

## **Response from West Yorkshire Pension Fund**

Please accept my apology for the delay in responding to this request for information, this is due to the need to carry out some detail work with investment managers who are working away from the office managing investments nationally. In Rodney Barton's absence, I have been asked to respond on behalf of the Fund's Senior Management Team to the Committee's enquiry:

### **Question 1:**

#### **What prompted the in-house investment approach?**

Our investments have always been managed in-house, and we have been very successful in-terms of our investment performance and cost of management. In recent years we have had a number of internal discussions and reviews on the issue and we consistently found that in-house investment management delivered:

1. Top quartile long term investment performance for WYPF.

We take a more long term approach when making investment decisions and our strategy is geared to deliver above our benchmark in the long run. As a result when we analyse our performance over the 10 years, 15 years, 20 years and 25 years period we are in the top quartile of LG performance.

In contrast those funds that are managed externally are frequently changing asset managers as a result of short term performance, which in turn impact on long term strategies, results in focused attention on short term investments performance instead of long term performance.

2. Low cost investments operations

By managing our investments in-house we do not pay City of London prices for our operations, our investment managers are salaried council employees, who are also LGPS members. The low cost aspect also adds a few basis points to our investment performance.

3. Low risk investment strategy

The inherent low risk of our portfolio and the long term investment strategy we pursue also impact on our funding level, our last valuation showed we are funded at 96%.

### **Question 2:**

#### **How WYPF has tackled growing its in-house expertise?**

WYPF has always managed its investments in-house. In order to maintain expertise across our portfolio we have a group of investment managers that specialised in each strategic investment area of UK, overseas, bonds and alternative investments. Investment managers are able to move between different area of work, succession planning and training is encouraged.

We have a low turnover of investment staff, when there are vacancies at senior investment manager posts internal recruitment is used first and a cascading recruitment process is adopted, allowing new investment managers to join the

Investment Team at junior levels. This encourages training and creates movement within the Team.

The biggest barrier is the small number of funds that are managed internally; this reduces the pool of in-house investment management expert staff to recruit from. As a result WYPF is looking more to training and succession planning to maintaining and growing its investment staff.

**Question 3:**

**How in-house investment management structure has helped us in investing in infrastructure projects?**

The biggest advantage for us is speed. The time it takes us to identify good infrastructure investment opportunities and investing in infrastructure project is considerably less in comparison to externally managed funds.

WYPF investment managers manage their mandate directly and work with our Investment Panel directly in obtaining authorisation for new investments such infrastructure projects. External asset managers in contrast operates within a contractual mandate and without a mandate authorising a specific infrastructure investment, an external fund manager may not be able to investment in infrastructure without embarking on a lengthy process of obtaining a new mandate.

In addition external fund managers may be restricted by the duration of their management contract, where investment returns for infrastructure would be spread over the long term, again in-house investment managers are free to make investment decisions based on a long term assessment of the investment and returns.

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West Yorkshire Pension Fund