

Report of the Director, West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 24 October 2014.

Subject:

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Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 24 July 2014.

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Strategic Regeneration

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1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

2. APPENDICES

- Local Government Pension Scheme 2014 (JAG paper)
- Shared Service Partnership with Lincolnshire Pension Fund (JAG paper)



Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday 24 July 2014 at City Hall, Bradford

Commenced 1315
Concluded 1420

PRESENT – Councillors

<u>Bradford Members</u>	<u>Calderdale Members</u>
M Slater (Ch) Middleton	Baines Lynn Metcalf
<u>Kirklees Members</u>	<u>Leeds Members</u>
Firth Mather Richards	Davey Hanley Harrand
<u>Wakefield Members</u>	<u>Trade Union Representatives</u>
Forster Stokes	I Greenwood – Unison T Chard - GMB

Apologies: Councillor Miller (Bradford); Councillor Shaw (Wakefield) Scheme Members S Moses and K Sutcliffe; S McKinnon-Evans, Director of Finance

1. ELECTION OF CHAIR

Resolved -

That Councillor M Slater be elected Chair for the Municipal Year 2014/15.

Councillor Slater in the Chair

2. ELECTION OF DEPUTY CHAIR

Resolved -

That Councillor Miller be elected Deputy Chair for the Municipal Year 2014/15.



3. **DISCLOSURES OF INTEREST**

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of clarity, an interest in Minute 10, Local Government Pension Scheme 2014.

Action: *City Solicitor*

4. **MINUTES**

Resolved -

That the minutes of the meeting held on 30 January 2014 be signed as a correct record.

5. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

There were no appeals submitted by the public to review decisions to restrict documents.

6. **CHAIR'S NOTE**

The Chair reported that Councillor Clive Fox, a Member of the Panel representing Leeds, had sadly passed away. Tributes were paid to Councillor Fox who had been a long serving member of the Panel. Members recognised his expertise, decency and the valuable contribution he had made to the Panel. His loss to the group was acknowledged. In memory of Councillor Fox Members observed a minute's silence.

7. **ADMINISTRATION BUDGET OUTTURN 31 MARCH 2014**

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document "A"**) summarised the pensions and investments administration costs for 2013/14; this was the total cost of managing the West Yorkshire Pension Fund for 2013/14.

In response to questions it was confirmed that the costs per member had been widely publicised and other funds had been made aware of the performance of the Fund.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

8. **REPORT AND ACCOUNTS 2013/14**

The Director, West Yorkshire Pension Fund submitted the unaudited Report and Accounts which provided a summary of West Yorkshire Pension Fund's financial position for the financial year ended 31 March 2014 (**Document "B"**).

It was reported that further reports would be presented after the completion of the year end audit by Mazars LLP.

It was questioned if a perceived dip in performance would require further action. In response it was explained that the report under consideration was a snap shot of performance at one moment in time (31 March 2014). A number of small factors had contributed to the performance and those factors had been discussed in detail at the Investment Advisory Panel. The Actuarial Valuation being discussed later in the meeting revealed that the fund was 96% funded at the time it was conducted. It was believed that had that valuation been conducted currently the fund may be approaching 100% and that long term performance indicators were good.

Resolved –

That the unaudited Report and Accounts of the West Yorkshire Pension Fund for the financial year ended 31 March 2014, appendix to Document “B”, be noted.

ACTION: Director, West Yorkshire Pension Fund

9. EXTERNAL AUDIT STRATEGY MEMORANDUM FOR WEST YORKSHIRE PENSION FUND

The External Auditor (Mazars LLP) presented a report (**Document “C”**) which set out the plan in respect of the external audit of West Yorkshire Pension Fund for the year ending 31 March 2014. The document set out the audit approach, highlighted significant audit risks and areas of key judgements as well as details of the audit team.

Members questioned the number of trivial errors in the audit and it was explained that they would be documented in the Final Account Report which will be presented to City of Bradford Metropolitan District Council’s Governance and Audit Committee and made available at the next WYPF JAG meeting.

No resolution was passed on this item.

ACTION: No Action

10. LOCAL GOVERNMENT PENSION SCHEME 2014

The report of the Director, West Yorkshire Pension Fund (**Document “D”**) provided an update in relation to the Local Government Pension Scheme Regulations 2013 which were laid before Parliament on 19 September 2013 and the Transitional Provisions and Savings Regulations which were laid before Parliament on 10 March 2014, both of which came into force on 1st April 2014. These regulations confirmed a number of expected protections for existing staff, and also prevent Councillors from joining the scheme after 31 March 2014.

The report also reported the Department for Communities and Local Government’s (DCLG) consultation, published on 20 June 2014, in respect of proposed revised governance arrangements that were required to comply with the Public Service Pensions Act 2014. This had been followed by draft regulations on 23 June 2014. The consultation would close on 15 August 2014 with the aim that the regulations, along with guidance, would be in place by 1 October 2014 and the local Pensions Boards fully operational by 1 April 2015.

It was reported that Administering Authorities would be required to set up local Pension Boards which would have an oversight role to assist in securing compliance with regulations, Pensions Regulator’s guidance and effective and efficient governance and

administration of their funds.

Each Administering Authority would be required to establish a Pension Board in one of two ways. The Board could be created as a Committee under Section 101 of the Local Government Act 1972. Alternatively a Pension Board with a separate Scheme Advisory Board could be established. Members discussed the potential issues which could arise if a Pension Board and Advisory Board were established as a single body. Such a body would need to satisfy the Secretary of State that it could carry out all functions without any conflicts of interest and it must comprise a greater number of member and employer representatives than councillor membership.

The Administering Authority would also be required to ensure that the pension board members had relevant experience and capacity to perform their respective roles. The appointment of a number of new members to pension boards could cause issues with a lack of the requisite skills. Trade Unions had been advised of the consultation and the potential training which would be required if new members were appointed.

Proposals for new Councillors to be prevented from joining the Fund and for existing Councillors membership of the Fund to cease at the end of their current term of office were strongly opposed. It was felt that this was a disgraceful attack on democracy and that people who gave up employment to work for their communities would be penalised.

Members discussed unsuccessful attempts to consult with the previous Parliamentary under Secretary of State for Communities and Local Government about the proposals. It was believed that the newly appointed Minister, Kris Hopkins MP, had a good understanding of the issues being faced by Elected Members and that he would be more receptive. A number of Members confirmed they would be contacting him shortly.

Resolved -

- (1) **That the new Local Government Pension Scheme 2014 be noted**
- (2) **That the discretions set out in Appendix A of Document "D" be approved.**

ACTION: Director, West Yorkshire Pension Fund

11. WYPF COMMUNICATIONS POLICY

The Director, West Yorkshire Pension Fund presented a report (**Document "E"**) which explained that, as part of the Local Government Pension Scheme (LGPS) Regulations 2013, WYPF were required to prepare, maintain and publish a written statement setting out its policy on communications.

WYPF's Communications Policy for 2014-2015 was appended to the report for Members' consideration.

Resolved -

That the report be approved.

ACTION: Director, West Yorkshire Pension Fund

12. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

A report was submitted by the Director, West Yorkshire Pension Fund in relation to the conclusions of the annual review of the performance of the Fund's Additional Voluntary Contribution Providers undertaken by the Defined Contributions Team of the Fund's Actuary (**Document "F"**).

Resolved –

- (1) **That the outcome of the annual review of WYPF's Additional Voluntary Contribution Providers be noted.**
- (2) **That the recommendations of the Fund's Actuary in respect of the changes to the lifestyle options and approved Fund ranges, as set out in Appendix C to Document "F", be approved.**

ACTION: Director, West Yorkshire Pension Fund

13. ACTUARIAL VALUATION FOR THE YEAR ENDED 31 MARCH 2014

The report of the Director, West Yorkshire Pension Fund, (**Document "G"**), informed Members that the triennial actuarial valuation of the West Yorkshire Pension Fund had been prepared based on the situation at 31 March 2014 and would determine the level of employers' contributions from 1 April 2014 to 31 March 2017.

The report revealed that WYPF was 96% funded which was an improvement on 93% funded at 31 March 2010. A copy of the statement from the Actuary for the year ended 31 March 2014, which summarised the results of the valuation, was provided.

Members believed that the results had been outstanding particularly in light of the economic climate in the timescale being covered. Although it was felt that the results were as good as any fund had achieved it was stressed that the fund could still be susceptible to market changes and for that reason Members believed it would not be a good time to consider reducing contributions.

It was questioned if the Government's objective to reduce the public sector workforce was taken into account when considering future contributions to the scheme and Members were assured that future plans took account of that reduction. Discussions had been held with the Actuary about the need for different investment strategies for smaller employers.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

14. RISK MANAGEMENT

The Director, West Yorkshire Pension Fund presented the latest Risk Management Report for the WYPF (**Document "H"**). It was explained that the report identified 46 risks associated with the operation of the Fund.

Included in the risk management report were details of the required management action/control needed to address each of the 21 most important risks identified. Members were assured that risk in overall terms would be continually monitored to ensure the report was up to date and relevant in identifying risks in respect of both the current and future operational practices of the WYPF.

The relevant section of the report dealing with a comment made earlier in the meeting about reduced public sector workforce was highlighted for that Member.

Resolved –

That the latest Risk Management Report for the WYPF, appended to Document “H”, be noted.

ACTION: Director, West Yorkshire Pension Fund

15. CONSULTATION ON LOCAL GOVERNMENT PENSION SCHEME: OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES

A report was submitted by the Director, West Yorkshire Pension Fund (**Document “I”**) which explained that, on 1 May 2014, the Department for Communities and Local Government (DCLG) issued an open consultation aimed at all parties with an interest in the Local Government Pension Scheme. The closing date for responses was 11 July 2014. Document “I” set out the response made on behalf of the WYPF.

Resolved –

That the response to the Department for Communities and Local Government (DCLG) consultation in respect of opportunities for collaboration, cost savings and efficiencies, on behalf of the West Yorkshire Pension Fund, be noted.

ACTION: Director, West Yorkshire Pension Fund

16. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND

The Director, West Yorkshire Pension Fund presented a report (**Document “J”**) which explained that Lincolnshire Council Council’s Pensions Administration Service was currently outsourced to a private sector contractor and the contract was due to expire on 31 March 2015.

Lincolnshire County Council (LCC) had been looking to form a partnership arrangement with another Pension Fund to provide a mutually progressive and high quality driven administration service upon which they could have significant input and influence. The quality of the service provision to members and the member experience was paramount so LCC had looked for a partner with similar values.

Following a competitive selection process, WYPF had been chosen by to provide a shared service pensions administration service to them. Entering into the LCC arrangement would result in savings to WYPF of £625,000 in the first year, with further savings accruing in future years.

The report revealed that Lincoln's Pensions Administration Service was one quarter the size of WYPF and a breakdown of membership was provided. The Investment Service would be retained by Lincolnshire County Council. In response to questions about risks to WYPF of entering into the partnership Members were assured that the potential had been included on the Risk Register. All involved were commended on their achievements to be selected as the successful bidder in a very competitive process.

Resolved -

That the proposed shared service arrangement with Lincolnshire County Council be approved.

ACTION: Director, West Yorkshire Pension Fund

17. TRAINING, CONFERENCES AND SEMINARS

The Director, West Yorkshire Pension Fund, explained that the training of Joint Advisory Group Members to understand their responsibilities and the issues they would be dealing with was a high priority. He submitted a report, (**Document "K"**), which informed Members of training courses, conferences and seminars which may assist them. Full details of each event were available at the meeting and Members were urged to attend any events they felt would be beneficial to their role.

Members were requested to give consideration to attending the training courses, conferences and seminars.

ACTION: All Members

18. ANNUAL MEETINGS

The report of the Director, West Yorkshire Pension Fund (**Document "L"**) informed Members of the West Yorkshire Pension Fund's two Annual Meetings being held in 2014. One meeting would be for employers and one for scheme members.

Resolved –

That the details of the WYPF Annual Meetings for 2014 be noted.

ACTION: No Action

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

minutes\WYPF\jag24July14

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

Appendix A**Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 24 July 2014.**

Subject: Local Government Pension Scheme 2014**Summary statement:**

This report updates the Joint Advisory Group on the introduction by regulations of the Local Government Pension Scheme (LGPS) 2014 which came into force on the 1 April 2014, related proposals and the consultation on revised governance arrangements.

Recommendations

It is recommended that Members note the new Local Government Pension Scheme, and approve the discretions set out in Appendix A.

Rodney Barton
Director

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Portfolio:**[Insert where appropriate]****Overview & Scrutiny Area:****[Insert where appropriate]**

1. Background

- 1.1 Following the recommendations contained in the Final Report of the Independent Public Service Pensions Commission negotiations took place with the Local Government Association and trade unions on the new Local Government Pension Scheme.
- 1.2 On 31 May 2012 the Local Government Association and trade unions issued a joint statement on the proposals for the Local Government Pension Scheme to take effect from 1 April 2014.
- 1.3 Informal consultations, on these proposals, took place and these resulted in overwhelming support.
- 1.4 Department for Communities and Local Government issued a number of consultations on draft Local Government Pension Scheme Regulations and on draft Transitional Provisions and Savings Regulations.

2. The Local Government Pension Scheme Regulations 2013.

- 2.1 The Local Government Pension Scheme Regulations 2013 were laid before Parliament on 19 September 2013 and came into force on 1st April 2014.
- 2.2 The main provisions of the Local Government Pension Scheme Regulations 2013 are:
 - A pension scheme design based on career average and actual pay.
 - An accrual rate of 1/49th of pensionable earnings each year.
 - Revaluation of active members' benefits in line Treasury Orders made under section 9 (2) of the Public Service Pensions Act 2013.
 - A Normal Pension Age equal to the State Pension Age, which applies to active and deferred members.
 - A low cost optional arrangement allowing 50% of the main benefits to be accrued on a 50% contribution rate.
 - Pensions in payment and benefits in deferment to increase in line with Consumer Prices Index.
 - Optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone in accordance with HMRC limits and regulations.
 - Retirement from age 55 on an actuarially neutral basis.
 - A vesting period of two years.
 - Spouse and partner pensions based on an accrual rate of 1/160th, and three times death in service benefit.
 - Tiered Ill health retirement pensions.



- Average member contributions yield of 6.5%, with tiered contributions as shown in the table below:

Actual Pensionable Pay	Gross Contribution
Up to £13,500	5.5%
£13,500 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
More than £150,000	12.5%

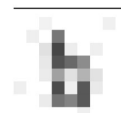
- 2.3 Contained in the LGPS regulations are a number of areas where WYPF are required to apply discretion and for certain key areas are required to publish a policy. Appendix A contains a list of all WYPF's policies and where appropriate a summary on how any discretions will be exercised.

3. The Transitional Provisions and Savings Regulations

- 3.1 The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 were laid before Parliament on 10 March 2014 also came into force on 1 April 2014.

- 3.2 The main provisions of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 are:

- A statutory underpin for a member who was an active member of the LGPS on 31 March 2012 and who on 1 April 2012 was 10 years or less from their normal retirement date.
- Benefits in respect of membership up to 31 March 2014 will be based on a member's final pensionable pay on leaving as defined in Regulations 8 to 11 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
- Where a member makes a request for payment of retirement benefits before their normal pension age, reductions in relation to membership up to 31 March 2014 will be calculated to the later of age 60, the date they would have satisfied the rule of 85 or age 65. However, for a member who elects to receive payment of their benefits before age 60 and would have satisfied the rule of 85 their employer can agree to waive any reductions for membership up to 31 March 2014.



4. Related Proposals

4.1 Councillor's pensions

Regulation 26 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 outlines the provisions for Councillors from 1 April 2014. This regulation means that no new Councillors may join the Scheme after 31 March 2014 and existing Councillor's membership will cease at the end of their current term of office.

4.2 Fair Deal

On 4 October 2013 HM Treasury issued updated Fair Deal guidance. This guidance does not apply to Best Value authorities or local authorities as these remain covered by Best Value Authorities Staff Transfers (Pensions) Direction 2007. However it does apply to maintained schools, including academies. DCLG will consider in due course how best to achieve the principles of updated Fair Deal guidance in local government.

4.3 Cost Control

DCLG will be circulating a paper to interested parties once final agreement has been reached.

4.4 Governance

Following on from the discussion paper, DCLG published a consultation on 20 June 2014 covering the new governance arrangements that are required to comply with the Public Service Pensions Act 2014. Followed by draft regulations on 23 June 2014.

The draft regulations require Administering Authorities to set up local Pension Boards. Pension Boards will have an oversight role to assist in securing compliance with regulations, Pensions Regulator's guidance and ensuring effective and efficient governance and administration of the Fund.

The draft regulations also require DCLG, as the Responsible Authority for the LGPS, to set up a Scheme Advisory Board, which will be responsible for providing advice to the Secretary of State on the desirability of making changes to the LGPS and for providing advice to administering authorities and local Pension Boards in relation to the effective and efficient administration and management of the LGPS and its pension funds.



A summary of the proposals are attached in Appendix B.

The consultation document can be found at
<https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance>

The consultation closes on 15 August 2014 and it is aimed to have regulations, along with guidance, in place by 1 October 2014, with the Boards becoming fully operational by 1 April 2015.



Discretions under Local Government Pension Scheme Regulations

Published Policies

- Funding Strategy Statement
- Governance Compliance Statement
- Communications Policy
- Pension Administration Strategy
- Applications for early payment of benefits

In considering applications WYPF will take into account:

- The applicants personal circumstances; and
- Whether there will be a cost in granting the request.

Other Policies

- **Additional Pension Contributions (APC) Shared Cost Additional Pension Contributions (SCAPC)**

A request to pay an APC/SCAPC over a period of time will only be accepted where the regular monthly contribution is at least £10.00.

A member will be required to obtain a GPs declaration to their health unless the following apply:

- The APC is to cover lost pension due to absence of up to 36 months or,
- The member has already reached their state pension age (or 65 if later)

- **Commutation of Small Pensions**

WYPF do not currently commute small pensions. The intention is to review this discretion with a view to potentially allowing the commutation of small pensions.

- **Payment of death grants including amounts in relation to Additional Voluntary Contributions**

Death grants are paid at the absolute discretion of WYPF, taking into consideration any nomination made by the member, their personal status and if they were assisting anyone financially at the date of death.



- **Children’s Pensions – Break in Education**

WYPF will only allow re-instatement of a children’s pension where there is a clear intention to return to full time education.

- **Abatement of Pensions**

WYPF do not abate pensions in payment following re-employment.

- **Strain on Fund Costs**

WYPF require any strain on Fund costs to be paid “up front” by employing authority following early payment of benefits.



The Local Government Pension Scheme (Amendment) Regulation 2014

1. Draft regulations on Scheme Governance

Draft Regulation on the LGPS Governance were issued on 23 June 2014.

Responses to the consultation should be submitted by 15th August 2014.

2. Local Pension Boards

2.1 Each Administering Authority must establish a Pension Board by 1 April 2015, and the expenses of the Board are to be regarded as part of the administration costs of the Fund.

2.2 The Board will be responsible for assisting the Administering Authority with securing compliance with:

- i) the Regulations,
- ii) Any other legislation relating to the governance and administration of the Scheme, and
- iii) Requirements imposed by the Pensions Regulator in relation to the Scheme

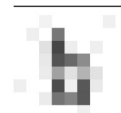
as well as ensuring the effective and efficient governance and administration of the Scheme.

2.3 Each Administering Authority shall determine:

- i) The membership of the pensions board,
- ii) The manner in which members are appointed and removed and
- iii) The terms of appointment of members

2.4 An Administering Authority has two alternative ways in which to establish a Pension Board.

- i) establish the board as if it were a committee under section 101 of the Local Government Act 1972. This would automatically apply the section 101 regime to the way in which local boards are to be established with a ready made set of provisions to help establish the board,
- ii) Alternatively the administering authority may wish to establish bespoke procedures for things such as voting rights, etc although this would be more of a burden on an Administering Authority, but it would allow greater flexibility in the way Pension Boards are established.



- 2.5 The Pensions Board will include equal numbers which is no less than 4 in total of employer representatives and member representatives.
- 2.6 The total of employer and member representatives must exceed the number of other members of the Pension Board. (A councillor member of a local authority is prevented from being included either as an employer or member representative, but this does not prevent a councillor member being appointed to the Pension Board over and above the required equal numbers of member and employer representatives).
- 2.7 A Pension Board can be the same as an existing committee, if approval is obtained from the Secretary of State.

The Secretary of State will need to be satisfied a single committee / board can carry out all functions without any conflicts of interest.

The two separate committees/local pension boards will have different objectives.

- i) The Committee will continue to have responsibility for decision making and overall management of the Fund, and
- ii) Pension Board will oversee that the Fund complies with regulations, Pensions Regulators compliance guidance and ensuring effective and efficient governance and administration of the Fund.

Please note however, should a Pension Board and committee be the same the number of member and employer representatives will need to be greater than councillor members (see 5 above).

- 2.8 An Administering Authority is required to be satisfied that pension board members have relevant experience and capacity to perform their respective roles.

3. Scheme Advisory Board

- 3.1 The draft regulations also require DCLG to set up a Scheme Advisory Board to providing advice to the Secretary of State on the desirability of making changes to the Scheme, and for providing advice to administering authorities and local Pension Boards in relation to the effective and efficient administration and management of the Scheme and its pension funds.



4. Summary - What the draft regulations cover.

- All Administering Authorities Must put in place a Pensions Board by 1 April 2015.
- Pension Boards must have equal numbers of member and employer representatives
- The new Board will need to be formally established and will require some sort of nomination or election process to appoint scheme member and employer representatives.
- A Scheme Advisory Board will be set up at a national level to provide support to Secretary of State.



Appendix B

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 24 July 2014.

Subject:

Shared Service Partnership with Lincolnshire Pension Fund

Summary statement:

Lincolnshire's Pensions Administration Service is currently outsourced to a private sector contractor and the contract is due to expire on 31st March 2015. Lincolnshire County Council (LCC) has been looking to form a partnership arrangement with another Pension Fund to provide a mutually progressive and high quality driven administration service in which they can have significant input and influence upon. The quality of the service provision to members and the member experience is paramount so LCC were looking for a partner with similar values.

Through a competitive selection process, WYPF has been chosen by Lincolnshire Pension Fund to provide a shared service pensions administration service to them. Entering into this arrangement will result in savings to WYPF of £625,000 in the first year, with further savings accruing in future years.

Recommendation:

It is recommended that the Joint Advisory Group approve the shared service arrangement.

Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:



Background

Pension Funds are under increasing pressure from Central Government to work collaboratively with other Pension Funds to achieve savings for the scheme and to improve efficiency and performance.

WYPF have long recognised the potential for cost savings and have been looking for opportunities to provide third party administration to other Local Government, Police or Fire Pension Funds. We currently provide third party administration to:

West Yorkshire Fire & Rescue Authority
South Yorkshire Fire & Rescue Authority
North Yorkshire Fire & Rescue Authority
Humberside Fire & Rescue Authority

Lincolnshire's Pensions Administration Service is currently outsourced to a private sector contractor and the contract is due to expire on 31st March 2015. Lincolnshire County Council (LCC) has been looking to form a partnership arrangement with another Pension Fund to provide a mutually progressive and high quality driven administration service in which they can have significant input and influence upon. The quality of the service provision to members and the member experience is paramount so LCC were looking for a partner with similar values.

The LPF membership (as at 28th February 2014) is broken down as follows:

	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	20,335	26,737	287	16,540	1,587
Cllrs	47	10	2	19	0
Old Fire	137	22	0	221	2
New Fire	439	271	3	14	22
Totals	20,958	27,040	292	16,794	1,611

There are 240 employers, with 174 actively contributing.

Service requirements

LPF require a full administration service provided for both the LGPS and Firefighters' Pension Scheme. This will include all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as the actuaries and LCC Resources Directorate for the production of the scheme accounts. Pensioner Payroll will be required and must be in place in time to run the first pensioner payroll on 1 April 2015.

The Process

LCC invited expressions of interest from other local authority pension funds to provide a shared service pensions administration service. Although this was not a pure third party administration service WYPF saw the benefits of a shared service provision and submitted an expression of interest. LCC received 15 responses from interested parties from which they invited 6 to undergo a tender process.

WYPF was successfully selected as one of those 6 shortlisted funds. Through this process WYPF emerged as the successful bidder and partner for LCC.

Staff - TUPE

There are currently 15 members of staff based in Lincoln who administer the fund and are employed by Mouchel, and are covered under TUPE regulations in the event of a change of pensions administration provider. One member of staff will transfer to the LCC team to cover the role of employer liaison, contribution monitoring and other finance related roles that are currently undertaken within the Mouchel administration team, with the remaining staff transferring to the WYPF. The final structure of the internal team and any Lincoln based pensions administration team will be part of the discussions with all relevant parties. The Pensions and Treasury team currently at LCC will remain in place and will retain responsibility for cash management, investments, governance and the production of the scheme accounts.

Satellite Office

WYPF will maintain a satellite office in Lincoln with the 14 staff who are currently employed by Mouchel and who will transfer to WYPF on 1 April 2015.

Financial Benefits

WYPF will have an increased member base which will reduce costs for both WYPF and LCC. Our current cost of service was £18 per member for 2012/13 and the cost proposed for this shared service is estimated at £15.55 per member. Based on WYPF's total membership of 255,000 (as at 31.3.14) this will provide savings to WYPF in the region of £625,000 per annum. This cost per member is estimated to reduce further to £14.90 by the 2nd year of the partnership which will provide further savings.

Next Steps

Initial discussions on terms and conditions with LCC are at a very early stage but approval is required from the Joint Advisory Group to proceed with this partnership. Detailed discussions will commence once approval has been given.

Summary

The partnership with LCC has a number of advantages and benefits for WYPF:

- Enhances WYPF's reputation as a high quality service provider, opening up further opportunities in the future,
- Reduce WYPF's cost per member, making us more competitive and value for money,
- Seen to be embracing Central Government's agenda of working collaboratively with other Pension Funds.