

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Tuesday, 26 March 2019 in Aldermanbury House, Godwin Street, Bradford

Commenced 10.00 am
Concluded 12.05 pm

Present –

Employer Representatives	Member Representatives
Councillor M Slater (Chair) – Bradford	Mr M Binks – Unison
Councillor G Burton – Wakefield	Mr C Sykes – Unison
Councillor J Lewis - Leeds	Mr M Morris - Unite
Ms R Manning - Employer	

Apologies: Gary Nesbitt (GMB)

Councillor in the Chair

14. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all business under consideration

ACTION: City Solicitor

15. MINUTES

Resolved –

That the minutes of the meeting held on 17 October 2018 be signed as a correct record.

16. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

17. CHAIR'S NOTE

The Chair expressed the sadness of all members on the death of Councillor Ian Greenwood in November 2018. He paid tribute to Councillor Greenwood's skills,

expertise and knowledge of pensions both locally and at a national level. His service to the Bradford District was also commended.

18. MINUTES OF THE WYPF JOINT ADVISORY GROUP (JAG) 31 JANUARY 2019

The report of the Director, West Yorkshire Pension Fund, (**Document “J”**) reminded Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The Minutes of meeting of WYPF Joint Advisory Group were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

It was noted that a number of the agenda items from that meeting were included on the agenda under discussion and would be considered in more detail later in the meeting.

Resolved –

That the minutes of the WYPF JAG meeting held on 31 January 2019 be noted.

NO ACTION

19. REVIEW OF THE WYPF PENSION BOARD POLICY DOCUMENTS

Members were reminded that under the Public Service Pensions Act 2013 Local Pension Boards were required to produce and maintain a number of key policy documents.

The policy documents were brought to the Board every two years to ensure they accurately reflected the working of the Board. The last review of the policies was in April 2017. The report of the Director, West Yorkshire Pension Fund, (**Document “K”**) presented the latest version of the policies for them to be formally reviewed/endorsed by the Board.

It was reported that the Terms of Office for four of the current Members would come to an end in April 2019. Those Members would need to be re-nominated if they wished to remain on the Board.

The report revealed that a request from a Pension Board Member had been received to review the number of Pension Board meetings held each year. The current Terms of Reference Document, under point 11, currently stated:-

- 11.1 The Pension Board will normally meet twice a year. The Chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.
- 11.2 In exceptional circumstances, meetings can be conducted via communications between members of the Board including telephone conferencing and emails.

The Terms of Reference were appended to Document “K”.

It was confirmed that the purpose of the Pension Board was to scrutinise West Yorkshire Pension Fund Joint Advisory Group (JAG) decisions to ensure that they were made in accordance with the law and to secure compliance with rules and regulations. As JAG met only twice per year it was acknowledged that additional meetings may have limited business to discuss.

A number of topics which could be included for discussion at additional meetings were suggested including additional training; the Register of Breaches of Law and the Risk Register.

The majority of Members expressed their support for the request for additional meetings. It was believed that, due to the many external factors affecting pension regulations, including changes to the Local Government Pension Regulations, two extra meetings would allow Members to feel more connected and better able to fulfil their roles. A Member representing a trade union also reported his union’s support for the board to meet more often.

The Conflicts of Interest policy; Reporting Breaches procedure and Knowledge and Understanding Framework were also appended to Document “K” and Members were also asked to review and endorse those policies.

Resolved –

- (1) That the report be noted.**
- (2) That the policies contained in Document K be approved.**
- (3) That it be agreed, without amendment to the Terms of Reference, that meetings of the WYPF Pension Board be arranged four times per year.**

ACTION: Director, West Yorkshire Pension Fund

20. LOCAL GOVERNMENT PENSION SCHEME UPDATE

The report of the Director, West Yorkshire Pension Fund (**Document “L”**) updated Members on changes to the Local Government Pension Scheme 2014 and provided information on associated issues.

It was explained that On 19 April 2018 the Local Government Pension Scheme

(Amendment) Regulations 2018 (“the Amendment Regulations”) were laid before Parliament and came into force on 14 May 2018.

In addition to making the technical amendments, previously consulted on, the main changes made by the Amendment Regulations were:

- For members who left the Local Government Pension Scheme before 1 April 2014 to elect to receive payment of their deferred benefits from age 55, with reductions, without having to obtain the consent of their former employer.
- Changes to options available for members with a pre-2014 Additional Voluntary Contribution “pot”.

Members were advised of the requirement to refund any surplus on a Scheme employer ceasing its participation in the Local Government Pension Scheme.

It was explained that on 3 October 2018 the Ministry of Housing Communities & Local Government (MHCLG) had issued a policy consultation on technical amendments. Corresponding comments from WYPF were presented in Document “L”. Consultation on Fair Deal – Strengthening Pension Protection was reported and it was explained that WYPF would be preparing a response prior to the 4 April 2019 deadline.

The impact of the amendments on certain organisations was questioned and it was reported that only employers covered by Fair Deal and Best Value Direction would be affected.

In response to questions about Members who had left before 2014 being able to access their pensions before state retirement age it was confirmed that anyone aged 55 or above, subject to reductions, could access their pension.

It was questioned if Members had been informed of the amendments and assurances were provided that the information would be included in the Annual Benefits Statement.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

21. ACTUARIAL VALUATION 2019

The report of the Director, West Yorkshire Pension Fund, (**Document “M”**) informed Members that the next triennial actuarial valuation of the West Yorkshire Pension Fund would be prepared based on the situation at 31 March 2019 and would determine the level of employers’ contributions from April 2020 onwards.

It was explained that the aim was for a valuation result with a minimal contribution change while keeping the funding risk at an acceptable level. The preferred primary tool for adjustment to achieve the acceptable level of contributions was the assumed rate of investment return. Data would be submitted to the actuary by WYPF in

summer 2019. Employers had been reminded that meeting the deadline for the year end returns was essential to ensure that the data submitted to the actuary was as accurate as possible.

A Member raised concerns that the increase in employment contributions for teachers' pensions would be difficult for employers. In response it was explained that the Fund was aware of the situation and would do everything possible to smooth the mechanism if contributions had to be increased.

The report revealed that the Government Actuary must report on a number of aims including consistency and whether the Fund's valuation had been carried out in a way which was not inconsistent with the other fund valuations within the Local Government Pension Scheme. It was questioned if that would affect benchmarking and if any changes to the regulations were expected. In response it was reported that there had been no inconsistencies reported from previous reports and it was not expected there would be any material changes.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

22. MEMBER EARLY RETIREMENT PENSION ESTIMATES

The report of the Director, West Yorkshire Pension Board, (**Document “N”**) was presented in response to a Member of the WYPF Pension Board requesting that an item be included on the agenda to address the following statement – *“the removal of estimates for members who are aged 55 and above, which are no longer available on request, is proving problematic for members.*

Members were advised that WYPF had revised the working practices surrounding the provision of early retirement estimates, specifically, to enable priority to be given to those members who were intending to retire immediately, as opposed to those who had no immediate plans to retire.

It was explained that the need for the revision had arisen because of the change in the pension regulations in April 2014 which allowed members to take reduced retirement benefits from age 55. Amendments were needed to some functions of the pensions' administration system to accommodate the change, meaning employers were unable to produce their own pension estimates through the system. WYPF had always provided all age 65, redundancy and ill health retirement estimates for employers, using accurate pensionable pay provided by the employers. The changes in the regulations had resulted in a considerable increase in the number of requests from employees for early retirement estimates.

It was explained that there were 56,500 people aged over 55 in the WYPF. Consultation had been undertaken with other Pension Funds and it had been established that they had also restricted the estimates provided and some had introduced a charge after one free estimate.

In response to questions about the number of requests for figures which resulted in actual retirement it was explained that many deferred members were merely curious to know how much money was in their pension. There had also been issues with employers requesting estimates for individuals using multiple dates of possible retirement and multiple reasons for retirement. Some requests were received for dates so far in the future they would be affected by pay awards or annual adjustments and the figures would be inaccurate. Assurances were provided that if Members were actually retiring accurate figures would be provided.

In response to suggestions that in addition to additional information being provided on the Annual Benefit Statements, the My Pension Website would shortly allow Members to calculate their own pensions. It was confirmed that a modeller for Members to calculate their own broad estimate was in development, and should reduce the pressure on employers and the fund.

Following concerns that some members may not understand the additional information contained on their ABS it was acknowledged that pensions were a complex issue. Assurances were provided that communications were always produced in plain English and the queries received were analysed to address any issues arising.

Resolved –

- 1. That the workload caused by requests for early retirement pension estimates following changes to the pension regulations be acknowledged.**
- 2. That the changes being implemented to the process for dealing with estimate requests be acknowledged.**
- 3. That the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter be noted.**
- 4. That the planned review of working practices after the ABS exercise is completed be welcomed.**

ACTION: Director, West Yorkshire Pension Fund

23. CYBER SECURITY

Members were advised that cyber attacks and threats were one of the biggest challenges organisations like WYPF faced. Cyber attacks in recent times had become more specialised and criminals focused on deceptive techniques to target individuals.

The growing trend of attacks has resulted in significant damage to organisations that not only included financial losses and operational disruptions, but also significant reputational damage. In the light of current regulation (e.g. the new General Data Protection Regulation), those risks became particularly relevant for organisations that stored financial information and personal identifiable information about individuals, as was the case for WYPF.

The cyber readiness of WYPF (led by Bradford Council) was, therefore, vital in aiding the ability to detect, prevent, contain and respond to evolving threats in the digital environment, which have had a severe effect in similar institutions.

The Director, West Yorkshire Pension Fund, presented a report, Document “O”, which reported the importance of cyber security; the consequences of a cyber attack; the types of cyber security threats and elements of cyber security.

Appended to Document “O” was a report on a project carried out on behalf of Bradford Council by Coventry University to assess the cyber security readiness of the Council. The university had conducted a vulnerability test exercise that targeted cyber awareness of the workforce and their ability to make informed decisions when dealing with potential security tests. The findings from that project demonstrated that businesses and Councils were increasingly susceptible to cyber attacks by social engineering although it did reveal that WYPF staff were aware of cyber security and none had opened a scam test email which had been circulated to all staff.

It was reported that WYPF had begun work towards gaining accreditation for ISO 27001:2013 which was the international standard that provided the specification for a best practice information security management system. Assurances were provided that penetration testing was conducted regularly and that training was reviewed regularly and updated.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

24. UPDATE ON THE GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION EXERCISE.

The report of the Director, West Yorkshire Pension Fund, (**Document “P”**) provided an update on the current position regarding the Guaranteed Minimum Pension (GMP) reconciliation exercise.

Members were reminded that the exercise was taking place across the pension industry nationally to reconcile pension information held by all private and public sector pension schemes and Her Majesty’s Revenue & Customs (HMRC). The aim of the process was to ensure that pension schemes held the correct information regarding members’ contracted-out service.

It was explained that WYPF had received a data file from HMRC's scheme reconciliation service listing all active, deferred and pensioner members containing 229,144 records. As WYPF had the expertise in house, unlike some other Funds, the reconciliation process was being done in house making substantial savings on the costs that were being charged in the market place.

The three stages of the process were explained. The first stage included comparisons with the HMRC file and the data held on WYPF's pension administration system. The matching categories and volumes of data were reported. Stage 2 involved uploading data for HMRC response and the number of responses to far were presented. Recommendations on how to deal with discrepancies identified through the process were reported and examples of recalculations and pensions adjustment were discussed. The third stage of the project involved reconciliation of the Pension Payroll and would require the adjustment of pensions in payment. Members were assured that a communication strategy would be developed to ensure pensioners were aware of the impact of any pension adjustments.

In response to questions it was explained that any under or over payments would be communicated to members in the autumn. The Fund was confident, however, in the accuracy of its record keeping.

It was reported that WYPF was also undertaking the reconciliation project on behalf of Lincolnshire Pension Fund and a number of the Fire Authorities which the Fund administered. The increased pressures on the Fund were acknowledged.

Resolved –

That the update contained in Document "P" be noted and the potential additional workloads anticipated from the Guaranteed Minimum Pension (GMP) exercise be acknowledged.

ACTION: Director, West Yorkshire Pension Fund

25. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented **Document "Q"** which reminded Members that, In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to The Pensions Regulator (TRP) as soon as was reasonably practicable where that person had reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A Register of Breaches of Law was therefore maintained in accordance with The Pensions Regulators (TPR) requirements and WYPF Breaches procedure and was appended to Document “Q”.

The entries on the Register related to either:-

- Late payment of employer contributions which were due to be paid to WYPF by the 19th day of the following month.
- The number of Annual Benefit Statements (ABS) not issued by the 31 August.

The percentage of ABS sent by 31 August (99.6%) was an improvement from 2016 and it was not regarded as of material significance.

During discussions about the employers’ contributions which were late it was explained that one of the companies contributions had now been received and another employer was listed in error.

Only one breach had been deemed to be of material significance and had been reported to TPR in September 2018. The details of that breach were discussed. It was reported that the employer had gone into administration in December 2018 and would be asked for the missing contributions. A trade union representative reported his involvement with that company. Assurances were provided that members would not be affected, however, it was suggested to the union representative that his members retain their time slips to maintain accurate records of their working patterns. An update report would be provided to the next meeting.

Resolved –

That the entries on the Register of Breaches of Law, contained in Document “Q” be noted.

ACTION: Director, West Yorkshire Pension Fund

26. THE PENSION REGULATORS RECORD KEEPING AND DATA QUALITY REQUIREMENTS

The report of the Director, West Yorkshire Pension Fund, (**Document “R”**) explained that The Pension Regulator’s (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirement for public sector pension funds to maintain comprehensive and accurate data on their members and their members’ pension contributions.

The background to the report revealed that in 2018, for the first time, Local Government Pension Funds were required to report on the quality of Common and Scheme Specific Data (also known as Conditional Data) in their Pension Regulatory scheme returns. Funds were also required to review their data

annually and implement improvement plans setting out steps to address any issues. A definition of common and scheme specific data was provided.

It was explained that schemes were required to measure their data and consider if the required data was present and accurate. Following that process a data score was calculated. The data quality scores at November 2018 were Common Data 85.8% and Conditional Data 97.86%.

It was reported that some required data was out of the Fund's control as there was a continual problem with members failing to communicate that they had moved address. A tracing agency had been employed to locate members but it was a continuing problem. Assurances were provided that quarterly reports were run to track progress. TPR did not demand that the scores be 100% as long as plans were in place to show improvements. A draft data improvement plan was in development to identify actions to improve data scores and resolve any incomplete or inaccurate data.

Members were advised that, as the regulations provided no set definition of conditional data, the Fund had worked with the Local Government Association to provide a consistent definition. It was expected that by summer more clarity would be provided and the list of conditional data could change.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

27. RISK REGISTER

The report of the Director, West Yorkshire Pension Fund (**Document “S”**) advised members that West Yorkshire Pension Fund maintained a Risk Register which contained 45 risks that had been identified and framed into scenarios. The risks had been rated and 22 of those were above their acceptable tolerance level and 23 were below the tolerance line.

Information on five risks from the 22 which were above their tolerance level was included in Document “S” and Members were advised of Action Management Plans in place to mitigate and monitor those risks.

In relation to risk of 22, “recruitment and retention of experienced staff in Pensions Administration”, it was questioned if job evaluation processes had been conducted. In response it was explained that pooling arrangements could increase the risk in that category. Consultants had conducted a national survey of LGPS administrators pay to provide benchmark figures. The results had revealed that Bradford was at the bottom of national pay scales. As other pools were locating to West Yorkshire there was a risk that staff would be attracted by higher salaries available in nearby locations. The Fund had engaged consultants to commission a review of the structure and remuneration from the Public Sector Benefits & Governance Section of Aon Hewitt. The issue had been reported and discussed at the WYPF Joint Advisory Group in November 2018.

Resolved –

That the five risks and actions to manage and mitigate those risks contained in Document “S” be noted.

ACTION: Director, West Yorkshire Pension Fund

28. TRAINING, CONFERENCES AND SEMINARS

The Director, West Yorkshire Pension Fund, presented a report, (**Document “T”**) which informed Members that their training to understand the responsibilities and issues which they would be dealing with was a very high priority. Details of training courses, conferences, seminars and events which may assist Members were contained in Document “T”.

It was agreed to communicate additional training courses/events as they became available and Members were asked to advise officers of any further training requirements they would wish to undertake.

In response to questions it was confirmed that, because of the complex nature of pension arrangements, some Members found it very helpful to repeat the Fundamentals training course. Arrangements could be made for any Member wishing to attend events on more than one occasion.

Resolved –

That consideration would be given, by Pension Board members, to attendance at the events contained in Document “T”.

ACTION: Director, West Yorkshire Pension Fund

29. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP 1 NOVEMBER 2018

The report of the Director, West Yorkshire Pension Fund, **Document “U”** reminded Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The Minutes of meeting of WYPF Joint Advisory Group were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Resolved –

That the minutes of the WYPF Joint Advisory Group on 1 November 2018, appended to Document “U” be noted.

ACTION: Director, West Yorkshire Pension Fund

30. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 1 November 2018 and 31 January 2019 because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It is considered that, in all the circumstances, the public interest in maintaining this exemption outweighs the public interest in disclosing this information as it is in the overriding interest of proper administration that Members are made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.

31. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL ON 1 NOVEMBER 2018 AND 31 JANUARY 2019

The report of the Director, West Yorkshire Pension Fund, (**NOT FOR PUBLICATION Document “V”**) reminded Members that the role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The minutes of meeting of WYPF Investment Advisory Panel were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Resolved –

That the Not for Publication minutes of the Investment Advisory Panel on 1 November 2018 and 31 January 2019 appended to Document “V” be noted.

ACTION: Director, West Yorkshire Pension Fund

Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Pension Board.

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