



Strictly Confidential

# West Yorkshire Pension Fund

Governance review – observations and key findings

City of Bradford Metropolitan District Council

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# 1. Executive summary

Muse Advisory was invited to carry out a governance review of the West Yorkshire Pension Fund ('WYPF') following a successful tender exercise during Summer 2023. Over the past few months the Muse team has worked closely with the WYPF officers to assess the governance of the Fund, to identify areas of good or excellent practice, and to seek out areas where changes could be made to improve the effectiveness and efficiency of governing WYPF.

We took account of LGPS regulations, Hymans Robertson's Good Governance Review Phase III and The Pension Regulator's (TPR) General Code of practice expected to come into force in 2024, as well as WYPF-specific documents comprising TPR's supervisory report and previous Governance Reviews.

This report sets out our findings, together with some suggestions for action.

In summary, we found evidence of a Fund that is run extremely well, with high quality staff, good and robust processes in place, careful and focused expense management and a clear focus on achieving excellence.

In line with many well-run Funds, seeking a review of governance is good practice in itself and should result in a programme of continual improvement. Accordingly, we identified some minor areas of operational practice that could potentially be improved.

We identified more significant scope for improvement in the process adopted for oversight of the Fund, delegated by the City of Bradford Metropolitan District Council to the Bradford Council Governance & Audit Committee ('G&AC') and in turn to other bodies. This is in order to gain greater clarity of roles and responsibility, avoid duplication, and hence increase the scope for effective oversight without increasing the burden on those who serve on the relevant bodies.

## 2. Introduction

The **independent governance review** undertaken by Muse Advisory looked at:

- The Local Pensions Board (Board), Joint Advisory Group (JAG) and Investment Advisory Panel (IAP) structures and terms of reference in place,
- The Scheme of delegation,
- The governance documents and policies,
- Other key documents including previous Governance Review reports and the TPR Supervisory report, and
- The use of external advice and support.

In general, we look at Governance from two perspectives:

- **Operational governance**, which covers your Board and Committee processes and supporting materials, committee composition and succession planning, looking at the role of the body, its Chair and its members, and an analysis of progress on implementing recommendations from previous reviews.
- **Behavioural effectiveness**, which focuses more on the way in which Board and Committee members behave with each other and how they interact with other stakeholders.

From our initial briefing it was clear that behavioural effectiveness was less relevant to this review, given the changes in personnel that take place fairly regularly. However, there were still some recommendations we could make in this area as you will see from our report, for example, regarding training and the chairing of meetings.

The **key conclusions** from our findings, that you will see throughout this report, are that the Fund is well run by the bodies in place and well supported by the officers, but as is to be expected, we also identified some areas for improvement.

Our process and observations are set out below. We would be happy to discuss any of these in further detail with you.

## 3. Methodology

The process we adopted to carry out this review is set out below.

Our methodology is designed to achieve two key objectives:

- a. To help us to build a detailed picture of the way in which WYPF operates and is governed; and
- b. To enable us to form an accurate assessment of what is working well, and where improvements could be made.

### 3.1. Initial discussions with the steering group

We met with the WYPF Managing Director, Head of Governance and Business Development and Assistant Director (Finance, Administration and Governance) to scope out the review. This enabled us to gain an overview of how WYPF operates, understand what the review sought to achieve, and agree the process by which we would gather our information, including key dates for meetings. We would like to thank those involved for their time and input.

### 3.2. Desktop review of relevant documents

Initially, as we do with all governance reviews, we undertook a detailed analysis of key documents, to build our understanding of WYPF, how it operates and is managed, and to test the operational effectiveness of the Fund. As the review progressed, we identified other relevant documents, including The Pensions Regulator's supervisory report on WYPF and Governance Review Reports for the last three years and reviewed those.

### 3.3. Preparation, issue and analysis of a tailored questionnaire

We prepared a confidential online questionnaire which was sent to all members of the WYPF Pension Board, Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG'). This was designed to give members of those bodies an opportunity to share their views on the effectiveness of their particular body - its structure, remit and operation – as well as comment on how they saw their body's role in the wider management and oversight of WYPF.

Some 30 questionnaires were issued and we received 17 responses. Graphical representations of responses to some of the questions are shown in Appendix D.

### 3.4. Structured, confidential interviews with agreed participants

Following completion of the questionnaires, and analysis of the responses, we invited the Chairs of each body and a cross-section of members for interview. The purpose of these interviews was to explore questionnaire responses in more depth, as well as asking key questions in areas that we had identified as meriting further examination.

We also spoke to other key stakeholders including Council representatives and WYPF officers.

### 3.5. Observation of meetings

We observed meetings of the Pension Board, IAP and G&AC. There were no meetings of the JAG during the period of the review.

The purpose of these observations was to assess the meeting packs and advice papers provided and see how these were used during the meeting, to observe the interactions of the meeting participants, and to assess the decision-making process.

We also assessed the way in which the different bodies complemented each other or duplicated activity, and looked at how progress was reported across the bodies and up to the G&AC.

### 3.6. Analysis of findings

At this stage we drew together our findings from all the previous activities to formulate our report. We also took account of LGPS regulations, Hymans Robertson's Good Governance Review Phase III and The Pension Regulator's General Code of practice expected to come into force in 2024, as well as WYPF-specific documents.

Throughout the process we checked in regularly with the members of the steering group, and with Euan Miller in particular, to report on progress, seek clarification on points of uncertainty, and test our findings as they evolved.

### 3.7. Our report

This report sets out our observations and some key findings. Recommendations will be developed in discussion with you.

## 4. Observations

### 4.1. What is working well

- The Fund appears to be well run in general and working effectively to fulfil its objectives.
- There is a high-quality staff in place, with all members of the governing bodies feeling well supported by the officers, and that the officers are easily contactable.
- The appointments of a separate Managing Director and CIO within the last eighteen months, splitting a large role previously covered by one person into two, has proved beneficial. There have been proactive changes/ improvements made, with more planned to come through as soon as possible.
- There was good reporting on the Fund's administration and operations, including on benefit statements delivery, GMP rectification, and data improvement plans in place and being followed.
- All members of the Fund's governing bodies behave professionally and engage well during the meetings.
- The holding of a session on investment beliefs for members of IAP, with an external facilitator, is to be applauded. This gave the members the opportunity to consider their fiduciary duties in a structured manner and will help with subsequent decision-making.

### 4.2. Areas for attention

- We believe there are ways that the Pension Board (required under the Public Service Pensions Act 2013) can be used more effectively, making the most of this requirement, rather than just adding another body to the Fund's governance.
- The IAP and JAG have large, rather unwieldy memberships. We also noted that attendance was somewhat patchy, with some individuals finding it difficult to commit the time to meetings.
- The roles and responsibilities of members within each group also appeared unclear at times, and there has been leakage of topics between the separate IAP and JAG; likely partly due to the overlapping membership.

Of second order:

- The content and structure of meeting papers could be improved to give greater clarity of purpose, and their presentation in meetings could be more focused to highlight key points and focus on the action required.
- The role of advisers on the IAP, and elsewhere for the Fund, could merit attention, including consideration of the metrics in place to monitor their support, and the voting rights in place; these do not appear to have been considered for some time, and voting rights, in particular, can cause confusion.
- It is important that training can be evidenced to TPR, if they were ever to ask about it. We have heard that this can be an issue, with some members (across all groups) failing to commit the time required to complete appropriate training and hence to build the appropriate understanding of pension matters to enable them to contribute as effectively as they could.

## 5. Next steps

We have enjoyed working with you on this review and hope that you find this report useful.

We look forward to discussing our observations and key findings with you, and working with you on developing recommendations.

Amanda, Ellie, Rosanne and Barry



# Appendices

## A. Meeting observations

We observed the following meetings:

- 13 September Pension Board meeting
- 26 October IAP meeting
- 23 November G&AC meeting.

## B. Documents reviewed

We reviewed all of the documents publicly available, including report and accounts, key fund policies, business plans, funding and investment statements, the governance and compliance statement, terms of reference for the Pensions Board, and the last three years of governance reports from the independent advisers.

We also read the meeting packs for the meetings we observed and previous meeting packs, where relevant. For reference, we read TPR's supervisory report for the fund and Hymans Robertson's Good Governance report.

## C. Interviews

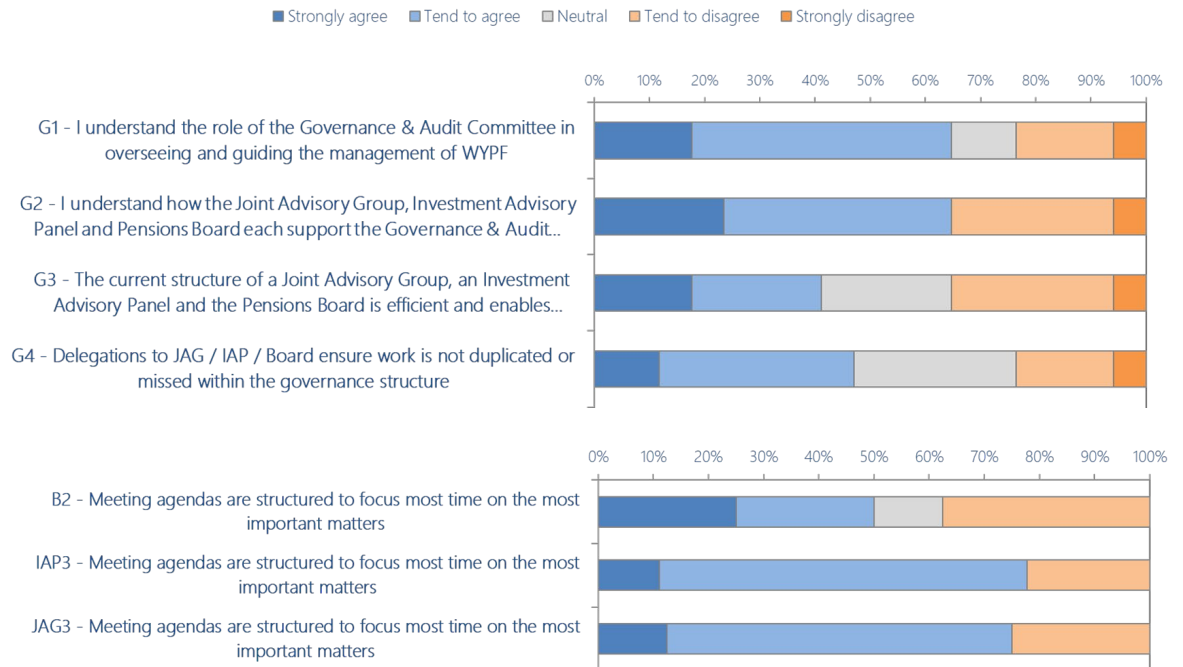
During October and November, we interviewed:

- The three independent advisers to the IAP (Marian George, Philip Hebson, Mark Stevens)
- Leandros Kalisperas, CIO
- Susan Hinchcliffe, leader of Bradford Council
- Asif Ibrahim, Borough solicitor
- Andrew Thornton, JAG & IAP Chair, and GAC member
- Angela Tait, GAC Chair
- David Pickersgill, PB member
- Isaac Dziya, PB member
- Andrew Scopes, JAG & IAP members
- Chris Greaves, IAP member
- Shakeela Lal, Board Chair

We also spoke to the members of the steering group, comprising Euan Miller, Yunus Gajra and Matt Mott, throughout the review.

## D. Questionnaire results

A few findings from the questionnaire are set out below in graphs. These are the findings that are reflected in our recommendations re the need for clarity of roles on the groups and within agendas.



## E. Muse governance framework

As a reminder, our governance framework supported our review, ensuring all elements of good governance were considered.

