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 2011

WEST YORKSHIRE PENSION FUND

ANNUAL REPORT 2010/2011

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FOREWORD

Equity markets have had a year of consolidation, after the very strong rise in the year to 31 March 2010, with the FTSE All World Index rising by over 8%. This was achieved despite a fall of some 10% in the first quarter, volatility being driven by sovereign default and inflation fears. With the changing conditions investment was allocated to most asset classes during the year. The Fund achieved a return of 9.5% for the year, with a closing value of £8.65billion. This year's performance maintains the consistent record of the investment team, and puts the Fund in the top decile over 10 years.

The actuarial valuation as at 31 March 2010 was completed during the year. At the whole fund level the Fund is now 93% funded, up from 90% three years ago, against the trend for most LGPS Funds. This has enabled the Fund to keep employer contributions stable for most employers, with any required changes being phased in to mitigate the impact on employer budgets.

The Hutton Commission had just been appointed this time last year to review the provision of pensions in the public sector. The final report of the commission was published earlier this year, and made 27 recommendations. The debate on these, together with the Government proposal to increase employee contributions by 3%, has generated more heat than light, as the funded LGPS has been bundled with the unfunded schemes operated by Government. The Government has now decided that the LGPS should be considered separately, as it has always been in the past, so I expect the debate will be able to progress, and negotiations between the interested parties will be able to proceed.

I would like to thank the administration and investment staff for their continued hard work and excellent performance, and the members of the Investment Advisory Panel and Joint Advisory Group for their contribution.

I hope you will find the Report and Accounts an interesting read. In a year where we have seen active membership fall for the first time, and the number receiving benefits rise more rapidly than usual, the Fund has assets of £8.65 billion and had a net cash inflow of £200 million; a very sound financial position, I think you will agree.

Councillor Ian Greenwood
Chair of West Yorkshire Pension
Fund Investment Advisory Panel and
Joint Advisory Group

MANAGEMENT STRUCTURE

Management Structure 2010/2011

Members of the West Yorkshire Pension Joint Advisory Group

Bradford – Councillor C Greaves (Deputy Chair), Councillor I Greenwood (Chair), Councillor H Middleton.

Calderdale – Councillor A Feather, Councillor N Fekri, Councillor B Metcalfe.

Kirklees – Councillor E Firth, Councillor D Ridgway, 1 vacancy.

Leeds – Councillor B Cleasby, Councillor P Davey to May 2010, Councillor C Fox, Councillor T Hanley from May 2010.

Wakefield – Councillor B Denson, Councillor G Stokes, Councillor D Dagger.

Trades Union Representatives
S Morris - GMB
T Pearson - Unison

Scheme Member Representatives
Sarah Moses
Kenneth Sutcliffe

Members of the Investment Advisory Panel

Bradford – Councillor C Greaves, Councillor I Greenwood (Chair), Councillor H Middleton.

Calderdale – Councillor A Feather to May 2010, Councillor N Fekri from May 2010, Councillor B Metcalfe.

Kirklees – Councillor E Firth, Councillor D Ridgway.

Leeds – Councillor P Davey to May 2010, Councillor C Fox, Councillor T Hanley from May 2010.

Wakefield – Councillor D Dagger, Councillor G Stokes.

Trades Union Representatives
D Harper – UNISON –to July 2010
S Morris – GMB
T Pearson (Deputy Chair) – UNISON
C Robinson - UNISON

Scheme Member Representatives
Peter Meer
Robert Coleman

External Advisers
Noel Mills, Mark Stevens.

Director – West Yorkshire Pension Fund
Rodney Barton

Assistant Director of Finance
Bradford Sue Mawson

Appointments made by the West Yorkshire Pension Fund in the administration of the Local Government Pension Scheme are:

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 17037 69 Morrison Street Edinburgh EH3 8WZ
	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	Audit Commission 3, Leeds City Office Business Park Holbeck Leeds LS11 5BD
Banking Services	HSBC PO Box 45 47 Market Street Bradford BD1 1LW

Computer Services	Heywood 2 Victoria Street Altrincham Cheshire WA14 1ET
	Comino plc Vanguard House Dewsbury Road Leeds LS11 5DD
Legal Adviser	Suzan Hemingway Assistant Director Corporate Services (City Solicitor) City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
Medical Adviser (IDRP Procedure)	Dr. B Yew, AFOM Connaught Greyfriars Coventry CV1 3PJ

SECTION 3

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 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 pensions 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 tenth Annual Meeting for Scheme Members at Valley Parade Football Stadium in Bradford in October 2010. Guest speaker was Sara Rogers – Solicitors for the Elderly.

As usual the meeting was chaired by Councillor Ian Greenwood, Chair of WYPF's Investment 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 October 2010 and was attended by about 70 delegates from 53 employers. Presentations covered the Hutton report, changes to pension tax relief, insurance against ill-health retirement costs, an update of the 2010 Valuation and updates on the Fund, its investments and the general economic and market scene. These were well received by those present.

Customer Services Week

In October 2010, WYPF took part in the National Customer Services week and held a series of coffee mornings in the fund's contact centre. Visitors to our contact centre were invited to take part in a customer survey which showed that customers were extremely happy with the level of service they received.

New Business

South Yorkshire Fire and Rescue Authority extended their contract for WYPF to administer the Fire Service Pension Scheme for another year. WYPF also entered into arrangements to provide administration for the Fire Service Pension Scheme for Humberside Fire & Rescue Authority.

Employer Workshops

During the year WYPF continued to run a successful series of free 1 day and ½ day workshop sessions for employers. Launched the previous year, 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 the employers a good understanding of the pension scheme.

Changes in Benefits

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase was linked to movements in the Retail Price Index for 2010/2011 and is linked to Consumer Price (CPI) Index for all future increases. RPI registered a fall this year which meant that we had deflation rather than inflation. This meant that there was no annual increase to pensions, or deferred pensions in April 2010.

Pension Administration Section

As in previous years, the workload of the Pension Administration Sections 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 2009/10 (latest published data), the cost for WYPF equated to £23.44 per scheme member, compared with the average for all local authority pension funds of £28.31 per scheme members.

Disaster Recovery and Risk Management Monitoring

WYPF have a disaster recovery contract in place with ICM who provide office space in Wakefield in the event of a disaster. A disaster recovery test took place in November to prove that WYPF can restore both the Pensions Administration system and the electronic document management and workflow system. Both systems were successfully restored to working order. There were issues around access to network services and applications which are being discussed further with Bradford Council.

WYPF have identified, analysed and prioritised a number of risks that may affect its ability to achieve its objectives. As part of the risk management strategy these risks are regularly reviewed and monitored to ensure that management action plans are in place where risks are likely to impede WYPF in achieving its objectives.

Club Together

Towards the end of the year WYPF successfully launched 'Club Together' to pensioner members. WYPF is the first LGPS fund to provide this additional benefit to our pensioner members. Club Together is essentially a magazine including interesting articles for those of retiring age. Club Together also offers a range of discounts, offers, competitions, savings and even earning opportunities to members and their families.

Knowledge and Skills Framework

WYPF recognises the importance of ensuring that all staff and members charged with the 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. Members are regularly provided with details of conferences and seminars which they are encouraged to attend.

Training delivered this year for members included attendance at NAPF Local Authority Conference, attendance at LGC Investment Summit, attendance at European Institutional Investor Institute, LGE Trustee Training Fundamentals, attendance at Goldman Sachs Conference, attendance at LAPFF Conference, internal training provided by Goldman Sachs and attendance at an Eversheds Conference.

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.

Training and Development

During 2010/2011 WYPF continued its commitment to ensure that all members of staff had access to relevant training and development activities. In continuing with our commitment, we were able to ensure the relevant Technical, Managerial and IT skills were kept up to date and any changes or developments could be smoothly introduced into the working practises of the department.

Professional qualifications supported during the year included:

- Pensions Management Institute (APMI),
- Institute of Payroll Professionals (IPP) Diploma in Pensions Management,
- Institute of Payroll Professionals (IPP) Foundation Degree in Pensions Admin and Management, *(This is a new qualification which was introduced in September 2010).*
- Vocationally Related Qualification (VRQ) in Public Sector Pensions Administration (QPSPA)
- Diploma in Plain English,
- Association of Accounting Technicians (AAT)

During 2010/2011 successful exam results were enjoyed by:

- 2 members of staff who completed their PMI qualifications and became Associate members of the Pension Management Institute. 1 member of staff completed their PMI Diploma in Pensions Calculations.
- 3 members of staff successfully completed the VRQ in Public Sector Pensions Administration (QPSPA)
- 1 member of staff who passed the Diploma in Plain English,
- 1 member of staff passed the final Association of Accounting Technicians (AAT) exam.

LGPS Review

Following the introduction of the new LGPS on 1st April 2008 there has been a settling in period which now appears to have been concluded with the issuing of 2 sets of amendment Regulations in 2010/11. These were:

- The LGPS (Miscellaneous) Regulations 2010, the main purpose of these is to either correct or amplify regulations in order to make clear the original intention of the Regulations.
- The LGPS (Benefit, Membership and Contributions) (Amendment) Regulations 2010, the provisions contained in these regulations are corrective ones dealing with certain ill-health related amendments made by the LGPS (Miscellaneous) Regulations 2010.

As required by the LGPS (Amendments) Regulations 2009 administering authorities supplied data to DCLG to enable them to carry out the cost-sharing exercise. However the results of the cost-sharing exercise have not yet been published.

Looking forward on 10 March 2011 Lord Hutton of Furness published his final report of the Independent Public Service Pensions Commission. The main recommendation was to move to a Career Average Revalued Earnings framework, however there are some recommendations of direct relevance to the LGPS which are:

- LGPS to remain funded; and
- No proposals for merging Funds or regionalisation

Extensive consultations on the new framework for public sector pension schemes will commence later this year with new Schemes in place by the end of the Parliament.

MEMBERSHIP TRENDS

Membership Trends

Almost 228,000 members and beneficiaries, employed by 224 separate organisations, participate in the WYPF. The numbers shown for 31 March 2010 have been re-stated to reflect changes after the 2009/10 financial statements were finalised.

The number of active and pensioner members in WYPF continues to grow:-

	31 March 2011	31 March 2010
Active Members	92,707	95,483
Beneficiaries Current pensioners (including widows and children's pensions in payment)	66,546	63,224
Deferred Members		
- deferred pensioners	61,390	58,523
- undecided leavers	3,160	2,883
- frozen refunds	3,985	3,996
Totals	**227,788**	**224,109**

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

	2010/2011	2009/2010
Employees/Councillors joining with no previous service	7,728	10,858
Employees with transfers from:		
- other local government funds	68	83
- other pension schemes	105	221
Totals	**7,901**	**11,162**

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

	2010/2011	2009/2010
Members awarded immediate retirement benefits	3,210	2,559
Benefits awarded on death in service	108	94
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	7,355	7,219
Totals	**10,673**	**9,872**

PARTICIPATING EMPLOYERS

Participating Employers

At 31 March 2011 WYPF had 224 participating employers as detailed below.

ABM Catering Ltd
Ackworth Parish Council
Aire Valley Homes Leeds
All Saints C.E. J.I. School
Amey Community Limited IT Services
Amey Community Limited FM Services
Amey Infrastructure Services Limited (Calderdale)
Amey Infrastructure Services Limited (Wakefield)
Appleton Academy
Aqumen Services Limited
Arts Council England
Aspire
Barnados
Barnardos Askham Grange Prison
Bell Isle Tenant Management Organisation
Bingley Grammar School
Boston Spa School
Bradford Academy
Bradford City Centre URC Limited
Bradford College
Bradford District Care Trust
Bradford District Credit Union Limited
Bradford Trident Limited
Brighouse High School
Brooksbank School
Bullough Contract Services Limited
Bullough Contract Services (Guiseley School) Ltd
Bullough Contract Services (Ilkley Grammar) Ltd
Bullough Contracting (Meadowfield School)
Bulloughs Bingley Grammar School
Burley Parish Council
Buttershaw Business and Enterprise College
CAFCASS
Calderdale & Kirklees Careers Service Partnership Limited
Calderdale Colleges Corporation
Careers Bradford Limited
Carr-Gomm Society
Castle Hall School
Catholic Care (Diocese of Leeds)
City of Bradford Metropolitan District Council
City of Wakefield Metropolitan District Council
Clayton Parish Council
Coalfields Regeneration Trust
Commission for Social Care Inspection
Community Accord
Compass Contract (Buttershaw School)
Compass (Leeds PFI Schools)
Compass Contract Services (UK) Ltd
Craft Centre & Design Gallery
Crawshaw School Trust

Creative Management Services Ltd
Crescent Further Education Ltd
Crossley Heath School
David Young Community Academy
Denby Dale Parish Council
Dine Hospitality Ltd
Dixons Allerton Academy
Dixons City Academy
East North East Homes Leeds
Education Bradford
Education Leeds
English Basketball Association
Enterprise Managed Services Limited
First (Development Agency Wakefield MDC) Ltd
First West Yorkshire Limited
Fleet Factors Ltd
FOCSA Services (UK) Ltd
Foundation Housing - Leeds
Foxhill Primary School
Greenhead Sixth Form College
Greenvale Homes Limited
Greetland Academy
Groundwork Leeds
Groundwork Wakefield
Halifax Opportunities Trust
Halifax Academy formerly Heckmondwike Grammar School
Hanson School
HBS Business Services Group Limited
Hebden Royd Town Council
Hemsworth Town Council
Hill Top First School
Hipperholme & Lightcliffe High School
Hochtief Facility Management UK Ltd
Hollingwood Primary School
Holly Bank Trust
Holme Valley Parish Council
Horsforth Town Council
Huddersfield New College
IGEN
Ilkley Parish Council
Incommunities
Independent Cleaning Services Ltd (ICS)
Initial Catering Services Limited
Interserve Project Services
Joseph Priestley College
Keelham Primary School
Keighley Town Council
KGB Cleaning (Leeds College)
Kier Support Services Ltd (North West)
Kier Support Services Ltd (South)
Killinghall Primary School

Kirkburton Parish Council
Kirklees Active Leisure
Kirklees College
Kirklees Metropolitan Council
Kirklees Neighbourhood Housing Limited
Lady Elizabeth Hastings School
Laisterdyke High School
Leeds Citizens Advice Bureau
Leeds City College
Leeds City Council
Leeds College of Art & Design
Leeds College of Building
Leeds College of Music
Leeds Grand Theatre and Opera House Limited
Leeds Housing Concern
Leeds M.I.N.D.
Leeds Metropolitan University
Leeds Racial Equality Council
Leeds Society for Deaf & Blind People
Leeds West Academy
Lightcliffe C.E. Primary School
Longroyde Junior School
Mellors Catering Service
Mellors Catering Services Limited (Leeds City College)
Mellors Catering Services Ltd (LCC)
Meltham Town Council
Metropolitan Borough of Calderdale
Micklefield Parish Council
Mirfield Free Grammar School
Mitie Cleaning (North) Limited
Mitie PFI Ltd
Morley Town Council
Morley Academy
Myrtle Park Primary School
Nab Wood School
National Assembly for Wales
National Coal Mining Museum For England
New College, Pontefract
Normanton Town Council
North Halifax Grammar School
North Kirklees Citizens Advice Bureau
Northern School of Contemporary Dance
Northorpe Hall Trust
Notre Dame Sixth Form College
NPS (North East) Ltd
Oakbank School
Oakworth Primary School
OFSTED
Open College Network West and North Yorkshire Limited
Ossett Trust
Ossett Academy
Otley Town Council
Outwood Grange Academy
Pennine Housing 2000 Limited
People in Action (Leeds) Limited

Pinnacle FM Ltd
Pool Parish Council
Prospect Services Ltd (LCSC)
Prospect Services Ltd (Bradford)
Pudsey Grangefield School
R M Education plc
Rastrick High School
Rentokil Initial Management Services
Rentokil Pest Control
Ripon Diocesan C of E Council For Social Aid
Ripon House
Royds Community Association
Russell Hall First School
Ryburn Valley High School
Ryhill Parish Council
Salterlee Primary School
School Partnership Trust Academies
Schools Linking Network
Sea Fish Industry Authority
SERCO Ltd
Shipley College
SITA UK Limited
Skills for Care Limited
Society for the Blind Dewsbury, Batley and District
South Elmsall Town Council
South Hiendley Parish Council
South Leeds Academy
Southern Electric Contracting Limited
Southern Pennines Rural Regeneration Company Limited
St Anne's Community Services
St Catherine's Catholic High School
St Chad's C of E Primary School
St John's C of E Primary School
St John's CE (VA) Primary School
St John's Hostel
St Michael & All Angels C of E School
Taylor Shaw
The Anah Project
Thornton Grammar School
Todmorden Town Council
Training for Bradford Ltd
Trinity Academy Halifax
Trinity and All Saints College
University Academy Keighley
University of Bradford
University of Huddersfield
UPP Leeds Metropolitan University
Wakefield & District Housing
Wakefield City Academy
Wakefield College
West North West Homes Leeds
West Vale Primary School
West Yorkshire Fire & Civil Defence Authority
West Yorkshire Police Authority
West Yorkshire Probation Service

West Yorkshire PTA
West Yorkshire PTE
West Yorkshire Valuation Tribunal Service
Westborough High School
Wetherby Town Council
Whitehall Community Learning Trust
William Henry Smith School
Wilsden Parish Council
Woodhouse Grove School
Yorkshire and Humberside Local Authorities Employers' Forum
Yorkshire Community Housing Limited
Yorkshire Forward
Yorkshire Purchasing Organisation

QUALITY MANAGEMENT

Quality Management

WYPF was reaccredited to the ISO 9001:2008 Quality Management System in June 2009. We 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 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 Police and Fire Pension Schemes in accordance with Police Pension Regulations and Fireman's 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 leavers benefits by paying correct benefits on time.
- We will provide an efficient and effective service to all employers whose employees participate in the LGPS, Police Pension Scheme or the Fireman's Pensions Orders 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,
- holding regular Management Review meetings to review quality issues.

Key Performance Indicators

WYPF have set several Key Performance Indicators against which we monitor our performance.

There are also several Corporate Performance indicators in relation to how we deal with our customers, which we also monitor our performance against.

Key Performance Indicator **Performance**

	2008/09	2009/10	2010/11
The percentage of lump sum and first instalment of pension paid within three days from the later of receipt of notification of retirement or date of retirement.	95.82%	93.57%	97.73%
The number of active members in the LGPS at 31 March each year as a percentage of the number eligible to join the LGPS.	81.16%	83.96%	81.90%
Number of Deferred Benefit Statements sent to members each year as a % of deferred members eligible to receive one	97.80%	96.80%	97.90%
Employers' satisfaction with the service provided by WYPF	83.30%	82.70%	86.80%

Corporate Performance Indicators	2008/09	2009/10	2010/11
The percentage of visitors waiting less than 7 minutes at a reception point	100% (3245 visitors)	100% (3178 visitors)	100% (3442 visitors)
The percentage of telephone calls answered within 6 rings (20 seconds)	98.49%	99.18%	99.44% (85711)
The percentage of letters responded to within 5 working days			99.71% (12588)

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 are on the Fund's website www.wypf.org.uk

SECTION 8

INVESTMENT REPORT

REVIEW OF THE OPERATION OF THE INVESTMENT ADVISORY PANEL 2010/11

In the previous report covering the activities of the investment panel which covered the 2009/10 period the main theme was one of a recovery from the previous year's economic crisis. Markets had begun to recover sharply from the beginning of the period and continued to perform strongly up until the end of March 2010. Equities in particular enjoyed a very strong recovery and the Panel had begun to allocate new monies into a number of overseas markets including areas that were moving strongly ahead of the Western economies such as Asia and Latin America.

As the new financial year began the recovery in global equity markets came to a sudden halt. Risk assets sold off as concerns over the debt crisis in Greece spread to encompass other indebted European economies. The European Central Bank (ECB) in conjunction with the International Monetary Fund (IMF) moved to provide a €750bn bail out package in an attempt to avoid a major Eurozone financial crisis. Markets became even more concerned as Spain looked certain to be dragged into the crisis as news broke that one of its largest regional lenders had needed to be rescued by the central bank. The "flight to safety" was further encouraged by the Germans unilateral ban on "naked" short selling.

The UK equity market fell more than 10% over the second quarter of 2010 as European Debt and concerns over a double dip recession weighed on investor sentiment. As the probability of the UK general election returning a hung parliament increased the Panel authorised a discretionary allocation to both UK equities and UK Government bonds in the event that market volatility around the election opened up investment opportunities.

The sell off in risk assets was global in nature, US equities, Japanese equities and emerging markets all suffered heavy falls. May saw the largest ever intra day fall in the Dow Jones. The "flash crash" as it became known was subsequently blamed on poorly executed programme trades and low liquidity. Although much of the loss was recovered the same day the investor nervousness continued well beyond the specific event. In the wider economy much of the recovery continued to make progress but the loss of momentum in the US job market was beginning to cause concerns. As the extreme nervousness spread 10 year treasury yields fell below 3% and 2 year yields fell to record lows.

The Panel continued to allocate new monies to areas where opportunities were considered strongest, these included reducing the underweight position in US equities, further investment in Emerging Markets and taking up opportunities to invest in specialist debt, recovery and leasing funds that had become available as a direct consequence of the financial crisis.

As the year progressed risk markets rebounded strongly, although a number of the issues surrounding European and to an extent a double dip recession in the developed world remained. Emerging markets were continuing to rebound strongly and China began to tighten policy as inflationary signs began to emerge. Investors also began to anticipate a second round of quantitative easing by the US Federal reserve. This duly arrived in November in the form of a $600bn bond purchase programme. Coming soon after the resumption of QE there was positive news on the US jobs market both in terms of payrolls and hours worked. It had been the lack lustre "job less" recovery in the US that had been a major concern since the first signs of recovery became apparent the positive mood in markets continued up to the year end and into the first quarter of 2011.

During the period the full panel meetings took place on a quarterly basis. The asset allocation of the fund was discussed. It was during these meetings that the allocation of new money from net contributions and dividend income was determined. Prior commitments to funds and the likely pattern of cash flows from Private Equity investment were taken into account. The Panel continues to take into consideration a wide range of factors when making these decisions. The Panel uses information and views from a range of sources including both the internal fund managers and the external investment advisors to the fund. The Panel takes into account the global economic and financial picture and with reference to the fund's own specific benchmark. At the quarterly meetings the Panel agree the allocation of funds per asset class over the next quarter. In addition to the allocation of new funds the previous quarter's investment transactions are monitored and adherence to the agreed plan reported back.

In addition to monitoring the investment activities of the internal managers at the regular quarterly meetings members of the Panel meet twice each year in London and once in Bradford to review the managers of the Currency, Private Equity and Fund of Hedge funds in which the pension scheme has investments. The West Yorkshire Pension Fund has investments in a wide spread of assets whose aim is to provide 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. The meetings which take place over several days were held in September 2010 and March 2011. 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 performing. In addition to gaining an insight into the general outlook for the various investment types the panel can monitor any changes to investment style and approach in the appointed managers.

Each of the external managers appointed by the fund has been selected for their particular investment style and the extent to which they complement the other managers the pension fund invests in. Any changes to a manager's investment approach for whatever reason is closely monitored and may result in the panel taking action and reallocating funds. Due to significant changes in personnel, and concerns over the investment approach going forward, full redemption notice was served on two funds during the period and further investment was suspended in another fund until the extent of changes to in the Investment team were clarified.

Since 2005 the investment performance of the fund has been measured against a fund specific benchmark in addition to the Local Authority benchmark. The benchmark is reviewed each year and takes into consideration the asset liability study carried out by Mercer in 2008. No changes were made to the benchmark at the January review. However the control range of the total equity holdings was increased to +-7.5%. It was noted that the biggest influence on allocations was the change in market levels. It was decided that the tri annual actuarial valuation that took place in March 2010, when available will provide a good opportunity to undertake an in depth review of the fund specific benchmark.

During the year a number of additional strategy papers and proposals were prepared and reviewed by the Panel. These included a review of the future strategy for property investment, the performance and diversification benefits of the Fund of Hedge fund programme and an analysis of the benefits and drawbacks surrounding Single Manager Multi Strategy Hedge funds. All these papers were reviewed by the Panel and will form part of the policy formation process.

As part of an ongoing programme members of the Panel have attended a number of conferences over the year and undertaken training in order to serve better on the panel. New members attended a training event spread over three days organised by The Local Government Pensions Committee. The fund has been represented at all the major conferences arranged by LAPFF during the year and in additional there was a panel representative at the AIMS Alternative Investment Symposium and The Rights & Responsibilities of Institutional Investors seminar organised by Institutional Investor magazine.

The fund continues to exercise responsible share ownership by using its voting rights. The Panel continues to adopt the PIRC Shareholder voting guidelines in order to fulfil this function. The decision to subscribe to the extended service that was taken two years ago allows the fund to exercise its vote on any company held anywhere in the world. The fund continues to reserve the right to engage with any company management where there is specific area of concern in terms of good governance and social responsibility. This engagement would normally be conducted via the Local Authority Pension Fund Forum (LAPFF).

Over the year the Panel continued to be closely associated with and active in the work of the LAPFF. Councillor Ian Greenwood remains Chair. The LAPFF is a leader in the field of socially responsible investment and has again had a very successful year and busy year.

Investment performance continues to be independently measured by the WM Company. The Panel takes a genuinely long term investment view which is consistent with the long term nature of the liabilities attached to the fund. It is however still relevant to monitor investment performance over the short term. Over the year to December 2010 the fund returned 14.2% this compares with 13.0% for the benchmark and 13.5% for the local authority average. These place the fund in the top third of local authority funds over one year. However over longer periods the fund remains significantly ahead of the local authority average. Performance figures along with more detailed information about the fund were presented at meetings held in October. The employers' meeting held at City Training, Bradford and a second for current members and pensioners at Bradford FC Valley Parade, were both very well attended and provided a good opportunity to meet the Panel and ask questions.

The 2010/11 period was a busy year for the Panel. The Panel continued to meet its objectives set out in its business plan and continues to operate in accordance with best practise as laid out in the revised Myners' principles. The fund benefits from a high level of experience and continuity from its investment panel members. The stability and retained knowledge of the Panel together with the ongoing engagement and training of both new and existing members remains an important feature of the Panel and an asset to the pension fund.

VOTING POLICY

The Fund will vote on all 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 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. Following a full tender exercise conducted in 2009, HSBC was reappointed as custodian.

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 six 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 2009/10, the Fund's in-house investment management costs equated to £7.97 per scheme member compared with the national average for all local authority pension funds of £62.64.

The Panel adopted a fund-specific benchmark commencing from 1 April 2005, which is reviewed and revised annually, and 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 deliver the WYPF back 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 all asset classes during the year. The investment into hedge and currency funds was completed during the year. The Fund still holds 2.3% in cash, but this has fallen as investments have been made during the year into more attractive asset classes. The return on cash balances remains at historic lows.

INVESTMENT PERFORMANCE

The Fund performed well in 2010/11 with a return of 9.5%, which was significantly above both the return on the fund-specific benchmark of 7.9%, and the average return for all local authority pension funds of 8.2%. This positioned the Fund in the 10th percentile of the local authority universe.

The Fund's long term investment performance compared with other local authority pension funds continues to be extremely good. The WYPF's average annualised return over the last three years was 6.1%; over the last five years it was 5.3%; and over the last ten years it was 6.2%. These top quartile returns are well above the local authority pension funds' average of 5.4%, 4.0% and 5.3% respectively, which on a league table basis, places WYPF in the 31st, 12th and 7th percentile over these periods.

The out-performances against the local authority average have been achieved through a combination of positive contributions from both asset allocation and stock selection. This demonstrates the excellent work of the Investment Panel, the external investment advisers on asset allocation, and of the in-house investment management team through their work on stock selection.

PRIVATE EQUITY

Statistics for 2010 show some improvement relative to 2009, in terms of private equity investment and exit activity. Deal activity on WYPF investments, compared to the previous two years, recovered strongly for the year to 31 March 2011. Drawdowns on committed capital were 50% higher, while realisations rose 80% compared to last year. However, drawdowns and realisations are still around 13% and 16% below the levels recorded in the year ending 31 March 2008. The private equity fundraising environment has lagged behind the general market recovery and remained depressed in comparison to pre-crisis levels, but the more recent increase in deal activity is expected to drive an improvement. More than ever, investors are placing increased scrutiny on existing relationships with buyout firms, keenly assessing past performance and future prospects. Consequently, the impetus is on GPs to generate returns quickly on their current portfolio as a means of window-dressing in preparation for their next fund raise. A significant trend over the last 12 months has been the increasing number of recapitalisations, which provide a more instantaneous burst of liquidity than an IPO or trade sale, for example. This is very different from a year ago, when recapitalisations were few and far between, as banking covenants were stretched.

The private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between EUR, GBP and USD denominated funds, produced internal rates of return (IRRs) of 14.56%, 18.89% and 8.72% in local currency. Overall, in sterling terms, this amounted to an IRR of 10.5% for the year to 31 March 2011.

Net investment into the WYPF's private equity portfolio for the year to 31 March 2011 was around £46.3 million. The weighting of this portfolio as a proportion of the WYPF equated to 4.4%, up from 3.7% in the previous year.

Commitments made during the year were to the following direct private equity vehicles:

Fund	**WYPF Commitment (£m)**
Barclays Integrated Infrastructure Fund	20.000
Growth Capital Partners Fund III / SCP II	15.000
Key Capital Partners IV	3.125
TOTAL	**38.125**

The amount committed in calendar year 2010 fell short of the £55 million guide by over £15 million. This resulted from one fund's failure to close, after Investment Panel approval, due to fundraising difficulties. At 31 March 2011, net un-drawn commitments amounted to £275.6 million. On funds that have not yet wound-up, cumulative drawdowns to date equal £470.6 million, while cash distributions to date equal £212.0 million. The valuation of invested capital is £378.2 million.

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 achieve a 5% exposure to private equity.

CURRENCY FUNDS

The WYPF programme of investing £200 million into six currency funds, managed by six different managers, completed at the beginning of December 2010. As outlined in the annual report and accounts for the 12 months to 31 March 2010, a decision was taken to withdraw two of the managers from the programme. Furthermore, during the 12 months to 31 March 2011, the WYPF suspended further planned investment of £5.6 million in to one of the remaining four funds. The total amount invested to date is approximately £149 million, 75% of what was originally planned. Performance for all managers was disappointing, albeit positive (1.1%) for the year to 31 March 2011, with performance ranging from 0.9% to 2.5% return. Currency markets remained volatile in response to policy surprises in the wake of the European debt crisis. Market indecision led to a difficult trading environment for most currency managers. Long and medium-term mean reverting and directional models utilised by the various managers suffered. However, it remains the case that the styles, models, holding periods and currencies employed by the remaining four managers are sufficiently diverse.

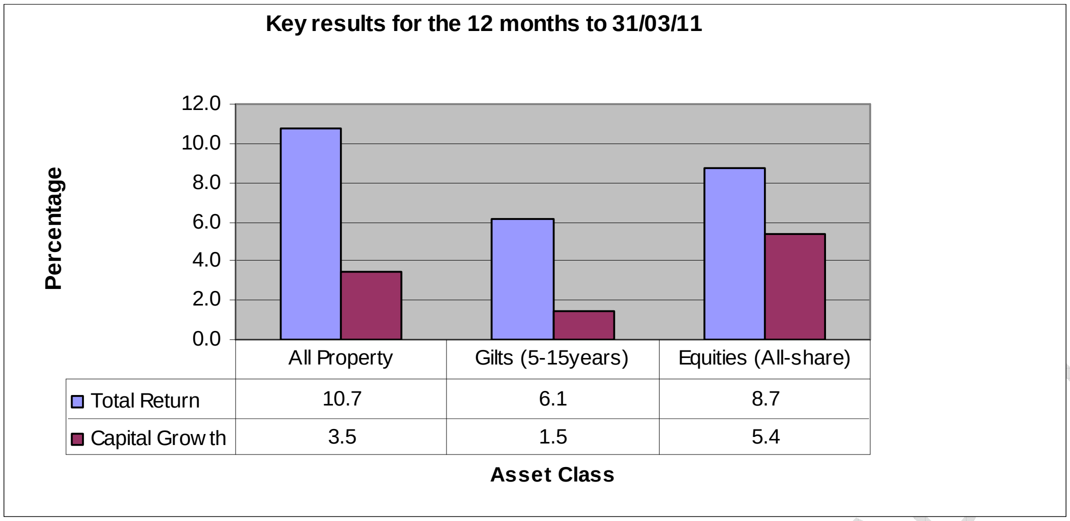
Fund of Hedge Funds

Global assets under management (AUM) for the hedge fund industry reached $1.92 trillion on 31 December 2010, according to HFR. This recovery, from the unprecedented declines in 2008 and 2009, marks a new year-end high and equals the Q2 2008 peak in assets. Increases in AUM for 2010 were derived mainly from asset based performance ($261,8bn) and, to a lesser amount, from net asset flows ($55,5bn). Net asset flows, while positive, for the first time since 2008, were still lower than the average annual flows of $85.2bn between 2000 and 2007. 2010 witnessed a lot of consolidation in Fund of Hedge Fund (FoHF) businesses and their assets have yet to recover to their summer 2008 highs.

The WYPF's allocation to FoHFs for the year to 31 March 2011 returned 5.2%, compared to 14.0% for the previous year. Fund returns ranged between 1.6% and 7.5%. The oscillating fortunes of the managers and strategies demonstrate the benefits of being able to diversify FoHF investments among a number of managers. This provides a degree of protection against manager-specific risk and also ensures a greater diversification of underlying manager and strategy risk.

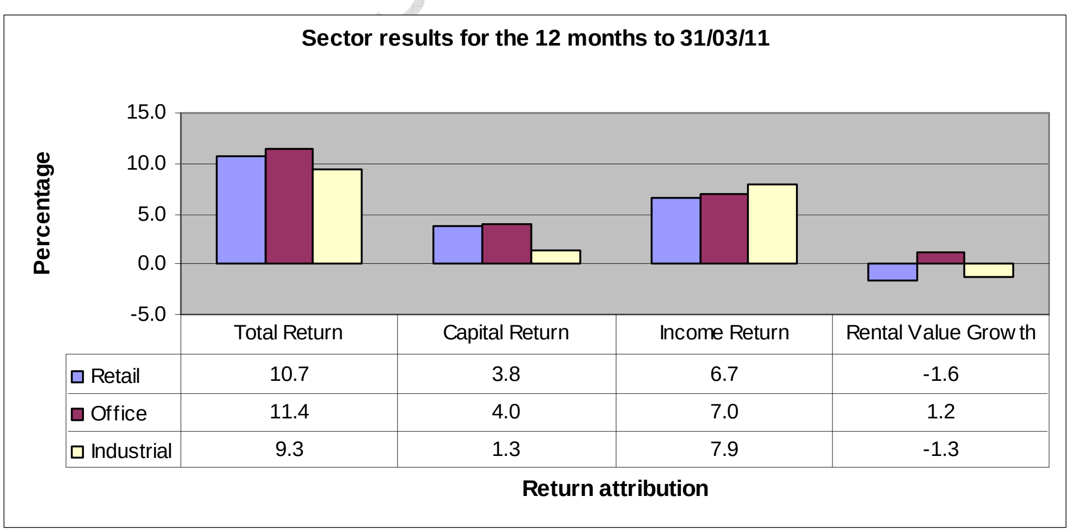
For the period since inception in March 2005, the WYPF's FoHF managers have performed, in aggregate, broadly in line with the industry average, delivering 3.9% per annum. This is still well below the absolute 7.5% benchmark, however.

PROPERTY



Source: IPD Index

Total returns for All Property for the twelve months to 31 March 2011 amount to 10.7% (IPD, Mar '11), nearly two thirds of which came from income. The rate of capital growth for All Property, having rebounded towards the end of 2009 and in early 2010, has since slowed to zero, month-on-month. The comparison with Gilt and UK Equity returns is detailed in the bar chart above. The second half of 2010 witnessed a stabilisation in yields across all areas of the UK Commercial Property market, particularly among prime properties. The majority of investors remained highly risk averse, focusing on tenant strength and income security from longer leases. Investors' concerns of a double dip recession meant a lack of demand for poorer quality properties where tenant default and re-letting risk is heightened. Although real estate pricing no longer appears to be advancing, transaction volumes increased by almost 50% in 2010, compared to 2009. Overseas investor appetite for Central London Property, driven by sterling weakness, accounted for a significant share of this.



Source: IPD Index

Although lending to UK real estate is distributed among a large number of UK and international organisations, it is estimated that a large proportion of this outstanding debt is in the hands of only a small number of UK banks. The collateral secured on this debt ranges from good quality assets at low loan-to-values (LTVs) to secondary assets with little ownership equity. The absence of 'firesales' thus far can be partly explained by the fact that many transactions have been off-market and therefore the scale of disposals has not been widely understood. Nonetheless, the pace of disposals has been slower than many expected due to Government capital and liquidity injections relieving the pressure on banks to reduce their balance sheets. These trends are at risk of reversal, however, if occupier markets deteriorate further, adding pressure on asset values and bank balance sheets.

The 12 months to 31 March 2011 has seen rental values decline by 0.6%. The only sub-sectors to report positive rental value growth for the period were London and West End Offices and, to a lesser extent, Retail Warehouses. City Offices, having experienced rental value declines for the twelve months to March 2010 (8.7%) and to March 2009 (15.6%), recovered by 3.0% in the year to March 2011. Similarly, West End Offices experienced rental declines of 10.1%, to March 2010, and 19.9%, to March 2009, but recovered by 7.4% in the twelve months to March 2011.

The worst performing sub-sectors during the 12 months to 31 March 2011 were the rest of UK Offices (4.4%) and the rest of South East Offices (6.2%). WYPF is overweight in these two sub-sectors compared to the Funds Index, mainly as a consequence of increased industry investment in specialist funds, which are a sub-set of this benchmark. Specialist funds typically target sectors other than rest of UK and rest of South East Offices. Compared to the benchmark (the All Pooled Property Funds Index) WYPF is overweight in these sub-sectors, but when compared to the All Balanced Property Funds Index, which excludes specialist funds, WYPF is underweight in both sub-sectors.

The best performing sub-sectors during the twelve months to 31 March 2011 were City Offices (20.8%), West End Offices (18.4%) and All Retail Warehouses (11.7%). The WYPF is slightly underweight in the latter two sub-sectors but overweight in City Offices.

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. The current split is approximately 92:8 in favour of UK property. However, the limited net investment during the year was again directed towards the UK market given the relative attractiveness of risk and reward.

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 2011 are as follows:

	Equitable Life	**Scottish Widows**	**Prudential**
Scheme value £	3,899,155	12,676,941	1,471,876
Scheme members with an AVC policy			
At 31 March 2011	977	1,830	277
At 31 March 2010	1,104	2,049	75
Members still contributing	71	551	265

COMMENTARY ON QUOTED INVESTMENT MARKETS

After the strong recovery in global stock markets last year, this year proved to be one of consolidation, although with considerable volatility caused mostly by inflation and sovereign default fears. Sterling was fairly stable over the year; it was flat against the Euro and rose 6% against the US Dollar while falling 6% against the Australian Dollar and Yen. It also fell 9% against the Swiss Franc, giving an insight into how nervous the financial markets still are. Gold was up 29%, silver doubled and the Swiss Franc was the strongest currency over the year, all traditional safe havens in times of global stress.

Along with gold and silver, other commodities performed well. The Reuters Index was up 31% led by Brent crude oil up 42%. Other metals rose more moderately in a 5-20% range but agricultural goods were up very strongly, around 80% overall. Sugar was up 53%, wheat 69%, coffee 83% and corn doubled in price.

This has led to a resurgence of inflation in emerging markets where food is a much higher proportion of consumer prices than in the UK and has caused many central banks to tighten monetary policy. It was also one of the reasons for the political unrest seen in North Africa in 2011. There are worries that this will cause inflation in the West to accelerate as China, for example, allows 15% wage rises in the manufacturing sector. These will almost certainly have to be passed on in higher good prices in our shops. Official interest rates have risen across most emerging markets; India from 5% to 6.75%, Brazil from 8.75% to 11.75% and China from 5.31% to 6.06%. China has also tightened a range of banking reserve and lending criteria after a massive lending binge finished in 2010. This caused quite a change in global inflation expectations and therefore bond yields, exacerbated in Europe by the sovereign debt crisis expanding from Greece to Ireland (again) and finally Portugal at the end of the year, with the resignation of the Prime Minister when his austerity budget was voted down.

Bond markets had risen as equity markets fell from April to late summer and yields bottomed at extreme low levels on fears of slow recovery, then as growth in the US reappeared and inflation worries surfaced, equity markets began a strong run and the bond markets collapsed from October. US Treasury yields went from 3.9% in March to 2.3% before ending the year at 3.4%. German Euro yields went from 3.1% to 2% and finished at 3.3%, making the yield curves more similar. Other Euro countries were more varied due to the ever expanding deficit/default crisis. This had originally begun in 2008/9 when the Irish banks had to be rescued but since Ireland had very little debt to begin with, it was seen as manageable, if expensive. During the year, however, it became clear that it was getting more and more expensive in successive rounds of bad debts at the Irish banks, which had over lent massively during the property boom in Ireland (and in the UK to a lesser extent). This led to a series of credit downgrades finishing just above junk status. However Greece had a huge deficit, poor tax collection and high debt to start with and needed a bailout in April. Unfortunately this coincided with German elections and Chancellor Merkel was under pressure not to “give money away” to the profligate Southern Mediterraneans. This caused some turmoil in the markets and eventually she agreed to Germany backing the plan (which cost her heavily in the elections). The rescue plan alleviated fears for a time but public reaction in Greece was very negative and Portugal’s problems were mounting, culminating in the resignation of the Prime Minister when his (fourth) austerity budget was voted down in March. Spain was rumoured to be next in line but has so far avoided a bail out although it has yet to face a bill for refinancing its mutual banks (caja’s) which were the main culprits in over lending to its own property boom. These have been merged to generate cost savings but will need new capital from the government as in Ireland. The large quoted international Spanish banks lent proportionally less but will still have some exposure as well. Due to severe austerity measures Spanish unemployment has risen from a low of 8% in late 2007 to a peak of 21%, a level not seen since the early 1990's. Italy has high levels of public debt but has fewer current issues since it did not really participate in the spending and property frenzy of the 2000's.

Finally we should mention the terrible earthquake and tsunami in Japan. While the direct economic effects are relatively small and will be offset later on by reconstruction spending, there are severe disruptions to certain component supplies in the automotive and electronic industries. There are alternative suppliers for some but not all of these items and the affected area in Japan will take some time to restart production and will have continued electricity shortages. It is difficult to tell yet but continued supply issues may cause problems for manufacturing companies on a much wider scale.

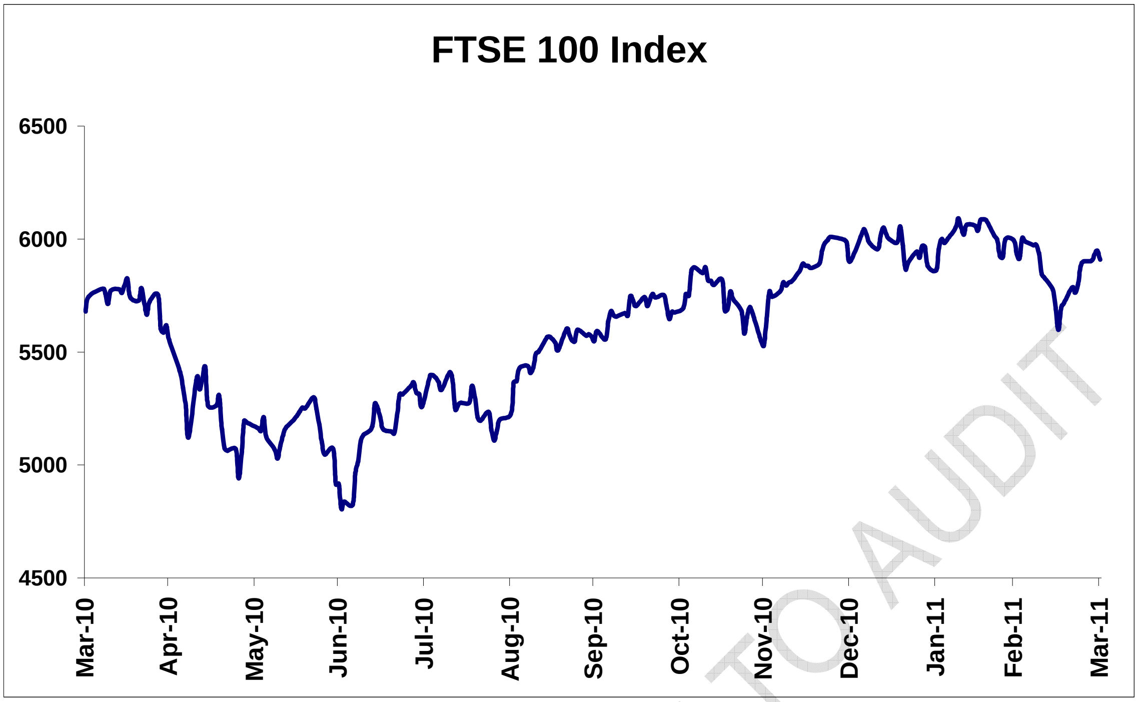
In spite of all the above uncertainties, world stock markets performed reasonably well over the year. They sold off until summer before a strong run in the second half of 2010, rising some 20% from the low point and holding that level until the end of March. The MSCI World Index finished the year up 6% in sterling terms, led by emerging markets up around 12% in aggregate due to expected higher growth and fewer fears of debt overhangs and austerity induced economic slowdowns. Small capitalisation stocks also performed better on good sales recovery from the recession and some takeover activity from cash rich large cap companies.
Generally speaking, markets were looking to recovery and growth and so defensive sectors such as food retail, pharmaceuticals and utilities underperformed as well as banks and financials due to continued bad debt worries.

UK EQUITIES

The UK equity market returned 8.7% over the year ended 31 March 2011. In comparison with the 52.3% return over the 12 months to March 2010 this looks unexciting. However, it is very comfortably ahead of the rate of inflation, and inline with equity returns over the last 20 years. The WYPF UK equity portfolio outperformed the market by 1.1% over the last 12 months.

The FTSE100 index has not yet recovered to the 2007 peak which exceeded 6700, but did end above 5900. The index rose steadily over the 12 months after a volatile start in the summer of 2010, the result of political uncertainty. The graph below illustrates a range within 4800 and 6100 over the 12 months, but in the latter 6 months the index remained mainly in the upper 600 points.

FTSE100 Index 1 April 2010 to 31 March 2011.



The UK equity market has performed well despite a less than encouraging UK economy, and a change of government. The general election in May 2010 failed to result in a clear winner, causing a period of volatility in the UK equity market. The final outcome was a coalition government formed by the Conservatives and Liberal Democrats. The coalition quickly stated the primary aim to reduce the deficit by way of a general austerity plan, the main thrust of which being a severe cut to public sector spending and an increase in the VAT rate from 17.5% to 20%.

The UK equity market benefits from the fact that the majority of earnings originate overseas. The exposure to developing and emerging markets in particular continues to provide earnings growth to UK companies.

The attraction of emerging markets continues to be valid. However a number of negative international themes weighed on equity markets generally during the year. The sovereign debt problem of Eurozone countries such as the Irish Republic, Greece and Spain persists. The high UK deficit leads many to fear that the UK faces a similar sovereign credit risk. However, the UK has more options available to it than those countries which are tied to the Euro.

Geopolitical influences exerted further downward pressure on global markets during the last quarter with the civil unrest in the Middle East and North Africa, and the tragic consequences of the natural disasters in Japan.

In addition to this the UK market has suffered from rising inflation, and a stalling of the fragile recovery in the UK's economic growth. At the fiscal year end CPI stood at 4% (RPI at 5.3%), but GDP remained roughly flat whilst the Bank of England forecast the UK economy to grow just 1.75% over 2011. Monetary policy would dictate conflicting interest rate action to counter these two factors. The low GDP growth rate requires stimulating intervention by way of a lowering of interest rates, high inflation requires a tightening of interest rates. Two practical problems impact further on the dilemma facing the Monetary Policy Committee. Interest rates are currently at a historic low of

0.5% giving little room for manoeuvre, and inflationary forces are in the main due to overseas demand not domestic factors. Therefore, arguably, inflation would be little affected by UK domestic interest rates.

Inflationary pressures impact negatively on both businesses and the consumer. The main inflationary pressures on businesses are raw materials such as fuel, oil, food and commodities. UK businesses have had varying success passing on rising costs to the consumer. Net disposable spending for the consumer is under further pressure due to the increased rate of VAT.

The UK consumer is feeling the squeeze as annual pay rises progressed by just over 2% but inflation by double that. Furthermore, the spending review in October 2010 announced a £81bn reduction in public spending over the following four years. The reduction targets welfare, councils and police budgets in particular and is expected to lead to 500,000 fewer jobs in the public sector. At the time of writing public sector job losses have not, in the main, filtered through to unemployment figures, nor has the full economic effect been felt. The coalition government's view is that sufficient jobs will be created in the private sector to rebalance the job market.

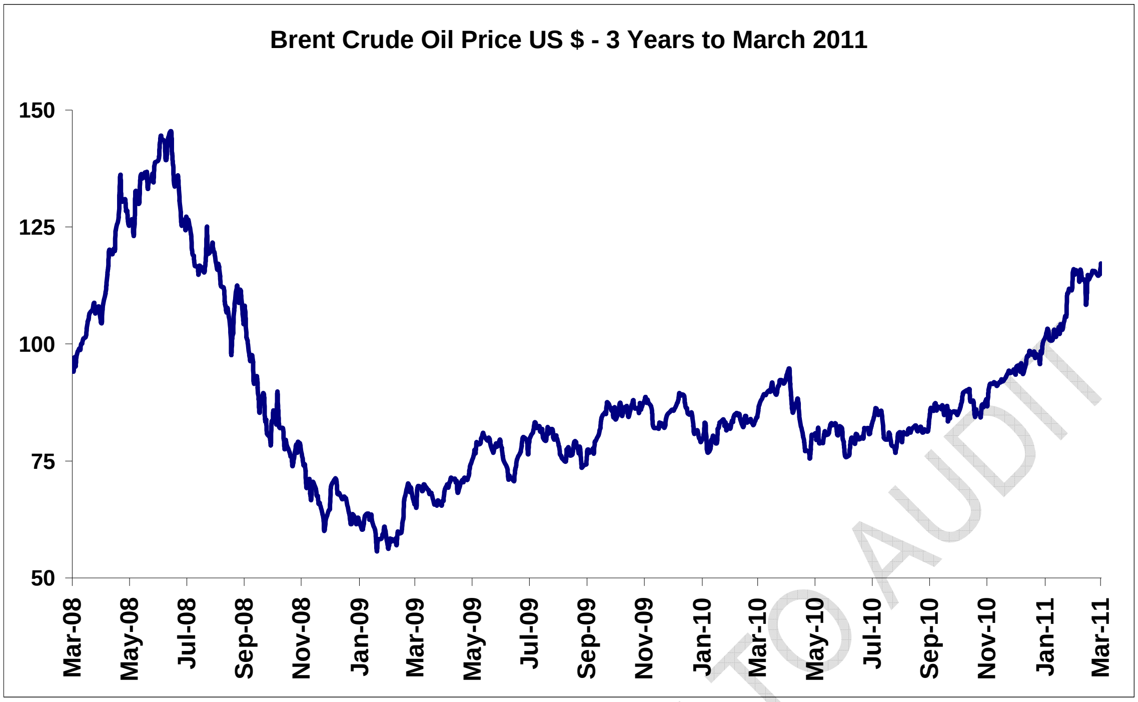
Office of National Statistics (ONS) figures show unemployment has fallen to 2.46m, which is a rate of 7.7%. The number in employment has also risen, but so has the number claiming job seekers allowance, currently standing at 1.47m. Fear of unemployment and wage freezes are exerting a downward pressure on consumer spending for a large segment of the working population.

The outlook for property prices remains negative, with sales and house prices flat at best (although London bucks this trend). The expectation of higher interest rates and shortage of mortgage funding deters buyers, in particular first time buyers. Last year the number of repossessions fell by 24%, and 13% fewer are in arrears by 2.5% or more of their outstanding loans. However, the Council of Mortgage Lenders has warned that both of these could go up this year if interest rates rise, at a time when householders are under financial pressure.

On a positive note, mortgage debt repayments are at an all time high. Bank of England figures show that £24bn was repaid in 2010, the highest since 1970 when records began. This is partly due to householders taking advantage of low interest rates to repay more capital, ahead of increasing interest rates. The other factor is that homebuyer deposits contribute to this figure, first time buyers still have to find up to 20% of the purchase price in cash. This increase in the equity in homes is a healthy development after the spending spree of 1998 to 2008, fuelled by the £324bn equity release on rising house prices.

The oil price remains very high, due to the ongoing protests and struggles for power in the Middle East, and the uncertainty this brings to oil production. Although the current level is lower than the historic peak in 2008, should unrest spread to Saudi Arabia then oil prices could more than double. The increased tax burden on the North Sea producers is leading to talk of activities being cut in the north sea and a focus instead on other areas where less tax is payable. However despite all the uncertainty and political problems, many companies are still performing, and corporate activity is continuing. The oil service companies in particular flourish in times of high oil prices and have many contracts, both continuing and in the pipeline, to keep performance good for some time to come.

Oil Price – Brent $ Three years to 31 March 2011



The aftermath of the oil spill in the Gulf of Mexico is slowly being worked through, BP recently agreed compensation from one of its smaller partners in the disaster. Matsui & Co have agreed pay $1.065 billion to settle claims from the failed Macondo well. The other partners including, Anadarko Petroleum Corp., Transocean Ltd, and Halliburton Co are still to settle with BP against whom hundreds of US lawsuits were filed. BP established a $20bn trust last year to pay claims resulting from the explosion and spill. However, the latest estimates suggest that the final bill may be double that amount.

The banking sector slowly continues to put its house in order following the financial crisis in 2008. Regulation continues to develop, which aims to ensure an improvement in bank capital adequacy, so that higher risk/reward segments of the banking industry cannot put retail banking operations at risk of systemic collapse, and restraint on payment of bonuses. Despite the UK government still owning significant percentages of both RBS and Lloyds banking group, progress has been somewhat protracted. Financial services remain a dominant segment of UK plc earnings and the banking sector play this card quite successfully.

Exports rose to record levels helping to reduce the trade deficit from £3.8bn in March 2010 to £3bn in March 2011. Exports will be crucial to the UK recovery with domestic household disposable income falling year on year for the first time in 30 years.

Oils, construction, engineering, electronics, mobile telecom and IT hardware have all outperformed the index, the exposure to overseas earnings being the common factor in these sectors. The Fund's overweight position in these and the specific exposures in financial sectors have helped performance.

Overall the UK equity market remains very good value. On historic earnings the market is valued at 13.8x, with a 3% dividend yield, which is not far from the historic average. However, consensus estimates show companies earnings increasing by approximately 20% in 2011, helped by the UK equity market's heavy exposure to overseas earnings. This suggests the market is undervalued on forward earnings. Dividends are expected to increase substantially in 2011 and 2012.

ANALYSIS OF INVESTMENTS HELD AT 31 MARCH 2011

UNITED KINGDOM

Quoted			Book Cost £M	Market Value £M	%
Fixed Interest	-	Public Sector Bonds	351.9	362.4	4.2
	-	Corporate Bonds	210.0	213.1	2.5
Index-Linked	-	Public Sector	321.0	407.8	4.8
	-	Corporate	36.4	48.6	0.6
Ordinary and Convertible Shares (Equities)			1,750.5	3,065.7	35.7
Unit Trusts	-	Other	32.3	92.9	1.1
Unquoted					
Cash Deposits			195.9	195.9	2.3
Unit Trusts	-	Property	203.8	281.9	3.3
Fund of Hedge Funds			299.4	340.2	4.0
Currency Funds			149.6	156.4	1.8
Private Equity			83.9	105.3	1.2
	SUB-TOTAL UK		3,634.7	5,270.2	61.5

FOREIGN

Quoted			Book Cost £M	Market Value £M	%
Fixed Interest	-	Public Sector Bonds	97.8	111.5	1.3
	-	Corporate Bonds	67.2	68.8	0.8
Index-Linked	-	Public Sector	91.3	96.1	1.1
Ordinary and Convertible Shares (Equities)			1,417.6	2,231.6	26.0
Unit trusts	-	Other	191.0	500.1	5.8
Unquoted					
Unit Trusts	-	Property	25.4	24.8	0.3
Private Equity			217.2	272.9	3.2
	SUB-TOTAL FOREIGN		2107.5	3,305.8	38.5
	TOTAL		5,742.2	8,576.0	100.0

ANALYSIS OF UK EQUITY INVESTMENTS AS AT 31 MARCH 2011

	Cost		Market Value		No. of Companies
	£M	%	£M	%	
Oil and Gas Producers	242.1	13.8	528.7	17.2	17
Oil Equipment and Services	11.7	0.7	27.1	0.9	7
Chemicals	4.4	0.3	16.0	0.5	5
Industrial Metals & Mining	4.5	0.3	4.0	0.1	2
Mining	148.1	8.5	419.4	13.7	16
Construction & Materials	6.5	0.4	8.9	0.3	4
Aerospace & Defence	28.2	1.6	54.2	1.8	8
General Industrials	13.3	0.8	4.8	0.2	5
Electronic & Electrical Equipment	7.3	0.4	14.6	0.5	8
Industrial Engineering	14.7	0.8	39.8	1.3	14
Industrial Transportation	4.2	0.2	4.8	0.2	4
Support Services	57.3	3.3	102.3	3.3	22
Automobiles & Parts	4.8	0.3	8.8	0.3	1
Beverages	29.1	1.7	95.5	3.1	3
Food Producers	10.3	0.6	55.3	1.8	4
Household Goods	19.0	1.1	50.1	1.6	6
Personal Goods	0.9	0.1	9.0	0.3	1
Tobacco	38.8	2.2	125.6	4.1	2
Healthcare Equipment & Services	2.4	0.1	10.8	0.4	3
Pharmaceuticals and Biotechnology	73.8	4.2	190.3	6.2	5
Food and Drug Retailers	26.2	1.5	74.1	2.4	4
General Retailers	24.0	1.4	43.7	1.4	16
Media	79.3	4.5	76.3	2.5	14
Travel and Leisure	55.1	3.1	70.1	2.3	19
Fixed Line Telecommunications	45.3	2.6	31.3	1.0	4
Mobile Telecommunications	137.1	7.8	164.2	5.4	2
Electricity	5.1	0.3	20.9	0.7	2
Gas, Water and Multiutilities	48.7	2.8	95.6	3.1	6
Banks	323.7	18.5	341.2	11.1	5
NonLife Insurance	23.3	1.3	26.9	0.9	7
Life Insurance	78.8	4.5	91.9	3.0	7
Real Estate Investment Services	5.6	0.3	5.1	0.2	5
Real Estate Investment Trusts	29.6	1.7	39.9	1.3	10
Financial Services	49.8	2.8	60.0	2.0	15
Equity Investment Instruments	51.1	2.9	82.6	2.7	30
Software and Computer Services	26.2	1.5	30.7	1.0	11
Technology Hardware and Equipment	19.8	1.1	21.9	0.7	9
TOTALS	1,750.1	100.0	3,065.8	100.0	303

ANALYSIS OF OVERSEAS EQUITY INVESTMENTS AS AT 31 MARCH 2011

Country	Book Cost £M	Market Value £M	No. of Holdings
Australia	80.3	140.5	45
Austria	3.9	6.6	8
Belgium	1.5	1.0	2
Brazil	31.8	46.3	20
Canada	29.6	46.9	9
China	42.0	68.4	27
Denmark	10.7	23.8	10
Ireland	13.9	16.4	14
Finland	20.5	27.1	13
France	57.0	116.0	31
Germany	44.9	96.3	30
Greece	6.8	3.9	13
Hong Kong	51.4	80.7	42
India	1.1	5.7	3
Indonesia	6.3	14	11
Italy	49.0	52.1	44
Japan	266.8	283.1	94
Korea	46.2	105.4	28
Malaysia	15.3	28.0	14
Mexico	6.8	20.9	10
Netherlands	27.3	47.6	17
Norway	18.2	39.5	20
Philippines	9.4	14.5	8
Portugal	6.7	8.4	9
Singapore	27.3	55.5	23
South America	2.7	7.8	1
Spain	57.9	98.1	23
Sweden	31.2	67	33
Switzerland	34.4	106.4	18
Taiwan	32.7	45.6	23
Thailand	14.0	36.5	14
United States	296.6	399.7	95
Other Asian	1.8	8.4	3
Other Eastern European	13.2	25.3	4
Other Western European	26.1	34.1	9
Other International	32.4	54.1	20
TOTALS	1,417.7	2,231.6	788

LIST OF TWENTY LARGEST HOLDINGS

AS AT 31 MARCH 2011

Company/Stock	Market Value £M	Percentage of Total Fund %
BP	191.5	2.2
HSBC	171.2	2.0
Royal Dutch	165.0	1.9
Vodafone	159.2	1.9
Glaxosmithkline	113.4	1.3
Rio Tinto	127.0	1.5
BHP Billiton	113.1	1.3
British American Tobacco	88.6	1.0
Astrazeneca	65.0	0.8
BG Group	92.8	1.1
Tesco	54.0	0.6
Anglo American	71.2	0.8
Barclays	50.8	0.6
Standard Chartered	65.5	0.8
Jupiter India Unit Trust (India)	52.2	0.6
Diageo	52.3	0.6
Xstrata	60.6	0.7
MLIF Emerging Eu Fund	45.2	0.5
Mesirow Fincl Inv Fund	51.1	0.6
Aviva Property Fund	46.4	0.5
		21.3

SECTION 9

ACTUARY'S REPORT

West Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2011

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. Rates of contributions paid by the participating employers during 2010/11 were based on the previous actuarial valuation which was carried out as at 31 March 2007 by Mercer.

2. 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.

3. 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.

This would imply an average employer contribution rate of about 15.6% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

4. 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 contribution rate shown, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

5. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

6. 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.

7. 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.

8. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

9. 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.

Aon Hewitt Limited

6 May 2011

AUDIT REPORT

The accounts are currently being audited

The accounts are currently being audited

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 2011 and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Director of Finance has issued a Code of Practice for all finance officers employed by the Council, and a manual on the practices to be adopted in the preparation of the year end accounts. These documents set 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 2011

	Note	2010/11	2009/10 Restated
		£'000	£'000
Contributions and Benefits			
Contributions Receivable	3	359,403	367,139
Transfers In	4	37,970	38,629
Other Income		6	1
Non-statutory pensions and pensions increases recharged	5	18,553	19,058
		415,932	424,827
Benefits Payable	7	360,863	342,398
Non-statutory pensions and pensions increase	5	18,553	19,058
Payments to and on account of leavers	9	38,641	32,184
Administrative and other expenses borne by the scheme	10	5,288	5,095
		423,345	398,735
Net additions from dealings with members		**(7,413)**	**26,092**
Returns on Investments			
Investment Income	11	205,676	201,045
Taxes on Income		(2,709)	(2,737)
Profit and losses on disposal of and changes in value of investments	13	515,445	1,770,493
Stock Lending	12	1,486	1,641
Underwriting Commission		3	24
Investment management expenses		(1,733)	(1,733)
Net return on investments		**718,168**	**1,968,733**
Increase in the net assets available for benefits during the year		710,755	1,994,825
Opening net assets of the Fund		7,939,509	5,944,684
Closing net assets of the Fund		**8,650,264**	**7,939,509**

NET ASSETS STATEMENT AT 31 MARCH 2011

	Note	2010/11	2009/10 Restated	1 April 2009 Restated for IFRS
		£'000	£'000	£'000
Investment assets	13			
Fixed Interest securities		755,761	711,601	643,160
Equities (including convertible shares)		5,675,486	5,154,025	3,497,591
Index-linked securities		552,466	498,100	483,530
Pooled Investment Vehicles		1,396,320	1,235,760	936,180
Cash Deposits		195,864	265,889	320,289
Other Investment balances		32,742	29,822	25,356
Investment liabilities				
Other investment balances		(432)	(5,140)	(1,486)
Investments at 31 March		**8,608,207**	**7,890,057**	**5,904,620**
Current assets				
Debtors	17	52,606	68,083	29,966
Cash balances (not forming part of the investment assets)		4,074	(9,286)	5,404
Current liabilities				
Creditors	18	(14,623)	(9,345)	(8,504)
Net current assets and liabilities		**42,057**	**49,452**	**26,866**
Net assets of the Scheme available to fund benefits at 31 March 2011		**8,650,264**	**7,939,509**	**5,931,486**

Signed : ………………………………………………………………..

Sue Mawson
Head of Finance
City of Bradford Metropolitan District Council
Xxxxxxxxxxx

Accounting Policies

From 31 March 2011, West Yorkshire Pension Fund is required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards, published by the Chartered Institute of Public Finance and Accountancy. This requires that the Fund's accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The financial statements summarise the transactions of the Fund and deal with the net assets of West Yorkshire Pension Fund available to fund benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (note 8) in a statement by AON Hewitt, the Fund's Actuary. The full actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the Actuary in this report, and these financial statements should be read in conjunction with it.

1. 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, with transaction costs being recognised in profit or loss, 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 plus directly related transaction costs.

2. 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 times 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 16 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 in greater than 12 months as this is not considered material.

3. 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 6).

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.

4. 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.

5. Transfers

Transfer Values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund.

6. Investment Income

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

7. Contributions

Contributions are accounted for when due.

Employers have met the indirect costs of early retirement. The costs have been recharged and the income received is made up of both one-off lump sum payments and instalments where the Employer has chosen to spread the cost.

AVCs are accounted for when due, in the same way as other contributions.

8. Expenditure

No account is taken of long-term liabilities to pay benefits.

Accruals have been included for lump sum benefits arising but not paid until the following year.

9. Acquisition Costs of Investments

Acquisition costs of investments are included in the purchase price.

10. Investment Management Expenses

Investment management expenses are shown within the Fund Account. These costs are met from within the employer contribution rate.

11. 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 balance sheet 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 8) 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 8.

12. 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.

NOTES TO THE ACCOUNTS

1. Transition from UK GAAP to IFRS

From 31 March 2011, West Yorkshire Pension Fund (WYPF) is required to prepare its financial statements under International Financial Reporting Standards (IFRS) instead of UK GAAP. The accounting policies fundamentally remain the same for WYPF, however, there are numerous presentational changes to the financial statements and increased disclosure requirements. The impacts on the financial statements of WYPF are set out as follows:

Changes in the Fund Account:

i. Irrecoverable withholding tax now is disclosed on the face of the Fund Account under the heading Taxes on income. Formerly this was disclosed as part of the Investment Income note.

ii. ii. Change in market value of investments – realised and unrealised now goes under the description of Profit and losses on disposal of and changes in value of investments.

Change in format of Net Assets Statement:

i. Investments are split between investment assets and Investment liabilities. Previously other investment balances were disclosed as other investments combining the assets and liabilities on the face of the Net Assets Statement.

ii. Current assets and liabilities are shown separately on the face of the Net Assets Statement. Further analysis by type of body is disclosed in the notes.

In reviewing the accounting policies for IFRS compliance, WYPF have also changed the accounting policy for pension strain costs of early retirements. This has resulted in a restatement of the 2010 figures, the detail of which is disclosed in note 2 to the accounts.

The requirements for increased disclosures for pension funds are set out in the CIPFA Code of Practice and mainly relate to classification and valuations of financial instruments. The extra disclosures are set out in notes 14 to 16.

One significant change in disclosure is a requirement by International Accounting Standard 26 (IAS 26) to disclose the actuarial present value of promised retirement benefits. IAS 26 gives pension funds the option of disclosing this in three different ways:

Option A – in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit
Option B – in the notes to the accounts
Option C – by reference to this information in an accompanying actuarial report. If an actuarial valuation has not been prepared at the date of the financial statements, IAS 26 requires the most recent valuation (which should be based on IAS 19, not the pension fund's funding assumptions) to be used as a base and the date of the valuation disclosed.
WYPF has elected option B and the statement is disclosed in note 8.

2. Prior Period Adjustment

A prior period adjustment has been made in the accounts in respect of a change in accounting policy in the year. In the event that a member is allowed to retire early, pension strain costs may apply to the respective employer. Some employers pay the cost of this strain in instalments spread over 5 years. Historically WYPF has credited to the Fund Account, only the instalment amount invoiced in that year. Under the change in accounting policy, WYPF now accounts for the full amount of income accruing in the year in which the retirement took place regardless of whether the cost to the employer has been spread over 5 years or paid in one lump sum.

The following table summarises the adjustments made to re-state the 2009-2010 accounts:

Fund Account	**2009/10 Restated £'000**	**Effect of adjustment £'000**	**2009/10 Original £'000**
Contributions receivable	367,139	9,401	357,738
Net additions from dealing with members	**26,092**	**9,401**	**16,691**
Net increase / (decrease) in the Fund during the year	**1,994,825**	**9,401**	**1,985,424**
Opening net assets of the Fund	**5,944,684**	**13,198**	**5,931,486**
Closing net assets of the Fund	**7,939,509**	**22,599**	**7,916,910**
Net Asset Statement			
Debtors	68,083	22,599	45,484
Net assets of the Fund at 31 March	**7,939,509**	**22,599**	**7,916,910**

3. Contributions Receivable

	2010/11 £'000	**2009/10 Restated £'000**
Employers' Contributions		
Normal	185,480	182,789
Deficit Funding	44,154	38,276
Augmentation	863	854
Other	18,895	36,092
	249,392	258,011
Employees' Contributions	110,011	109,128
Total Contributions Received	359,403	367,139

These are further analysed by type of member body:

	2010/11 £'000	2009/10 Restated £'000
Employers' Contributions		
Administering authority	48,847	46,072
Scheduled bodies	270,027	275,596
Admitted bodies	40,513	45,230
Bodies with no further interest	16	241
Total Contributions Received	359,403	367,139

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

The Employers' Contributions for 2010/11 reflect the Rates set for the three financial years 2008/2009 to 2010/11 arising from the 2007 actuarial valuation.

Employees' contributions are as set out in the new LGPS regulations from 1 April 2008, and there are several tiered employee contribution rates. For 2010/11 the rates start at 5.5% payable by employees with salaries up to £12,600 a year, and the highest rate is 7.5% to be paid on salaries over £78,700 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 6.

4. Transfers In

	2010/11 £'000	2009/10 £'000
Individual transfers in from other schemes	37,970	38,629

5. Non-Statutory Pensions and Pensions Increase Recharged

	2010/11 £'000	2009/10 £'000
Pensions	18,553	19,058

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.

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

Details of AVC transactions are as follows:

	2010/11 £'000	2009/10 £'000
Income		
Contributions received	2,491	860
Transfer values	27	92
Internal transfers from other policies	34	11
	2,552	963
Expenditure		
Life assurance premiums	4	4
Retirement benefits	2,717	775
Leavers (transfers and withdrawals)	613	1,472
Deaths	306	19
Refunds/Surrenders	22	5
	3,663	2,275

7. Benefits Payable

	2010/11 £'000	2009/10 £'000
Pensions		
Retired Employees	237,646	223,847
Dependants	21,589	20,930
	259,235	244,777
Lump Sums		
Lump Sums on Retirement	92,649	90,331
Lump Sums on Death	8,979	7,290
	101,628	97,621
Total Benefits Payable	360,863	342,398

These are further analysed by type of member body:

	2010/11 £'000	2009/10 £'000
Benefits		
Administering authority	50,720	50,452
Scheduled bodies	261,448	246,754
Admitted bodies	44,930	42,099
Other interested bodies with no pensionable employees	3,765	3,093
Total Benefits Paid	360,863	342,398

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 6.

8. 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	**Value as at 31 March 2007**
	£Ms	**£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	**31 March 2007**
	(% p.a.)	**(% 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.

Changes in benefits during the accounting period

In his budget on 22 June 2010, the Chancellor announced the following:

"The Government will use the CPI for the price indexation of benefits and tax credits from April 2011. The CPI provides a more appropriate measure of benefit and pension recipients' inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their home outright) and differences in calculation mean it may be considered a better representation of the way consumers change their consumption patterns in response to price changes. This will also ensure consistency with the measure of inflation used by the Bank of England. This change will also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The Government is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues."

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.

9. Payments to and on account of Leavers

	2010/11 £'000	2009/10 £'000
Refunds of Contributions	56	44
Individual Transfers	28,166	29,746
Bulk Transfers	10,419	2,394
	38,641	32,184

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 6.

10. Administrative Expenses

	2010/11 £'000	2009/10 £'000
Administration and processing	4,791	4,761
Actuarial fees	428	257
Audit fee	66	71
Legal and other professional fees	3	6
	5,288	5,095

11. Investment Income

	2010/11 £'000	2009/10 £'000
Income from fixed interest securities	37,498	34,751
Dividends from equities	145,118	142,167
Income from index-linked securities	9,172	8,728
Income from pooled investment vehicles	12,258	12,506
Interest on cash deposits	1,630	2,893
	205,676	201,045

12. Stock Lending

	2010/11 £'000	2009/10 £'000
Stock Lending		
Income - Fixed Interest	126	134
UK Equities	549	475
International Equities	1,017	1,240
	1,692	1,849
Less - Costs	206	208
	1,486	1,641

As at 31 March 2011, £634 million of stock was on loan to market makers, and this was covered by collateral totalling £678.9 million (which includes an appropriate margin) comprising Bonds (£128.5 million), Government Bonds (£165.1 million) and Stocks and Shares (£385.3 million).

13. Investments

	Opening Value at 01.04.10	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.11
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	711,601	311,755	(241,310)	(26,285)	755,761
Equities	5,154,025	442,198	(267,753)	347,016	5,675,486
Index-linked Securities	498,100	118,077	(120,914)	57,203	552,466
Pooled Investment Vehicles	1,235,760	79,371	(56,322)	137,511	1,396,320
Cash Deposits	265,889	0	(70,025)	0	195,864
Other Investment assets	29,822	0	2,920	0	32,742
Other Investment liabilities	(5,140)	4,708	0	0	(432)
Totals	7,890,057	956,109	(753,404)	515,445	8,608,207

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.

	2010/11 £'000	2009/10 £'000
Fixed Interest Securities:		
UK Public Sector quoted	362,352	359,404
UK Other quoted	213,108	162,700
Overseas Public Sector quoted	111,534	136,605
Overseas Other quoted	68,767	52,892
	755,761	711,601
Equities:		
UK quoted	3,065,650	2,828,259
UK unquoted	105,346	76,396
Overseas quoted	2,231,621	2,029,532
Overseas unquoted	272,869	219,838
	5,675,486	5,154,025
Index Linked Securities:		
UK Public Sector quoted	407,758	386,593
UK Other quoted	48,557	42,710
Overseas Public Sector quoted	96,151	67,775
Overseas Other quoted	0	1,022
	552,466	498,100
Managed and Unitised Funds:		
Currency Funds	156,385	128,132
Fund of Hedge Funds	340,215	344,275
Property	306,685	269,215
Other	593,035	494,138
	1,396,320	1,235,760
Cash Deposits:		
Sterling	195,864	265,889

AVC Investments

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential (who became a provider in 2009/10), whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions. The aggregate amounts of AVC investments are:-

	2010/11 £'000	2009/10 £'000
Equitable Life	3,899	4,369
Prudential	1,472	171
Scottish Widows	12,677	13,598
	18,048	18,138

14. Financial Instruments – classification

Accounting policy 1 describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. 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 2011			
Financial Assets	**Designated as at fair value through profit or loss £'000**	**Loans and receivables £'000**	**Non-financial assets / liabilities £'000**	**Total financial assets / liabilities £'000**
Fixed Interest Securities	755,761	-	-	755,761
Equities	5,675,486	-	-	5,675,486
Index-linked securities	552,466	-	-	552,466
Managed and unitised funds	1,396,320	-	-	1,396,320
Cash deposits		195,864	-	195,864
Other investment balances	32,742		-	32,742
Debtors	-	52,606	-	52,606
Total	**8,412,775**	**248,470**	-	**8,661,245**
Financial Liabilities				
Other investment balances	432	-	-	432
Creditors	-	-	14,623	-
Total	**432**	**0**	**14,623**	**432**

	31 March 2010			
Financial Assets	**Designated as at fair value through profit or loss £'000**	**Loans and receivables £'000**	**Non-financial assets / liabilities £'000**	**Total financial assets / liabilities £'000**
Fixed Interest Securities	711,601	-	-	711,601
Equities	5,154,025	-	-	5,154,025
Index-linked securities	498,100	-	-	498,100
Managed and unitised funds	1,235,760	-	-	1,235,760
Cash deposits	-	265,889	-	265,889
Other investment balances	29,822	-	-	29,822
Debtors	-	68,083	-	68,083
Total	**7,629,308**	**333,972**		**7,963,280**
Financial Liabilities				
Other investment balances	5,140	-	-	5,140
Creditors	-	-	9,345	0
Total	**5,140**	**-**	**9,345**	**5,140**

15. 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 2011 £'000	Carrying value 2010 £'000	Fair value 2011 £'000	Fair value 2010 £'000
Trading and other financial assets at fair value through profit or loss	8,412,775	7,629,308	8,412,775	7,629,308
Loans and receivables	248,470	333,972	247,442	332,542
Total financial assets	**8,661,245**	**7,963,280**	**8,660,217**	**7,961,850**
Financial Liabilities				
Trading and other financial liabilities at fair value through profit or loss	432	5,140	432	5,140
Total financial liabilities	**432**	**5,140**	**432**	**5,140**

16. 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).

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 SAS70 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 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 SAS70 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.

Valuation hierarchy

	31 March 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£'m**	**£'m**	**£'m**	**£'m**
Financial assets at fair value through profit or loss	7,231	464	718	8,413
Loans and receivables	248	-	-	248
Total financial assets	**7,479**	**464**	**718**	**8,661**
Financial liabilities				
Financial liabilities at fair value through profit or loss	0	-	-	0
Total financial liabilities	**0**	**0**	**0**	**0**

	31 March 2010			
	Level 1	Level 2	Level 3	Total
Financial assets	**£'m**	**£'m**	**£'m**	**£'m**
Financial assets at fair value through profit or loss	6,591	397	641	7,629
Loans and receivables	334	-	-	334
Total financial assets	**6,925**	**397**	**641**	**7,963**
Financial liabilities				
Financial liabilities at fair value through profit or loss	5	-	-	5
Total financial liabilities	**5**	**0**	**0**	**5**

17. Current assets

	2010/11 £'000	2009/10 Restated £'000
Contributions due from Employers	27,718	25,935
Other Debtors	24,888	42,148
	52,606	68,083

Further analysed by type of body:

	2010/11 £'000	2009/10 Restated £'000
Central government bodies	8,427	6,241
Other local authorities	36,902	49,594
NHS bodies	0	51
Public corporations and trading funds	1,458	1,165
Bodies external to general government	5,819	11,032
	52,606	68,083

18. Current liabilities

	2010/11 £'000	2009/10 £'000
Unpaid benefits	6,910	5,510
Other current liabilities	7,713	3,835
	14,623	9,345

19. 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 2011 payroll are included within the debtors figure in note 17.

In 2010-11, City of Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £510,717 in respect of support services provided (£568,356 in 2009/10). 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.

The Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2011 was valued at £15.7m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2010/11. Rodney Barton, the Director of West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund Plc, for which he is paid a fee.

20. Risk Management

As a pension fund, financial instruments are fundamental to the Fund's activities and, as a consequence, the risks associated with financial instruments represent a significant component of the risks faced by the Fund. The primary risks affecting the Fund through its use of financial instruments are market risk and credit risk.

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

The Funding Strategy Statement (FSS) sets out as one of the aims of the Fund, to maximise the returns from investments within reasonable risk parameters.

Market risk

To minimise risk, the investment portfolio of the Fund is continually monitored and reviewed, and is well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

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.

Credit risk
The credit risk the Fund is exposed to is in relation to stock lending. The risk is managed by covering the lending with collateral which will always have a value greater than the amount of stock lending at any one time. Stock lending and the associated collateral at the year end is detailed in note 14.

Venture capital and equity investments
The valuation techniques used for unlisted equities and venture capital investments vary depending on the nature of the investment. Third party valuers have been used to determine the value of unlisted equities and property partnerships included in the Group's life insurance funds. As these factors differ for each investment, depending on the nature of the valuation technique used and the inputs, there is no single common factor that could be adjusted to provide a reasonable alternative valuation for these investment portfolios.

21. Contingent Liabilities and Contractual Commitments

At 31 March 2011 the West Yorkshire Pension Fund had the following un-drawn commitments:

Asset class	Investment value at 31 March 2011 £'m	Un-drawn commitments £'m
Private equity	378.2	275.6
Property funds	306.7	4.7
Corporate Bonds UK	92.9	36.8
Corporate Bonds foreign	500.1	11.3
Total un-drawn commitments		**328.4**

22. Events after the Reporting Period

Since 31 March 2011, fears of a double recession, and difficulties experienced by governments in reducing their debt burden, have resulted in a period of turbulence on the financial markets in August and September. At the time of writing, the value of the Fund is approximately £7.97bn, compared with £8.58bn at the year end. WYPF takes a long term view on its investments and the strategy in place ensures exposure to market risks is minimised.

23. Accounting developments

Amendments to IAS 24 – Related Party disclosures
This simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities.

Effective from annual periods beginning on or after 1 January 2011.

Amendments to IFRS 7 Financial Instruments Disclosures
Requires additional disclosures in respect of risk exposures arising from transferred financial assets.

Effective from annual periods beginning on or after 1 July 2011.

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 instrument. The available-for-sale financial asset and held-to-maturity investment categories in the existing 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 2013.

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. And the scheme provides a formal way for disagreements to be resolved. It's called the Internal Disputes Resolution Procedure.

The Internal Dispute Resolution Procedure is a 2-stage process.

From June 2004, 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, replacing the Occupational Pensions Regulatory Authority (OPRA). 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:

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