



Administered by City of Bradford Metropolitan District Council

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lgps



Marcus Jones MP

Parliamentary Under Secretary of State (Minister for Local Government)

Department for Communities and Local Government

Fry Building

2 Marsham Street

London

SW1P 4DF

19 February 2016

Dear Mr Jones,

Local Government Pension Scheme: Investment Reform Criteria and Guidance

Please find attached a copy of our joint submission, which we believe meets the criteria, as requested.

We welcome the opportunity that pooling presents for reducing costs and joint working, as this is inherent in the operations of West Yorkshire Pension Fund (WYPF). This is demonstrated by the fact that on the administration of the LGPS we also manage administration for Lincolnshire Pension fund on a joint service basis, so that both funds benefit from the economies of scale, as well as for five (and from 1 April 2016 seven) fire and rescue authorities.

WYPF is the 4th largest LGPS fund, with over 260,000 members and more than 400 employers. It presently manages investments with a value in excess of £11 billion. All main asset classes are actively managed internally, and it has a consistently good track record of investment returns stretching back over 30 years, resulting in one of the highest funding levels within the LGPS, at the last valuation, of 96%. This has been achieved with the lowest cost base of any LGPS, less than £12 per scheme member per annum. This is less than the cost of passive management, and with a lower turnover, hence lower transaction costs.

As you will see from the submission, we are committed to pooling, and delivering cost savings particularly on the unlisted and illiquid portfolios.

However, as our cost base for managing listed assets is so low it is likely that WYPF costs in this arena will rise. Therefore we believe that you should consider requiring WYPF to retain its listed investments outside the pool for a period in order to establish a baseline low cost of managing listed assets for the pools to target, as well as consistent long term performance. For example for the 20 years to 31 March 2015 the return was 8.3% against its benchmark of 7.8% (7.8% was the return for the local authority universe too).

We are looking forward to working closely with the Greater Manchester and Merseyside Pension Funds to deliver a high performing, low cost pool which will have the capacity to invest significantly more into infrastructure assets producing the return required to meet the liabilities of the funds.

Yours sincerely

Councillor Andrew Thornton, Chair, West Yorkshire Pension Fund