 10.

c) 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.

19. Contingent liabilities and contractual commitments

At 31 March 2013 the West Yorkshire Pension Fund had the following un-drawn commitments:

Asset class	Investment value at 31 March 2013 £m	Un-drawn commitments £m
Private equity	495.8	332.0
Property funds	290.3	52.8
Corporate bonds foreign	366.6	20.6
	1,152.7	**405.4**

At 31 March 2012 the West Yorkshire Pension Fund had the following un-drawn commitments:

Asset class	Value at 31 March 2012 £'m	Un-drawn commitments £'m
Private equity	443.2	327
Property funds	310.4	4.4
Corporate Bonds UK	92.8	22.8
Global Bonds	427.2	7.6
	1,273.6	**361.8**

20. Accounting developments

The following pronouncements may have a significant effect on the Fund's financial statements but are not applicable for the year ending 31 March 2013 and have not been applied in preparing these financial statements. Save as disclosed, the full impact of these accounting changes is being assessed by the Fund.

Amendments to:

IFRS 7 *Financial Instruments: Disclosures – 'Disclosures-Offsetting Financial Assets and Financial Liabilities'* Requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's balance sheet. Effective from annual and interim periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measuremen*t – The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosure about fair value measurements. Effective from annual periods beginning on or after 1 January 2013.

Amendments to IAS 32 *Financial Instruments: Presentation – 'Offsetting Financial Assets and Financial Liabilities '*Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement. Effective from annual periods beginning on or after 1 January 2014.

IFRS 9 *Financial Instruments* – Replaces those parts of IAS 39 *Financial Instruments: Recognition and Measurement* relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. The available-for-sale financial asset and held-to-maturity investment categories in IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39. Effective from annual periods beginning on or after 1 January 2015.

RESOLVING COMPLAINTS

Resolving Complaints

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 2-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 the person 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.

Further help 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 is to protect pension scheme members' interests and it can step in and run schemes where employers, professional advisers or trustees or administrators have failed in their duties.

FURTHER INFORMATION AND CONTACTS

Further Information and Contacts

WYPF's senior management team are:

Director-West Yorkshire Pension Fund	Rodney Barton Phone: 01274 432317 Fax: 01274 437700 E-mail: rodney.barton@bradford.gov.uk
WYPF Administration Development Manager -Quality	Caroline Blackburn Phone: 01274 434523 Fax: 01274 437658 E-mail: caroline.blackburn@bradford.gov.uk
Development Manager -Strategic	Yunus Gajra Phone: 01274 432343 Fax: 01274 437658 E-mail: yunus.gajra@bradford.gov.uk
Service Centre Group Manager	Grace Kitchen Phone: 01274 434266 Fax: 01274 437678 E-mail: grace.kitchen@bradford.gov.uk
Financial Controller	Ola Ajala Phone: 01274 434534 Fax: 01274 723228 E-mail: ola.ajala@bradford.gov.uk
WYPF Investments Chief Investment Officer (UK)	Debra Hopkins/Joanna Wilkinson (Job-share) Phone: 01274 432318/01274 432038 Fax: 01274 308016

A **Minicom** text service is available for people with hearing difficulties on 01274 724472

Our offices at Argus Chambers, Britannia House, Hall Ings, Bradford, are open Monday to Friday between 08.45 and 16.30.