



Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Tuesday, 26 March 2019 at 10.00 am in Aldermanbury House, Godwin Street, Bradford

Members of the Committee

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

Notes:

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- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From:

Parveen Akhtar
City Solicitor
Agenda Contact: Jane Lythgow
Phone: 01274 432270
E-Mail: jane.lythgow@bradford.gov.uk

To:

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) *Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) *Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) *Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) *Officers must disclose interests in accordance with Council Standing Order 44.*

2. MINUTES

Recommended –

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

(Jane Lythgow – 01274 432270)

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by

contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Jane Lythgow - 01274 432270)

B. BUSINESS ITEMS

4. MINUTES OF THE WYPF JOINT ADVISORY GROUP (JAG) 31 JANUARY 2019 1 - 16

The report of the Director, West Yorkshire Pension Fund, (**Document “J”**) reminds Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is 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 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommended –

Members are requested to review the minutes of the WYPF JAG meeting held on 31 January 2019.

(Rodney Barton - 1274 434523)

5. REVIEW OF THE WYPF PENSION BOARD POLICY DOCUMENTS 17 - 56

Under the Public Service Pensions Act 2013 and the guidance that followed Local Pension Boards are required to produce and maintain a number of key policy documents.

The policy documents are brought to the Board every two years to ensure they accurately reflect 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”**) presents the latest version

of the policies for them to be formally reviewed/endorsed by the Board.

Members are requested to note the report, consider the number of Pension Board meetings to be held each year when reviewing the Terms of Reference Document and to agree the policies contained in Document “K”.

(Rodney Barton – 01274 432317)

6. LOCAL GOVERNMENT PENSION SCHEME UPDATE 57 - 64

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

Recommended –

That the report be noted.

(Tracey Weaver – 01274 433571)

7. ACTUARIAL VALUATION 2019 65 - 68

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

Recommended –

That the report be noted.

(Caroline Blackburn – 01274 434523)

8. MEMBER EARLY RETIREMENT PENSION ESTIMATES 69 - 72

The report of the Director, West Yorkshire Pension Board, (**Document “N”**) is 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”*.

Recommended –

That the WYPF Pension Board:-

- **acknowledge the workload caused by requests for early retirement pension estimates following changes to the pension regulations**

- **acknowledge the changes being implemented to the process for dealing with estimate requests**
- **notes the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter**
- **and welcomes the planned review of working practices after the ABS exercise is completed.**

(Grace Kitchen – 01274 434266)

9. CYBER SECURITY

73 - 106

The report of the Director, West Yorkshire Pension Fund, (**Document “O”**) advises Members of issues relating to cyber security and West Yorkshire Pension Fund.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

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

107 -
112

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

Recommended –

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

(Yunus Gajra – 01274 434266)

11. REGISTER OF BREACHES OF LAW

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The Director, West Yorkshire Pension Fund, will present **Document “Q”** which reports that, In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- 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 is therefore maintained in accordance with the Pensions Regulators requirements and WYPF Breaches procedure.

Recommended –

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

(Caroline Blackburn – 01274 434523)

12. THE PENSION REGULATORS RECORD KEEPING AND DATA QUALITY REQUIREMENTS 123 - 124

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

Recommended –

That the report be noted.

(Caroline Blackburn – 01274 434523)

13. RISK REGISTER 125 - 162

The report of the Director, West Yorkshire Pension Fund (**Document “S”**) advises members that West Yorkshire Pension Fund maintains a Risk Register which contains 45 risks that have been identified and framed into scenarios. The risks have been rated and 22 of these are above their acceptable tolerance level and 23 are below the tolerance line.

Information on five risks from the 22 which are above their tolerance level is included in Document “S” so that members can ensure that adequate Management Action Plans are in place to monitor those risks.

Recommended –

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

Yunus Gajra – 01274 432343)

14. TRAINING, CONFERENCES AND SEMINARS

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

Recommended –

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

(Caroline Blackburn – 01274 434523)

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

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The report of the Director, West Yorkshire Pension Fund, **Document “U”** reminds Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is 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 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Members are requested to review the minutes of the West Yorkshire Pension Fund Joint Advisory Group 1 November 2018 appended to Document “U”

(Rodney Barton – 01274 432317)

16. EXCLUSION OF THE PUBLIC

Members are asked to consider if the item relating to the West Yorkshire Pension Fund Investment Advisory Panel (**Document “V”**) should be considered in the absence of the public and, if so, to approve the following recommendation:-

Recommended –

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.

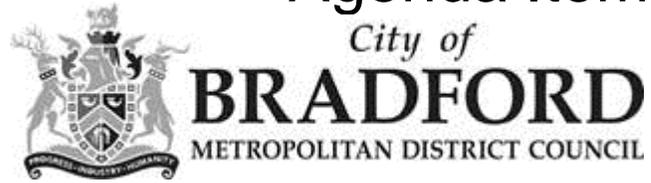
17. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL ON 1 NOVEMBER 2018 AND 31 JANUARY 2019

The report of the Director, West Yorkshire Pension Fund, (**NOT FOR PUBLICATION Document "V"**) reminds Members that the role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is 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 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Members are requested to review the Not for Publication minutes of the Investment Advisory Panel on 1 November 2018 and 31 January 2019 appended to Document "V".

(Rodney Barton – 01274 432317)



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

J

Subject: Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 31 January 2019.

Summary statement:

The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is 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 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommendation

It is recommended that the Local Pension Board review the minutes of the meeting of 31 January 2019.

Rodney Barton
Director

Portfolio:

Phone: (01274) 432317
E-mail: [Rodney Barton@bradford.gov.uk](mailto:Rodney.Barton@bradford.gov.uk)

Overview & Scrutiny Area:

1. Appendix

Appendix A – Minutes of Joint Advisory Group held on 31 January 2019.

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 31 January 2019 in WYPF, Aldermanbury House, Godwin Street, Bradford BD1 2ST

Commenced 2.20 pm
Concluded 4.05 pm

Present – Councillors

<u>Bradford Members</u> Councillors: Thornton Ellis	<u>Calderdale Members</u> Councillors: Baines Metcalf
<u>Kirklees Members</u> Councillors: Firth Richards	<u>Leeds Members</u> Councillors: Harrand Scopes
<u>Wakefield Members</u> Councillors: Speight	<u>Trades Union Members</u> Ms L Bailey (UNISON) Mr Chard (GMB) Vacancy (UNISON)
<u>Scheme Members</u> Ms W Robinson	

Apologies: Councillor Shakeela Lal, Councillor F Loonat, Councillor J Lynn, Councillor Neil Dawson, Councillor Graham Stokes, Mr K Sutcliffe and Councillor Les Shaw

Councillor Thornton in the Chair

25. 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 relevant business under consideration.

Action: *City Solicitor*

26. MINUTES

Resolved –

That the minutes of the meeting held on 1 November 2018 be signed as a correct record.

27. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

28. CHAIR'S NOTE

Councillor Thornton opened the meeting by paying tribute to Councillor Ian Greenwood. The group paid tribute to Councillor Greenwood with a minute of silence.

29. ACTUARIAL VALUATION 2019

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

The report provided Members with a summary of the proposed approach to the actuarial valuation at 31 March 2019 by the Fund's actuary. It was explained that additional information would be available at the next meeting scheduled to take place on 25 July 2019.

A detailed presentation was provided by representatives of the Fund's Actuary, Aon Hewitt Limited, and detailed the valuation process, the funding strategy and the outlook for the 2019 valuation.

The presentation revealed 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. A Member suggested that the phrase be amended in that statement as the investments would not be changed. In response it was clarified that the primary tool for adjustment referred to the discount rate which could be amended.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

30. FUNDING STRATEGY STATEMENT (FSS)

The Director, West Yorkshire Pension Fund, present a report (**Document "S"**) which advised Members that the current Funding Strategy Statement on New Employers and Exit Valuations both required updating. It was explained that the principal changes were in relation to the treatment of a surplus on exit where there was a subsumption commitment following a change in the regulations.

The report revealed that In May 2018 regulation 64 of the Local Government Pension Scheme Regulations 2013 was amended to say that if an employer's admission in the scheme came to an end (whether on the failure of the contractor or otherwise) and there was a deficit in the Fund on exit which could not be met by the company or any bond, the relevant Scheme Employer (i.e. employer letting the contract) would need to make up the shortfall or if there was a surplus in the Fund it must be paid back to the admission body.

The Funding Strategy Statement was being amended to cater for the situation where it may not be appropriate to repay a surplus on exit which is based on a discount rate which assumes on continuing employers. In order to protect the Fund from challenge clear documentary evidence would be required to show that it was a condition of the subsumption commitment that any surplus or deficit should be retained in the Scheme employer's share of the Fund on exit and if that agreement was not forthcoming that the orphan funding target would be adopted.

The Fund's strong preference would be for scheme employers to review all contracts where the contractor was an admission body in the Fund and ensure they were comfortable with what would happen on exit, ensuring an agreement was clear whether a surplus should be refunded or not.

The Fund would be holding a briefing session with representatives of Councils; West Yorkshire Police and the Fund Actuary on 31 January so employers could further understand the implications of the changes to the regulations.

Other changes to the FSS included the Policy on New Employers, Exit Valuations and minor changes to tidy up the wording to ensure consistency in references to the Fund and Regulations and some amendments to cover how multi-academy trusts were being dealt with in the future. In addition it was also being made clear that any asset transfer was capped at 100% of the transferring liabilities.

A copy of the draft FSS and policy on New Employers and Exit Valuations was appended to Document "S" and the recommended changes to that document were tracked for ease of reference.

In response to questions it was explained that efforts were being made to interpret the regulations to ensure people were treated equally and that legal advice would be sought.

The appendix to the report referred to the method and assumptions used in calculating the cost of future accrual. It was stated that for most employers the actuarial method to be used was the Projected Unit method with a one year control period. For employers who did not permit new employees to join the Fund, the actuarial method to be used was the Attained Age method. Under both funding methods the salary increases assumed for each member were projected until that member was assumed to leave active service by death, retirement or withdrawal from service.

It was questioned why a three year control period was not utilised. It was explained that as the fund was open to new members the average age of active members had not increased between valuations and anticipating aging was not necessary.

Resolved –

That, subject to the outcome of the consultation exercise being undertaken in February 2019, the proposed changes to the Funding Strategy Statement be approved.

ACTION: Director, West Yorkshire Pension Fund

31. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2018

The report of the Director, West Yorkshire Pension Fund, (**Document “P”**) provided a summary of the West Yorkshire Pension Fund’s financial position for the year ended 31 March 2018. The report was presented to allow Members the opportunity to note the accounts had been completed and approved by the Council after their discussion at the Joint Advisor Group meeting in July 2018.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

32. DRAFT AUDIT STRATEGY MEMORANDUM - WEST YORKSHIRE PENSION FUND TO YEAR ENDING 31 MARCH 2019

The report of Mazars LLP, (**Document “AG”**) set out the plan for the external audit of the West Yorkshire Pension Fund for the year ended 31 March 2019.

The Audit Strategy Memorandum was presented to the Committee in draft as it had not yet been presented to the Governance and Audit Committee for approval. In accordance with Paragraph 38.2 of Part 3A of the Constitution the Chair had agreed that the item be presented to allow Members to consider the issue prior to its presentation to the Governance and Audit Committee for approval.

The report provided a summary of engagement and responsibilities; details of the audit team; the audit scope, approach and timeline; significant risks and key judgement areas; fees for audit and other services; a commitment to independence, materiality and misstatements. Appended to the report were key communication points; forthcoming accounting and other issues and Mazars’ client service commitment.

A summary of initial materiality thresholds was discussed and assurances were provided that even if a finding was considered not material officers in the finance team would be alerted. It was explained that the phrase ‘trivial’ was used for reporting purposes only and any fraud, criminality or serious issue would be reported.

The report revealed that Mazars made use of experts in specific areas when preparing the Fund’s financial statements and also used experts to assist in obtaining sufficient appropriate audit evidence on specific items of account.

Members questioned if there was sufficient expertise within the auditor's business and it was explained that Investment Managers evaluated investments and that there were adequate skills and experience within the business to review that work.

Members were advised that one risk was timing of valuation unquoted assets, those valuations are based on estimates. During the audit auditors would request positive confirmation of value of unquoted assets from fund managers.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

33. WEST YORKSHIRE PENSION FUND REVISED ESTIMATES 2018/19 AND ORIGINAL ESTIMATES 2019/2020.

The report of the Director, West Yorkshire Pension Fund, (**Document “Q”**) presented the revised estimates 2018/2019 and the original estimates 2019/2020. The report provided the opportunity for Members to receive an updated projection against the budget approved in November 2018.

The report summary advised Members that, in accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to pension fund accounts and not to local authorities' general fund accounts. The cost of services reported in the report would be charged to WYPF accounts. The budget proposals in the report would deliver pension administration services to over 428,000 (402,000 for 2018/19) pension scheme members, made up of 302,000 WYPF and 126,000 shared service partner members. The WYPF supported over 800 active employers. The same resource would be used to manage over £14 billion WYPF investment assets. The number in the pension shared cost service had increased from 7 to 16 by October 2018, with more expected to join in 2019/20.

It was revealed that WYPF's performance, using comparative data for local government pension schemes collected by DCLG, showed that for 2017/18 WYPF total cost of £36.45 was the lowest total cost within LGPS funds in England and Wales. Whilst the average cost for all funds had gone up from £186.75 to £205.25 between 2016/17 and 2017/18 to £205.25, the WYPF cost had gone down by £1.58 from £38.03 to £36.45.

Members questioned if an increase in costs was due to the pooling arrangements and it was explained that the three funds had agreed that the pools establishment would not substantially increase costs. Expenditure was required to establish the pool structure but no significant increase in costs had occurred. The expense of the set up of the GLIL and NPEP investment vehicles would be more than recovered through lower investment costs.

It was explained that the partners in the Northern Pool were working together to make savings, however, if the Pool was to operate as prescriptively as the

Government were suggesting additional costs would be incurred. It was agreed that Members would be informed should such measures be imposed.

Resolved –

- 1. That the projected outturn of £12.96m against a revised estimate of £13.64m for 2018/2019 be noted.**
- 2. That the original estimate of £14.63m be approved for 2019/20.**
- 3. That the total pension cost per member of £36.45, making West Yorkshire Pension Fund the lowest cost LGPS scheme for 2017/2018, be noted.**

ACTION: Director, West Yorkshire Pension Fund

34. WEST YORKSHIRE PENSION FUND ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund, (**Document “T”**) reported on the administration of West Yorkshire Pension Fund in the last year including Performance and Benchmarking, Scheme Information, Employer and Customer Service Surveys and Internal Dispute Resolution Procedure cases.

The report revealed that Key Performance Indicators (KPI's) were broadly on target. Underperformance on two targets had arisen because of delays in full information being received.

There had been a slight drop in active members but this was because of a number of employers submitting outstanding leaver forms and that had allowed for accurate information to be captured.

It was explained that Customer surveys had revealed the fund was providing good customer service. The fund had been awarded the Pension Fund of the Year and the Best Administration Award at the LAPF Investment Awards. It had also been shortlisted for the Pension Age Awards under the DB Pension Scheme of the Year and the Pensions Administration Award to be announced in February 2019.

Resolved –

- 1. That the report be noted.**
- 2. That the receipt of two successful awards by the West Yorkshire Pension Fund at the LAPF Investment Awards and shortlisting in two categories at the upcoming Pension Age Awards be acknowledged.**

ACTION: Director, West Yorkshire Pension Fund

35. SHARED SERVICE UPDATE - LINCOLNSHIRE PENSION FUND

The report of the Director, West Yorkshire Pension Fund, (**Document “U”**) provided an update on the West Yorkshire Pension Fund's (WYPF) shared

service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF), which commenced on 1 April 2015.

The report detailed current administration issues and performance over the last six months for Lincolnshire Pension Fund.

The report revealed that WYPF used workflow processes developed internally to organise daily work with target dates and performance measures built into the system. The performance measures ensured tasks were prioritised on a daily basis, however Team Managers had the flexibility to re-schedule work should time pressure demand. Performance against key areas of work for the period 1 June 2018 to 30 November 2018 were provided.

The information reported that almost all Key Performance Indicators (KPI's) were being achieved and often exceeded. Two areas of underperformance were the targets for change of bank details and monthly posting. It was explained that although some bank details were not changed within the target all changes were actioned in time for payroll to enable pensions to be paid to the correct account. It was suggested that the target should be amended from the current five day target to ensure all changes were processed within the payroll cycle.

A Member questioned if costs accrued could be transferred back to LPF. He was advised that the WYPF worked on costs per member and, as there were no impact on the Fund, and unless it was felt that poor performance of employer functions was causing additional cost, there would be no need to recover costs from a shared service partner. The Administration Strategy did provide for an administration charge to employers in some specific circumstances.

The length of the contract with LPF was queried and it was explained that it was a five year contract with an option to extend by two years. In response to a subsequent question it was confirmed that WYPF could give notice on that contract if required.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

36. SHARED SERVICE UPDATE - LONDON BOROUGH OF HOUNSLOW PENSION FUND

The London Borough of Hounslow became the third partner in West Yorkshire Pension Fund's Shared Service Partnership on 1 August 2018.

The report of the Director, West Yorkshire Pension Fund (**Document "V"**) considered current administration issues and performance to date.

Members were advised that the fund was previously administered by Capita. WYPF now provided the administration but not the payroll service. To improve efficiency engagement had commenced to discuss the transfer of the pensioner payroll function to WYPF.

Key Performance Indicator's were included in the report together with reasons for underperformance. It was noted that WYPF's target performance was affected in the early stages of the contract for a number of reasons particularly backlogs received from Capita; missing or partial data from Capita. There were currently 888 cases pending where WYPF were waiting for information.

Scheme information contained in the report revealed the scheme membership and age profile of the scheme.

The requirement by The Pensions Regulator (TPR) to report a data quality score by measuring the quality of data for common data and scheme specific data was reported and it was confirmed that a Data Improvement Plan would be put in place.

A Member noted that the worst performing KPIs related to death and it was explained that, unfortunately, this was as a result of the previous administration of the scheme. WYPF had, subsequently, received good feedback from Members for sorting out those issues. There was still a back log of cases pending but significant progress had been made and to ease that situation a payroll manager, who had previously retired, with significant experience in producing final pay calculations had been re-appointed by Hounslow. That appointment would facilitate the receipt of accurate and timely information.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

37. EXTERNAL BUSINESS - PENSIONS ADMINISTRATION FOR THE FIREFIGHTERS' PENSION SCHEMES

West Yorkshire Pension Fund (WYPF) manages a shared service partnership to provide a pensions administration service for fourteen Fire Authorities.

The report of the Director, West Yorkshire Pension Fund, (**Document "W"**) provided an update on business to date.

Members were advised that the number of Fire Authorities that WYPF now provided pension administration services for had increased from seven to fourteen in the last year. That figure equated to nearly a third of all the Fire Authorities in England.

The seven new Fire Authorities were:

Devon and Somerset FRA
Dorset and Wiltshire FRA
Tyne and Wear FRA
Northumberland FRA
Norfolk FRA

Staffordshire FRA
Hereford and Worcester FRA

It was explained that a number of Key Performance Indicators were below their targets and that was largely due to data transition issues with the seven clients that had gone live within the past six months. It was expected that those figures would improve significantly for the next report to Members.

As a result of the additional workloads due to increasing clients WYPF had recently recruited a number of Pensions Officers to the administration team and also to the Payroll Team. Those officers should all be in post by the end of January 2019.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

38. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

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

The report detailed associated issues including consultation on technical amendments to benefits; the LGPS (Miscellaneous Amendment) Regulations 2018; Consultation on Fair Deal and the impact of the Chancellor of the Exchequer’s budget 2018.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

39. NORTHERN POOL

Members were aware that, in accordance with the guidance from Government, West Yorkshire Pension Fund (WYPF) together with Greater Manchester and Merseyside were working towards the creation of an investment pool, Northern Pool (NP).

The report of the Director, West Yorkshire Pension Fund, (**Document “Y”**) set out the progress in establishing the Northern Pool, covering:-

- Drafting the Northern Pool Operating Agreement, including the Terms of Reference for the Joint Committee
- Procuring a joint custodian for all the assets of the Pool
- Developing the GLIL Infrastructure vehicle (including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment)

- Developing a joint private equity vehicle.

Members were advised that the Governance and Audit Committee, at its meeting on 24 January 2019 had recommended to Bradford Metropolitan District Council that, in order to comply with Government Investment Pooling Guidelines it was necessary for The Administering Authority (AA) of the West Yorkshire Pension Fund to enter into an agreement with Tameside and Wirral Metropolitan Borough Councils as the AAs of the two other pension funds making up the Northern Pool.

The issue would be considered by the Council on 21 February 2019 and it was recommended that the Northern Pool Joint Governance Committee Agreement, be approved to ensure it was operational by 1 April 2019.

It was explained that the procurement process for a joint custodian for all the assets of the Pool should be completed by the end of the current financial year.

The GLIL Infrastructure vehicle, including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure was completed. The GLIL was fully operational and £1 billion had already been invested.

A joint private equity vehicle was established and making commitments.

It was explained that on 3 January 2019 the Ministry of Housing, Communities and Local Government (MHCLG) had begun an informal consultation on statutory guidance on pooling. That guidance differed considerably from the current guidance and the Northern Pool would be considering that carefully before responding to the limited consultation. The implications of that guidance were questioned and it was explained that the basic principle of the Pool was to save money and value for money would disappear in the proposals under consultation.

Resolved –

That the progress on pooling to date, and the autumn submission to the Ministry of Housing, Communities and Local Government, contained in Document “Y” be noted.

ACTION: Director, West Yorkshire Pension Fund

40. NORTHERN POOL - APPOINTMENT OF A COMMON CUSTODIAN

The Director, West Yorkshire Pension Fund, presented (**Document “Z”**) which advised Members of progress on the Northern Pool’s appointment of a common custodian bank.

Members were referred to the discussion during Minute 39 and it was reiterated that the procurement process for a joint custodian for all the assets of the Pool should be completed by the end of the current financial year.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

41. PROJECT MAGPIE - TRANSFER OF FIRST WEST YORKSHIRE TO GREATER MANCHESTER PENSION FUND

The Director, West Yorkshire Pension Fund, presented a report (**Document “AA”**) which updated Members on progress made in transferring assets for First Bradford to Greater Manchester Pension Fund.

The report advised Members that WYPF had made payments of £375m out of an estimated payment of £450m pending final certification by the fund’s actuary, Aon. The final estimated payment £75m was scheduled for 22 March 2019, and would be adjusted for final certified value up or down. If the final certified value to be transferred to GMPF was not agreed between WYPF’s actuary - Aon and GMPF’s actuary, Hymans, and received from Aon by the end of February 2019 the estimated value would be paid. Adjustments would then be made for additional payments to be made by WYPF or repayment of any overpaid amount to be made by GMPF at a later date to WYPF.

The estimated transfer value was based on First WY Bus share of asset as at 31 March 2017. The transfer impacted on 3,714 members.

WYPF were still waiting for one key decision to be made by the West Yorkshire Combined Authority on how to discharge its liability to fund pension increases for First West Yorkshire pensioners. That decision may increase the value of the asset transferred.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

42. EXIT PAYMENT IN RESPECT OF YORKSHIRE FORWARD

The report of the Director, West Yorkshire Pension Fund (**Document “AB”**) updated Members on the agreement reached with the Department for Business, Energy and Strategy on the exit payment required in respect of Yorkshire Forward.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

43. REGISTER OF BREACHES OF LAW

The report of the Director, West Yorkshire Pension Fund (**Document “AC”**) reminded Members that, in accordance with the Public Service Pensions Act 2013 from April 2015 all Public Service Pension Schemes now came under the remit of The Pensions Regulator.

Section 70 of the Pensions Act 2004 imposed a requirement to report a matter to The Pensions Regulator 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 had not been or was not being complied with, and
- (b) the failure to comply was likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A register of any Breaches of Law was maintained in accordance with West Yorkshire Pension Fund (WYPF) Breaches procedure. The Register of Breaches since April 2018 was appended to Document “AC”.

It was explained that the entries on the Register of Breaches for 2018/19 related to either late payment of employer contributions or the non-issue of Annual Benefit Statements (ABS).

All entries, apart from one which had been reported to The Pensions Regulator (TPR), were not considered to be of material significance and had therefore not been reported to TPR.

Details of the employer reported to TPR were discussed. It was explained that despite numerous attempts by the Fund to contact that employer contributions were outstanding for a number of months. The fund had taken the decision to notify TPR and a copy of that notification was appended to Document “AC”. It was felt the breach was of material significance.

Members were assured that since 13 September 2018 the employer had paid all outstanding contributions to the Fund for all three contracts, details of which were contained in Appendix A to the report. In addition all contributions due from November onwards had been received in full on time.

The Fund had charged the employer for the costs involved in receiving the contributions late and those costs amounted to £652.80.

In response to questions Members were assured that members’ benefits would not be affected and that WYPF would continue to monitor the situation and would report to Members if required.

Resolved –

That the report and entries on the Register of Breaches of Law, as contained in Document “AC” be noted.

ACTION: Director, West Yorkshire Pension Fund

44. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2019/20.

The Director, West Yorkshire Pension Fund, presented a report, (**Document “AD”**) which advised Members that, as part of the Local Government Pension Fund Scheme (LGPS) Regulations 2013, West Yorkshire Pension Fund (WYPF) prepared a written statement of the authority’s policies in relation to such matters as it considered appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF were expected to achieve.

The Pensions Administration Strategy and Communications Policy were produced last year and approved by Joint Advisory Group (JAG). They would be brought before JAG each year to review and approve, particularly if there were any new regulations and revisions to working practices.

Members were advised that there were no changes to the Pensions Administration Strategy. The Communications Policy had been updated to reflect activities planned for 2019-20.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2019/2020, contained in Document “AD”, be noted.

ACTION: Director, West Yorkshire Pension Fund

45. CIPFA BENCHMARKING REPORTS

Members were reminded that the West Yorkshire Pension Fund participated in the CIPFA Benchmarking Club for Pensions Administration. The report of the Director, West Yorkshire Pension Fund, (**Document “AE”**) provided information about the costs of the Fund’s pensions administration service and compared those costs with other LGPS funds who were part of the CIPFA Benchmarking Club.

It was reported that not all Funds were involved in the Benchmarking club although efforts were made to encourage others to join.

During the current year 33 LGPS funds had reported their administration costs, membership details, workload and staff movements to CIPFA who analysed and reported on the data in comparative tables and graphs. The benchmarking related to the membership administration function of the Fund and did not cover investments. Officers from the Fund had also met with representatives from the

other metropolitan funds to exchange information, share best practice and develop next year's survey.

A summary of results, appended to the report, compared WYPF with all members of the benchmarking club. The Fund had the third lowest annual cost per member, although it was felt that the lowest cost shown was questionable.

It had been concluded that the Fund's unit costs were one of the lowest across all pension funds. Member surveys revealed good levels of satisfaction from different categories of members. WYPF continued to win awards over the years for quality of service and best administration. Overall the administration service was considered effective and low cost, however Members were assured that the Fund would continue to seek efficiencies and savings to squeeze costs further.

Members acknowledged the impressive results in the benchmarking report. It was suggested that the number of experienced staff and the excellent environment within the Fund had contributed to those results.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

46. TRAINING, CONFERENCES AND SEMINARS

Members were reminded that the training of Joint Advisory Group Members to understand their responsibilities and the issues they were dealing with was a very high priority.

The report of the Director, West Yorkshire Pension Fund, (**Document "AF"**) provided details of training courses, conferences and seminars to assist Members. Full details of each event were available at the meeting.

Members were requested to give consideration to attending the training courses, conferences and seminars set out in Document "AF".

No resolution was passed on this item.

Chair

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



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

K

Subject:

Review of the Pension Board policy documents

Summary statement:

Under the Public Service Pensions Act 2013 and the guidance that followed Local Pension Boards are required to produce and maintain a number of key policy documents.

These policy documents are brought to the Board every two years to ensure they accurately reflect the working of the board. The last review of these policies was in April 2017. This report presents the latest version of these policies for them to be formally reviewed/endorsed by the Board.

Recommendations

The Board note this report, consider the number of Pension Board meetings to be held each year when reviewing the Terms of Reference Document and agree the policies.

Rodney Barton
Director

Portfolio:

Phone: (01274) 432317
E-mail: [Rodney Barton@bradford.gov.uk](mailto:Rodney.Barton@bradford.gov.uk)

Overview & Scrutiny Area:

1 Background

- 1.1 The policies were all last reviewed and updated in April 2017, and are attached to this report as appendices.
- 1.2 A request from a Pension Board member has been received to review the number of Pension Board meetings held each year. The current Terms of Reference Document under point 11 currently states:
 - 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.

2. Recommendations

- 2.1 The Board note this report, consider the number of Pension Board meetings to be held each year when reviewing the Terms of Reference Document and agree the policies.

Background Documents

- Appendix A – Terms of Reference
- Appendix B – Conflicts of Interest policy
- Appendix C – Reporting Breaches procedure
- Appendix D – Knowledge and Understanding Framework

Pension Board of City of Bradford Metropolitan District Council for West Yorkshire Pension Fund

Terms of Reference

1. Introduction

- 1.1 City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The Council has established two bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the Council is required to establish a Pension Board. The Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.3 This document sets out the terms of reference for WYPF Pension Board.

2. Objectives

- 2.1 The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:
 - 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS;
 - 2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - 2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and Appointment for Pension Board members

- 4.1 Membership of the Pension Board shall be eight (8) in number. The Pension Board will consist of an equal numbers of member and employer representatives.
- 4.2 Pension Board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

- 5.1 Employers who participate in the Fund will nominate four (4) representatives to sit on the Pension Board as Employer Representatives from the following sources:
- 5.3.1 Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 7.1 below.
- 5.3.2 One (1) representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF
- 6.2 Relevant Trade Unions, who have agreed to represent all categories of the membership, will nominate four (4) representatives to sit on the Pension Board as member representatives.

7. The Chair

- 7.1 The Council as Scheme Manager will appoint one Councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the Chair on the Pension Board
- 7.2 The Chair of the Board shall:
- 7.2.1 ensure that the Board delivers its purpose as set out in these Terms of Reference;

7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and

7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

8.1 Each Pension Board member should endeavour to attend all Pension Board meetings during the year. In the event of consistent non-attendance by any Pension Board member then the tenure of the membership should be reviewed at the next Pension Board meeting.

9. Term of Office/Appointment

9.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

9.2 Upon initial establishment of the Board in 2015 50% of members (comprising of two (2) member representatives and two (2) employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

9.4 Pension Board members may be reappointed without limitation on terms subject to the Pension Board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

10.1 Other than by ceasing to be eligible a Pension Board member may normally only be removed from office during a term of appointment by the agreement of the Board.

10.2 Board membership may be terminated prior to the end of the term of office due to:

10.2.1 A member representative no longer being a representative of the body on which their appointment relied

- 10.2.2 An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
- 10.2.3 A board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.
- 10.2.4 The representative being withdrawn by the nominating body and a replacement identified.
- 10.2.5 A board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
- 10.2.6 A Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.
- 10.2.7 A Board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the Administering Authority under the LGPS regulations.

11. Number of Meetings

- 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.

12. Creation of Working Groups/Sub Boards

The Pension Board may establish sub-committees and working groups as and when required. The Pension Board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The Pension Board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of Conduct and Conflicts of Interest policy

- 13.1 The principles included in the Council's Code of Conduct for Members applies to all member of the Pension Board. The Code of Conduct is set out in Part 4 of the Council's Constitution:
- 13.2 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by

virtue of that person being a member of the scheme or any connected scheme for which the board is established.

13.3 All voting members of the Pensions Board must complete a Declaration of Acceptance of Office Form, and Disclosure of Financial and other interest form.

13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting Rights

14.1 All representatives on the Pension Board have equal voting rights. Decisions made by the Pensions Board shall be on a majority basis. In the event of there not being a majority the Chair shall have the casting vote.

15. Other Attendees

15.1 The Pensions Board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

16. Secretariat Services to the Board

16.1 Pension Board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC "Constitution of the Council and Executive Arrangements". All reasonable costs will be met by the Fund.

17. Agenda

17.1 Prior to each meeting the Director of West Yorkshire Pension Fund will arrange to supply all members of the Board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the Chair.

18. Quorum

18.1 The quorum of the Pension Board shall be three. (Chair plus one employer representative and one member representative).

19. Publication

19.1 In accordance with the Act the Council shall publish information about the Board to include:

- 19.1.1 The names of Board members and their contact details
- 19.1.2 The representation of employers and member on the Board
- 19.1.3 The role of the Board
- 19.1.4 These Terms of Reference

20. Allowances/Expenses

No member or representative of the Pension Board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Board and attending training events, shall be reimbursed to all members and the cost will be met by the Fund.

21. Knowledge and Understanding and Capacity of Representative Members

21.1 Every individual who is a member of the Pension Board must be conversant with:

- 21.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and
- 21.1.2 the requirements of the Pensions Regulator; and
- 21.1.3 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and have knowledge and understanding of:
 - the law relating to pensions; and
 - such other matters as may be prescribed.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

- 22.1 The Board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the Board may attend a Joint Advisory Group meeting as an observer.
- 22.2 The Board should report any concerns over a decision made by the Joint Advisory Group subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.
- 22.3 On receipt of a report the Joint Advisory Group shall within a reasonable period, consider and respond to the Board.
- 22.4 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
- 22.5 Where the Board is satisfied that there has been a breach of regulation which has been reported to the Joint Advisory Group and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
- 22.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

23. Budget

The Pension Board is to be provided with adequate resources to fulfil its role. The Council will allocate an annual budget to cover the expenses of the board.

24. Core Functions:

- 24.1 The first core function of the Board is to assist the Council in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.
- 24.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.
- 24.3 In support of its core functions the Board may make a request for information to the Joint Advisory Group with regard to any aspect of the Council's

function. Any such request should be reasonably complied with in both scope and timing.

- 24.4 In support of its core functions the Board may make recommendations to the Joint Advisory Group which should be considered and a response made to the Board on the outcome within a reasonable period of time.

25. Data Protection

- 25.1 The Pensions Board is considered a committee of and part of the Council's legal entity. The Council is and remains the data controller responsible for DPA compliance, including for processing carried out by the Pension Board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

- 25.2 The Pension Board will therefore adhere to the data protection policies of the Council.

26. Review of Terms of Reference

- 26.1 These Terms of reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every two (2) years.

- 26.2 These terms of reference were adopted on:

20th March 2015 - On behalf of the Council (Governance and Audit Committee)

.....
On behalf of the Board

West Yorkshire Pension Fund

Conflicts of Interest Policy

1. Introduction

- 1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.
- 1.3 This is the Conflicts of Interest Policy of the West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the WYPF whether directly or in an advisory capacity.
- 1.4 This Conflicts of Interest Policy is established to guide Joint Advisory Group, Investment Advisory Panel, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

2. Aims and Objectives

- 2.1 In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:
 - all staff and Joint Advisory Group, Investment Advisory Panel and Pension Board members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them

- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

3. Application of this policy

- 3.1 This Conflicts of Interest Policy applies to all Joint Advisory Group, Investment Advisory Panel and Pension Board member, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF Management Team.
- 3.2 This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.
- 3.3 The Director - WYPF will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.
- 3.4 This Policy also applies to all advisers and suppliers to the Fund, whether advising the Joint Advisory Group, Investment Advisory Panel, Pension Board or Fund officers, in relation to their role in advising or supplying the Fund.
- 3.5 In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.
- 3.6 In accepting any role covered by this Policy, those individuals agree that they must:
- acknowledge any potential conflict of interest they may have;
 - be open with the Administering Authority on any conflicts of interest they may have;
 - adopt practical solutions to managing those conflicts; and
 - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

- 4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

5. Other administering Authority Requirements

- 5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:
- Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
 - employees who are required to adhere to the CBMDC Employees' Code of Conduct
 - advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

6. What is a Conflict or potential Conflict and how will it be managed?

- 6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
- at the same time, has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility.

An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

- 6.2 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.
- 6.3 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

7. Responsibility

- 7.1 The Administering Authority for the WYPF Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director - WYPF is the designated individual for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

8. Operational procedures

8.1 Declaration at Appointment

- 8.1.1 On appointment to their role all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the Pension Fund's Register of Conflicts of Interest.

8.2 Declaration at Meetings

- 8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts.

8.2.2 These will be recorded in the Fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director - WYPF to the Chair of every meeting prior to that meeting.

8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and the Director - WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Director - WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the Chair of that meeting. The Director - WYPF, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Director - WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the Fund's Register of Conflicts of Interest.

8.3 Annual Declaration

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration.

8.4 Conduct at Meetings

8.4.1 There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Joint Advisory Group or Investment advisory Panel meeting, and that this will be recorded in the minutes.

9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to Director - WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as Administering Authority
- notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of Conflicts of Interest.

10. Monitoring and reporting

10.1 The Fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition information relating to conflicts of interest will be published in the Fund's Annual Report and Accounts.

10.2 In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

11. Key Risks

11.1 The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Director - WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required.

The key risks are:

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

12.1 All costs related to the operation and implementation of this Policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Appendix 1

Legislation, Regulation and Guidance on Conflicts of Interest

The requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. The Scheme Advisory Board (SAB) has issued guidance relating to pension boards including section on Conflicts of Interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code. The code can be viewed at:

www.thepensionsregulator.gov.uk/guidance/guidance-conflicts-of-interest.aspx

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (set out below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all staff in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy.

The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Information about these requirements can be viewed at:

www.actuaries.org.uk/regulation/pages/conflicts_of_interest

Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Appendix 2

Other Administering Authority Requirements

In addition to the requirements of this Policy, Joint Advisory Group, Investment Advisory Panel and Pension Board members and co-opted members (including non-voting co-opted members) are required to adhere to the CBMDC Members' Code of Conduct or the CBMDC Code of Conduct for Employees.

Pension Board Members

In addition to the requirements of this Policy, Pension Board members are required to adhere to the Terms of Reference of the Pension Board.

Employees

In addition to the requirements of this Policy, officers of CBMDC are required to adhere to the CBMDC Code of Conduct for Employees.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to CBMDC or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the WYPF and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person, or organisation as is appointed to advise the Investment advisory Panel, Joint Advisory Group or Fund officers as long as there is no conflict of interest between the two roles.

The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these must be shared with the Fund.

Appendix 3

Examples of potential Conflicts of Interest

- a) An elected member on the Joint Advisory Group or Investment Advisory Panel is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.
- b) A member of the Joint Advisory Group or Investment Advisory Panel is on the board of a Fund Manager that is being considered for appointment.
- c) An officer of the Fund or member of the Joint Advisory Group or Investment Advisory Panel accepts a dinner invitation from a service provider who has submitted a bid as part of a tender process.
- d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) An officer of the Fund is asked to provide guidance to the Pension Board on the background to an item considered at the Joint Advisory Group or Investment Advisory Panel. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that item.
- g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- h) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, providing assistance with monitoring the covenant of employers.
- k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Joint Advisory Group, Investment Advisory Panel or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their

functions as a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board.

West Yorkshire Pension Fund

Reporting Breaches Procedure

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the West Yorkshire Pension Fund (WYPF), the Local Government Pension Scheme managed and administered by City of Bradford MDC, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This procedure applies, in the main, to:
- all members of the Joint Advisory Group, Investment Advisory Panel and Pension Board;
 - all officers involved in the management of the Pension Fund;
 - any professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - officers of employers participating in the West Yorkshire Pension Fund who are responsible for pension matters.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is

reasonably practicable where that person has 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.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

3 Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the West Yorkshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, and avoid placing any reliance on others to report a breach. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents

- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/ukxi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<https://www.lgpsregs.org/>
- The Pensions Regulator's Code of Practice:
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Director – WYPF provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Director - WYPF, a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

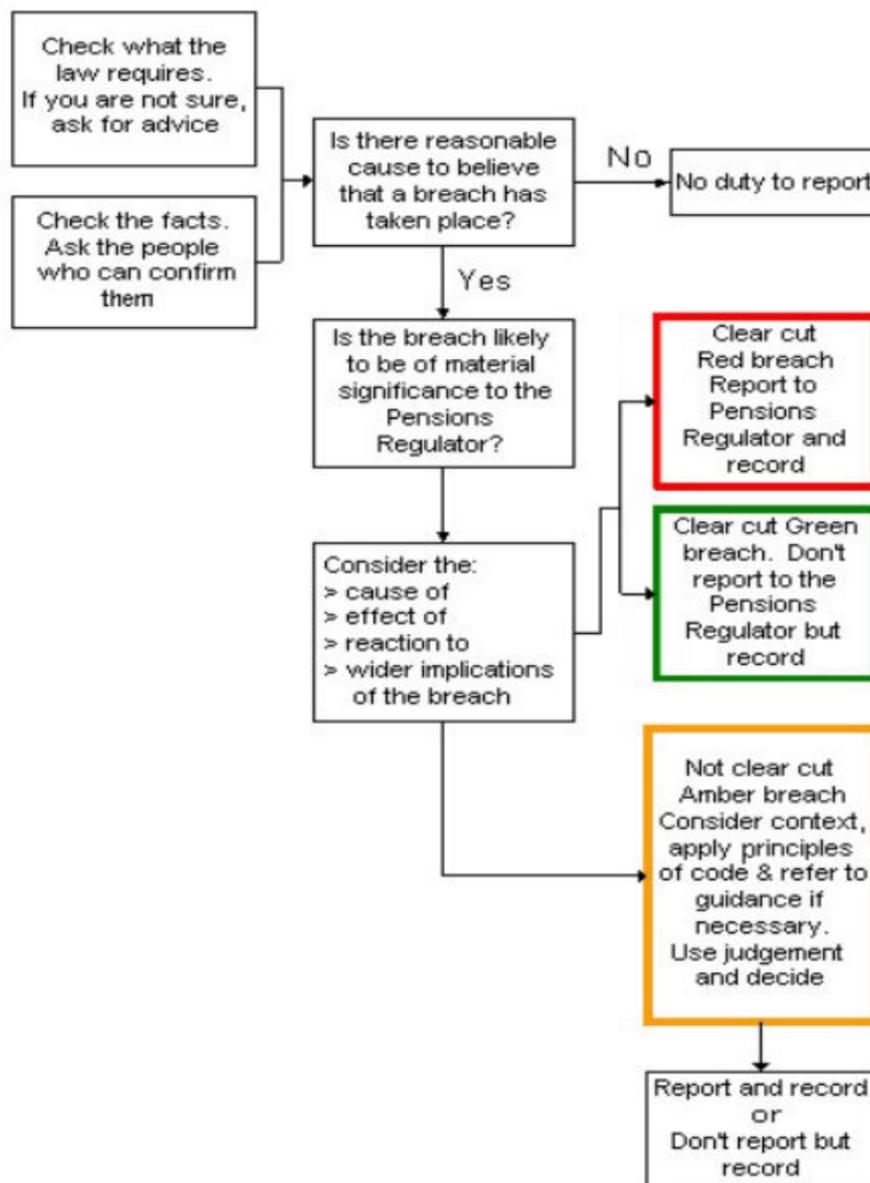
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);

- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure. Individuals should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

- 3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

Director – WYPF is designated to ensure this procedure is appropriately followed. The Director is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Director – WYPF at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Director - WYPF is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any officer if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Director - WYPF may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board, Joint Advisory Group, Investment Advisory Panel or Management meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report, nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied

by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 **Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 **Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Director – WYPF. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be reported to the next Joint Advisory Group meeting, and this will also be shared with the Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (West Yorkshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is City of Bradford MDC).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (10041078) ; and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Joint Advisory Group and Pension Board

A report will be presented to the Joint Advisory Group and Pension Board setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or continuing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate. It may be changed as a result of legal or regulatory changes, evolving best practice and review of the effectiveness of the procedure.

Appendix A

1. Determining whether a breach is likely to be of material significance

1.1 To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

2. The cause of the breach

2.1 Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

2.2 When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

3. The effect of the breach

3.1 Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Joint Advisory Group, Investment Advisory panel or Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.

- Conflicts of interest of Joint Advisory Group, Investment Advisory panel or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

4. The reaction to the breach

4.1 A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

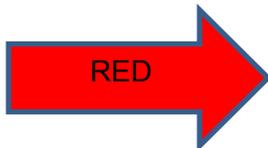
5. The wider implications of the breach

5.1 Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right.

You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance.

These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx>

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

West Yorkshire Pension Fund Pension Board

Knowledge and understanding framework

1. Legislative requirements

- 1.1. In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:
 - the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
 - any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.
- 1.2. Board members should also have knowledge and understanding of:
 - the law relating to pensions, and
 - such other matters as may be prescribed.
- 1.3. Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.
- 1.4. Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.
- 1.5. Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.
- 1.6. The Scheme Manager is required to maintain and develop the framework.

2. Degree of knowledge and understanding

- 2.1. Being conversant with the rules of the LGPS and any documents recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.
- 2.2. Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.
- 2.3. The rules of the LPGA include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the Transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

- 2.4. To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to serve for further full terms in accordance with the Terms of Reference.

3. Induction training

As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004

The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector toolkit compulsory learning modules.

The nine Essential Learning for Trustees compulsory models test Pension Board member knowledge in the following areas:

- Introducing pension schemes
- The trustee's role
- Running a scheme
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans. Contributions and funding principles
- Investment in a defined benefit scheme

The seven Public Sector Toolkit compulsory modules test Pension Board member knowledge in the following key areas:

- Conflicts of Interest
- Managing Risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

The Pensions Regulator's website is

www.thepensionsregulator.gov.uk/public-service-schemes.aspx

A document which will help identify training needs and be used to record and reflect on the training once completed can be found at

www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning_needs.doc

4. Training

- 4.1. Board members are expected to attend regular training events.
- 4.2. In addition to the Pensions Regulator Toolkit. Pension Board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.
- 4.3. Training will be delivered through a variety of methods including:
 - in-house training days provided by officers and/or external providers
 - training as part of meetings provided by officers and/or external advisers
 - external training events
 - circulation of reading material
 - attendance at seminars and conferences offered by industry-wide bodies, and
 - links to online training.

5. CIPFA Knowledge and Skills Framework

- 5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework
- 5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions These are:
 - Pensions legislative and governance context
 - Pensions accounting and auditing standards
 - Financial services procurement and relationship management
 - Investment performance and risk management
 - Financial markets and products knowledge
 - Actuarial methods, standards and practices.
- 5.3 Training Needs Analysis can be used to help assist Board members and the scheme managers to identify areas of the CIPFA Knowledge and understanding framework where training is required.

Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	www.wypf.org.uk
Relevant policies	
https://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx	
Conflicts of Interest Policy	
Internal Dispute Resolution Procedure	
Reporting of Breaches Procedure	
WYPF policy statements	
https://www.wypf.org.uk/Member/Publications/PolicyStatements/WYPF/PolicyStatements_WYPF_Index.aspx	
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	Supplied on request
Others	
WYPF Risk Register	Supplied on request
Annual Report and Accounts	https://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

L

Subject: Local Government Pension Scheme update

Summary statement:

This report updates the Members on changes to the Local Government Pension Scheme 2014 and provides information on associated issues.

Recommendations

It is recommended that Members note this report.

Rodney Barton
Director

Portfolio:

Report Contact: Tracy Weaver
Phone: (01274) 433571
E-mail: tracy.weaver@wypf.org.uk

Overview & Scrutiny Area:

1 BACKGROUND

- 1.1 The career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014.
- 1.2 The LGPS continues to develop and undergo changes and is also affected by changes to overriding legislation.
- 1.3 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”.
- The requirement to refund any surplus on a Scheme employer ceasing its participation in the Local Government Pension Scheme.

2 Consultation on technical amendments to benefits

- 2.1 On 3 October 2018 Ministry of Housing Communities & Local Government (MHCLG) issued a policy consultation on technical amendments. This looked at 3 areas:
 - Survivor benefits – introducing changes to provide that pensions paid to survivors of civil partnerships or same-sex marriages will be equal to those provided to widows of male members.
 - Introducing a general power for MHCLG to issue statutory guidance.
 - Correcting an unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer’s consent from age 55, with the appropriate reduction for early payment.
- 2.2 The closing date for this consultation was 29 November 2018.
- 2.3 MHCLG also undertook a separate technical consultation on draft amendment regulations to give effect to the changes outlined above.
- 2.4 WYPF responded to this consultation on 29 November 2018, stating that we welcomed changes, however, made the following additional comments:

- WYPF supports the proposal to equalise survivor benefits payable to same sex married and civil partners with those paid to widows. However, WYPF would also suggest that the benefits payable to widowers should also be equalised, which would remove the risk of legal challenges in the future.
- WYPF agrees it would be useful to provide more flexibility in the way statutory guidance can be issued to LGPS administering authorities. However, WYPF feel this power should be restricted to matters in relation to member administration and any amendments to the LGPS Regulations to allow this would need to clearly state under what circumstances this power could be used and be subject to a robust consultation process.

WYPF supports this change which aims to correct an error in the LGPS (Amendment) Regulations 2018 to provide that the need for an employer to give consent is removed when a member who left with deferred benefits before 1 April 1998 and is aged between 55 and 59, chooses early payment of their benefits

3.0 The LGPS (Miscellaneous Amendment) Regulations 2018

- 3.1 The LGPS (Miscellaneous Amendment) Regulations 2018 were laid before Parliament on 18 December 2018 and came into force on 10 January 2019, however the changes in respect of early payment of deferred benefits are effective from 17 April 2018. The amendment in respect of payments to a surviving civil partner are effective from 5 December 2005.
- 3.2 Following a statement from MHCLG WYPF had already anticipated the correction to the early payment of deferred benefits provision and minimal action is required.
- 3.3 WYPF are reviewing its beneficiary records to see if any beneficiaries are affected by these changes in regulations. Where necessary benefits will be recalculated and arrears paid back to the relevant date.

4.0 Consultation on Fair Deal – Strengthening pension protection

- 4.1 On 10 January 2019 MHCLG issued a consultation on Fair Deal – Strengthening pension protection.
- 4.2 This consultation seeks views on proposals to amend the rules of the LGPS that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer. The proposals include a new approach to achieve this, the ‘deemed employer’, as an alternative to obtaining admission body status. The consultation also includes proposals that would automatically transfer assets and liabilities when employers in the Scheme are involved in a merger or takeover.
- 4.3 The consultation closes on 4 April 2019 and WYPF will be preparing its response in due course.

5.0 Current Issues

- 5.1 (i) Budget 2018 and reduction to Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate.

On 29 October, the Chancellor of the Exchequer, Philip Hammond, presented the 2018 Budget setting out the government's plans for the economy and public finances. This included an announcement relating to public service pension schemes, which confirmed as expected the reduction of the SCAPE discount rate to 2.4% plus CPI, indicating an increased cost to employers of providing pensions in the long-term.

The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all of the public service pension schemes

(ii) Impact on actuarial guidance -Transfer calculations

As the reduced rate was effective from 29 October this meant that some non-club transfers, some interfund calculations and all cash equivalent transfer value calculations for divorce had to be put on hold until new transfer factors were issued. The new factors for transfers out were issued on 19 November 2018 and calculations recommenced.

(iii) Other actuarial guidance

MHCLG also confirmed that the remainder of the scheme's actuarial factors will be amended for the reduction in the SCAPE discount rate in due course. On 8 January 2019 revised factors were issued for non-club transfers in, early retirement reductions, trivial commutation, pension credits and pension debits.

5.2 Section 13 report published

On 27 September 2018, MHCLG published the first statutory review of the LGPS under section 13 of the Public Service Pensions Act 2013. The department is required to report on the Scheme every three years; this report covers the period up to 2016. The Government Actuary reported that in aggregate, the LGPS is in a strong financial position and funds have made significant progress since the 2013 valuation.

5.3 SF3 data published

Ministry of Housing, Communities & Local Government (MHCLG) have published "Local government pension scheme funds for England and Wales: 2017 to 2018" (SF3) statistics. Highlights include:

- Total expenditure was £12.7 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18 there was a like-for-like increase of £0.8 billion or 7.4% on 2016-17.
- Total income was £17.4 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18, there was a like-for-like increase of £3.0 billion or 21.4% on 2016-17. This is mainly due to an increase in employer contributions in 2017-18.
- Employer contributions amounted to £9.5 billion, up 27.7% on 2016-17, and employee contributions to the scheme were £2.1 billion. Employer contributions increased due to some large upfront pension contribution payments (deficit contributions) by some employers and higher contribution rates following the triennial valuation.

- The market value of the Scheme at the end of March 2018 was £270.9 billion, an increase of £12.1 billion or 4.7%.
- Membership encompassed 5.8 million people at the end of March 2018 (5.6 million 31 March 2017). Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.1 million are former employees who are entitled to a pension at some time in the future.
- The number of people leaving the Scheme due to redundancy reduced by 19.9% from 2016-17 to 10,847. A number of funds reported there were special redundancy exercises or restructuring in 2016-17 and that the large reduction in 2017-18 was a consequence of that.

5.4 Harvey v Haringey and MHCLG judgment

On 30 October 2018, in the High Court Mr Justice Julian Knowles handed down his judgment on the above case. The case relates to the non-payment of a cohabiting partner's pension where the member left the LGPS before 1 April 2008.

Ms Harvey maintained that the Council's refusal to pay her a pension was discriminatory and in violation of the European Convention on Human Rights. Mr Justice Julian Knowles found in favour of Haringey Council and MHCLG and dismissed the application for judicial review.

In his judgment Mr Justice Julian Knowles states the central and core justification running throughout this case is that spouses in the 1997 Scheme and cohabitants of 2008 Scheme members are entitled to a pension because it was costed into the relevant Schemes and paid for. Where a member left before April 2008 the member did not pay for a cohabitee to receive a benefit, nor was it otherwise costed into the 1997 Scheme.

5.5 Refund of Contributions

The LGPS Regulations 2013 require that a member who left the scheme after 31/03/2014 and who are only entitled to a preserved refund have a 5 year deadline for claiming the payment.

As the 5 year deadline is approaching various options on how these cases should be dealt with was discussed at the LGPC's National LGPS Technical Group Meeting of 28 September 2018. WYPF's preference is to get the member to claim their refund or another alternative option before the 5 year deadline.

Where the refund is not paid, leaving the money in the fund will mean that these cases will have to be reported as a breach in law, and in certain circumstances may be classed as an unauthorised payment when eventually claimed, resulting in additional tax for the members and the Fund. WYPF are looking at this area with a view to discharge the liability by paying the refunds into a Client account held by HSBC.

5.6 High Court ruling on GMP equalisation

On 26 October 2018, Mr Justice Morgan handed down judgment in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods.

Concerns have been raised as to the impact on Public Service Pension Schemes and HM Treasury has confirmed that this judgement “does not impact on the current method used to achieve equalisation and indexation in public service pension schemes”

5.7 Analysis of the LGPS Academy Sector

GAD has now published the work commissioned by MHCLG and DfE to review the treatment of academies within the Local Government Pension Scheme. In particular, GAD was asked to gather evidence on the variation in treatment of academies within and across different LGPS Funds. Data from the most recently completed valuations as at 31 March 2016 was obtained for this purpose. A copy of the report can be found at www.gov.uk/government/publications/academies-lgps-pension-arrangements

5.8 Third tier employers

At the SAB meeting on 27 June 2018, Aon presented members with a summary of the final draft report commissioned by SAB, to review the current issues in relation to third tier employers participating in LGPS funds in England and Wales. On 24 September 2018, SAB published this report on their website.

The report does not make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved. SAB will now establish a small working group to evaluate the options for change. The working group will report to SAB later this year with a set of recommendations for further consideration.

Once approved, stakeholders will be given the opportunity to comment on SAB’s recommendations before any formal approach is made to MHCLG for changes to the scheme regulations and guidance.

5.9 HM Treasury statement on quadrennial scheme valuation of public service pension schemes

On 6 September 2018, in a Written Ministerial Statement the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial national scheme valuation of public service pension schemes.

Please note that this should not to be confused with local fund valuation. However, discussions with MHCLG and actuarial advisers will be taking place in due course to consider the implications of this change for local fund valuations.

5.10 HM Treasury Employer Cost Cap

For the unfunded schemes, initial results from the HMT Employer Cost Cap (ECC) process show that their members will get improved pension benefits over the period April 2019 to March 2023. In addition, due to the proposed changes to the SCAPE discount rate, which is used to assess the current cost of future payments from public service pension schemes (excluding LGPS), early indications are also that the amount employers pay into the unfunded schemes will need to increase.

In the case of the funded LGPS in England and Wales, the Scheme Advisory Board England & Wales (SAB E&W) operates an additional cost cap process (called the Scheme Advisory Board Future Service Cost (FSC) process). In accordance with agreed policy, the FSC will be allowed to complete before the ECC is tested.

5.11 Scheme Advisory Board (SAB) Cost Management process

On 21 December 2018 SAB provided an update on its cost management process, as the outcome was a total scheme future service cost of 19% against the target of 19.5%. The SAB had submitted recommendations to the Secretary of State on benefit improvements and employee contribution reductions.

On that same day it was reported that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the 'McCloud case'.

Following the judgment, on 30 January 2019 the Government published a written statement that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court.

On 8 February 2019, SAB confirmed it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost management process (either the LGPS process or HMT process) from 1 April 2019. This situation will be reviewed once McCloud is resolved which is not expected for some months.

5.12 September 2018 rate of CPI

The Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%. Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year. Confirmation has been received from the Government that revaluation and pensions increase for April 2019 will apply in the LGPS at a rate of 2.4%.

5.13 Scheme Advisory Board – Good Governance in the LGPS

The Scheme Advisory Board have appointed Hymans Robertson to carry out a piece of work which will consider options for enhancing LGPS governance arrangements to ensure the scheme is ready for the challenges ahead and at the same time retains local democratic accountability.

Hymans Robertson will facilitate a consultation with key stakeholders, which will include issuing surveys, arranging interviews, organising seminars and discussions at various LGPS events, and will then report back to the SAB on options for change in the summer.

6.0 **Recommendation**

It is recommended that the Joint Advisory Group note the report.



Report of the Director, West Yorkshire Pension Fund to the meeting West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

M

Subject: 2019 Actuarial Valuation

Summary statement:

The next triennial actuarial valuation of the Fund will be prepared based on the situation at 31 March 2019, and will determine the level of employers' contributions from April 2020 onwards.

Recommendation

That this report is noted.

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Caroline Blackburn
Technical and Development Manager
Phone: (01274) 434523
E-mail: caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area:

1. SUMMARY

This report provides the Pension Board with a summary of the proposed approach to the actuarial valuation at 31 March 2019 by the Fund's actuary.

2. BACKGROUND

2.1 In accordance with the Local Government Pension Scheme Regulations the Fund is subject to an actuarial valuation by its appointed consulting actuary at 31 March 2019.

2.2 The main aims of carrying out an actuarial valuation of the Fund are to:

- Review the financial position of the fund,
- Determine the employers contribution rates; and
- Ensure that the legal requirements in relation to the actuarial valuation are met.

2.3 The Fund will work with the Funds Actuary to try and ensure, wherever possible, any changes to employer's contributions are minimal, to enable accurate budgeting by employers. This is consistent with the Regulations, which specify that the actuary must have regard to the desirability of maintaining as nearly constant a common rate as possible.

2.4 Meetings will be held once the valuation process has started to discuss the assumptions to be used by the Actuary in calculating the valuation of the Fund.

2.5 The last actuarial valuation at 31 March 2016 resulted in a funding level of 94%, with employers paying the aggregate employer future service contribution rate of 16.2% of pensionable pay. In addition some employers were required to pay additional monetary contributions to cover any deficits to restore the funding ratio to 100% using a recovery period of 22 years.

2.6 The contributions payable by each Employer or group of Employers may differ because they allow for each Employer's particular membership profile, funding ratio, assumptions and recovery periods appropriate to their circumstances.

3. Approach to the Valuation at 31 March 2019

3.1 The aim is 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 is the assumed rate of investment return.

3.2 Data needs to be submitted to the actuary by the Fund in summer 2019. Employers have been reminded that meeting the deadline for the year end returns is essential, as this will ensure that the data submitted to the actuary is as accurate as possible.

- 3.3 Under the Aon's risk based approach there are three key decisions to be made in relation to each employer in the Fund (in practice many employers can be grouped together for these decisions). These are:
- The solvency target for each employer.
 - The trajectory period for each employer (i.e. when you want to reach the solvency target).
 - The required probability of funding success i.e. how likely do you wish it to be that you achieve the solvency target by the end of the trajectory period.
- 3.4 The aim will continue to be to achieve 100% funding in due course.
- 3.5 The objective will be to maintain as steady a contribution rate for the main employers as is possible, as stated in 3.1. For the other employers there will be slightly differing approaches.
- 3.6 Unfortunately, the amount assessed by the Actuary as required to meet cost of paying benefits ("the liabilities") is likely to have increased. This is due to the low interest rate environment which has persisted much longer than most people expected.
- 3.9 The Funding Strategy Statement will be reviewed and employers formally consulted prior to the actuary issuing the results.
- 3.10 The Rates and Adjustments certificate, which will form part of the 2019 Actuarial Valuation, will set employers' contributions to be paid from 1st April 2020.

4. Training

- 4.1 The Actuary provided actuarial valuation training to members of the Joint Advisory Group, Investment Advisory Panel and Pension Board on 31 January 2019.

5. Section 13 Report

- 5.1 The Government Actuary (GAD) has been appointed by the Ministry of Housing Communities and Local Government (MHCLG) to report under section 13 of the Public Service Pensions Act 2013 in connection with the Local Government Pension Scheme (LGPS)
- 5.2 Section 13 of the Public Service Pensions Act 2013 requires the person appointed, Government Actuary in the case of the LGPS, to report on whether four main aims are achieved, every three years
- compliance: whether the fund's valuation is in accordance with the scheme regulations
 - consistency: whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS
 - solvency: whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund

- long term cost efficiency: whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost-efficiency of the scheme, so far as relating to the pension fund

5.3 The results from the review of the 2016 valuation were issued in September 18 and GAD reported that in aggregate the LGPS is in a strong financial position and funds have made significant progress since the 2013 valuation (a dry run exercise was carried out on the 2013 valuation results).

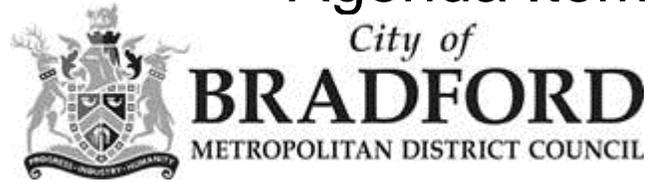
5.4 WYPF was assessed against a number of metrics, which it passed, however the Fund was flagged as amber under GAD's asset shock metric. GAD have included a comment in the report about Metropolitan funds being more likely to trigger on the asset shock metric but whilst they acknowledge that this isn't due to differences in investment strategies, they don't really seem to have considered what the cause might be.

5.5 All four Actuarial firms have some concerns about the report and have issued a joint letter to Cllr Phillips as Chair of the Scheme Advisory board about their concerns. These concerns relate to GAD's

- lack of recognition of the LGPS's updated financial position and outlook;
- approach to engagement during the process;
- interpretation of consistency as applied to LGPS funding plans; and
- understanding of LGPS funding plans and expectation of how deficit recovery plans should be set.

6. Recommendation

6.1 That this report is noted.



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

N

Subject: Member early retirement pension estimates

Summary statement: A member of the pension board has requested an item to be included on the agenda to address the following statement: “the removal of estimates for members who are age 55 and above, which are no longer available on request, is proving problematic for members”.

Recommendation: That the Pension Board:

- acknowledges the workload caused by requests for early retirement pension estimates following changes to the pension regulations
- acknowledges the changes being implemented to the process for dealing with estimate requests
- notes the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter
- and welcomes the planned review of working practices after the ABS exercise is completed.

Rodney Barton
Director

Portfolio:

Report Contact: Grace Kitchen
Phone: (01274) 43 4266
E-mail:
grace.kitchen@bradford.gov.uk

Overview & Scrutiny Area:

1. Summary

- 1.1 WYPF have revised the working practices surrounding the provision of early retirement estimates (specifically), to enable it to prioritise those members who are intending to retire immediately, as opposed to those who have no immediate plans to retire.

2. Background

- 2.1 On average, over 22,000 pieces of work are handled by the Service Centre each month, of which in December 2018, 650 were estimates and 3157 were retirements.
- 2.2 In April 2014 the pension regulations changed and 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 has always provided all age 65, redundancy and ill health retirement estimates for employers, using accurate pensionable pay provided by the employers. The changes resulted in an increase in the number of requests from employers for early retirement estimates.
- 2.3 Scheme members increasingly began asking WYPF directly for early retirement estimates rather than go through their employer. WYPF still had to request the pensionable pay from the employers, resulting in delays in both the provision of pensionable pay and the production of estimate calculations, as demand rose.
- 2.4 In July 2016 at the regular meeting between WYPF and the 5 largest employers of the fund, the estimate situation was discussed. Employers were concerned by the high volume of requests for pay that they were receiving from WYPF to calculate early retirement estimates, and consequent delays in the production of the estimates which they had requested, which they saw as a high priority, being for redundancy, ill health, etc.
- 2.5 WYPF, in turn, had issues with employers requesting estimates for individuals using multiple dates of possible retirement and multiple reasons for retirement. Some requests were also being received for dates so far in the future they would be affected by pay awards or the annual CPI adjustment, so the figures would be inaccurate. Meanwhile, the requests for estimates directly from scheme members continued to increase.
- 2.6 To keep urgent and relevant estimates being produced in a timely manner, WYPF and the large employers agreed the following solutions, on a trial basis:
 - Wherever possible, WYPF would refer the member to look at their last Annual Benefit Statement (ABS) as these provided relatively accurate figures and information of benefits to be paid, where the statement had been produced within the last 6 months.
 - Produce a modeller for our website which both members and employers could use to calculate an estimate. This would be subject to Civica being able to deliver.

- Stop producing estimates for different months within the same year where change to the benefits would be insignificant, and limit estimates to one a year per member (given they also receive an ABS).
- Employers stop requesting estimates for all 3 tiers under ill health – conditions of ill health retirement are clearly defined by tier, and tier cannot be selected based on the estimate.

2.7 At the October 2016 meeting with the larger employers, the estimate situation was reviewed. Aspects of the calculations within the system were still unreliable (the supplier was still working on a solution) so employers couldn't use it; the volume of estimate requests was still very high and causing turnaround delays; the employers were unhappy at the volume of pensionable pay requests being sent to them; the mooted introduction of an 'exit payments cap' by DCLG further complicated the situation which in turn resulted in WYPF being unable to produce estimates for retirement dates beyond the end of March 2017, when the changes were supposed to be introduced. To reduce the workload for employers, WYPF agreed to stop requesting pensionable pay from them, where the last pay figure on a members' record looked 'reasonable' to use in an estimate calculation.

2.8 In April/May 2017 WYPF began production of the ABS's. This prompted some members to ask for variations of estimates at different dates. In an effort to keep up with the demand for estimates, and to keep all other work areas in production, WYPF re-organised the staff within the Service Centre splitting them into different functionalization teams to strengthen work production in each subject area. This began in August 2017 and completed in October 2017.

2.9 On 14th May 2017, without any consultation, an amendment to the regulations was issued allowing deferred members to take reduced deferred benefits from age 55. Unsurprisingly, as soon as members were notified, requests for estimates flooded in. Within 2 weeks WYPF had received over 700 requests. A system was immediately set up to control this work. Members were sent a copy of their last ABS, and informed that it might be 3 months before we could provide an estimate due to the high demand. They were provided with examples of reduction percentages, suggesting that members apply these to their ABS figures to give them an idea of how much they were likely to receive.

2.10 In April 2018 we began the production of the active members ABS's. The number of requests for early retirement estimates was still increasing, as were the outstanding estimates for deferred members. A similar control was applied to the active member requests as the one applied to the deferred members from September. Active members were told that if they were intending to retire within the next 6 months they should request an estimate through their employer so that accurate pay could be used in the calculation. Depending on an individuals' circumstances, we have supplied the estimate on request.

2.11 Roughly 56,500 members were aged 55 plus in December 2018, about a quarter of all members. Given this number, WYPF has to manage the way work is dealt with, when demanded by members approaching WYPF directly to ensure those whose circumstances demand it receive the information in a timely manner.

2.12 Other administrators are in a similar position regarding increased and multiple requests from members directly, and some of them have introduced a charge after

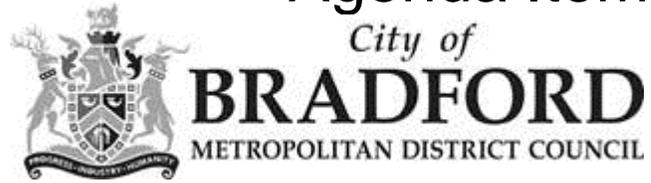
one free estimate.

3. Recent Developments

- 3.1 In November it was announced that the Government Actuaries Department (GAD) were to issue new reduction factors around February/March 2019, affecting early retirement figures.
- 3.2 On 9th January 2019 the new factors were issued, but applicable from 8th January 2019. Retirements on the payroll being paid the following day had to be recalculated and the factors applied to the calculation system immediately. WYPF's in-house team were able to update the system within 2 days.
- 3.3 Production of ABS's commences in April 2019, which have been redesigned to provide retirement figures to the end of March 2019, at age 55 (or current age if over 55), at age 60 and at age 65.
- 3.4 Providing comprehensive information in the ABS should reduce the demand for estimates considerably, which will enable WYPF to respond to requests where a member is planning to retire in a timely manner.
- 3.5 WYPF will review its processes and practice in the light of experience after the ABSs have been issued.
- 3.6 A meeting took place between WYPF and Civica, the software supplier, on 26th February 2019 to review progress on the new Member Web, which will host a 'modeller' where members will be able to do their own retirement calculation. This should also reduce the need for member's to request estimates. This is expected to go live in the next quarter.

4. Recommendation

- 4.1 That the Pension Board:
 - acknowledges the workload caused by requests for early retirement pension estimates following changes to the pension regulations
 - acknowledges the changes being implemented to the process for dealing with estimate requests
 - notes the comprehensive information in the Annual Benefit Statements (ABS) which will go to all members next quarter
 - and welcomes the planned review of working practices after the ABS exercise is completed.



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

O

Subject: Cyber Security

Summary statement:

Cyber attacks and threats are one of the biggest challenge organisations, like WYPF, face today. Cyber attacks in recent times have become more specialised and criminals are focusing now on using deceptive techniques to target individuals.

This growing trend of attacks have resulted in significant damages to organisations that not only includes financial losses and operational disruptions, but also significant reputational damage. In the light of current regulation (e.g. the new General Data Protection Regulation), these risks become particularly relevant for organisations that store financial information and personal identifiable information about individuals, as is the case for WYPF.

Cyber readiness of WYPF (led by Bradford Council) is 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

Recommendation

It is recommended that the report is noted.

Rodney Barton
Director

Portfolio

Report Contact Yunus Gajra
Phone: (01274) 432343
Email: Yunus.gajra@wypf.org.uk

Overview & Scrutiny Area

1. **Background**

- 1.1 Cyber-attacks in the UK have risen by 300 per cent in 2017 compared with a 151 per cent increase worldwide. In addition, National Crime Agency figures showed that Ransomware attacks – where businesses or individuals have to pay to get their data back – have also increased.
- 1.2 Cyber security consists of technologies, processes and controls designed to protect systems, networks and data from cyber attacks. Effective cyber security reduces the risk of cyber attacks and protects against the unauthorised exploitation of systems, networks and technologies.

2. **Why is cyber security important?**

- 2.1 With the EU GDPR (General Data Protection Regulations) now in force, organisations could be faced with fines of up to €20 million or 4% of annual global turnover for certain infractions. There are also non-financial costs to be considered, such as reputational damage and loss of customer trust.
- 2.2 Cyber attacks have become more sophisticated with attackers using an ever-growing variety of tactics to exploit vulnerabilities, such as social engineering, malware and ransomware.

3. **What are the consequences of a cyber attack?**

- 3.1 Cyber attacks can disrupt and cause considerable financial and reputational damage to even the most resilient organisation like WYPF. If we suffer a cyber attack, we stand to lose assets, reputation and business, as well as, potentially, fines and litigation.

4. **Types of cyber security threats**

4.1 Ransomware

One of the fastest growing forms of cyber attack, ransomware, is a type of malware that demands payment after encrypting the victim's files, making them inaccessible. Paying the ransom does not guarantee the recovery of all encrypted data.

4.2 Phishing

Phishing attacks are continually on the rise. Often indistinguishable from genuine emails, text messages or phone calls, these scams can inflict enormous damage on organisations.

Bradford Council captures and blocks approximately 65,000 spam emails each month to prevent them from arriving in inboxes but the originators of these types of email are constantly evolving their methods and despite us being up to date with the latest IT security systems and filters occasionally staff may still receive one. Some of these emails are easy to identify because they have odd looking subject titles or sender email addresses, however, some spam emails are less easy to detect and even when opened can look legitimate.

4.3 Malware

Malware is a broad term used to describe any file or programme intended to harm a computer, and encompasses trojans, social engineering, worms, viruses and spyware.

4.4 Social Engineering

Social engineering is used to deceive and manipulate victims to gain computer access. This is achieved by tricking users into clicking malicious links or by physically gaining access to a computer through deception.

Attached at Appendix A is a report from a project carried out on behalf of Bradford Council by Coventry University to assess the cyber security readiness of the Council by conducting a vulnerability testing exercise that targeted cyber awareness of the workforce and their ability to make informed decisions when dealing with potential cyber security tests. The findings from this project demonstrate that businesses and councils are increasingly susceptible to cyber attacks by social engineering techniques.

4.5 Outdated Software

The use of outdated (unpatched) or unsupported software (e.g. Microsoft XP) opens up opportunities for criminal hackers to take advantage of known vulnerabilities that can bring entire systems down.

4.6 Vulnerabilities in web applications and networks

Cyber criminals are constantly identifying new vulnerabilities in systems, networks or applications to exploit. These activities are conducted via automated attacks and can affect anyone, anywhere

5.0 Elements of Cyber Security

5.1 Application Security

Web application vulnerabilities are a common point of intrusion for cyber criminals. As applications play an increasingly critical role in business, organisations urgently need to focus on web application security to protect their customers, their interests and their assets. WYPF's applications are thoroughly tested and access is by user registration and passwords.

5.2 Information security

Information is at the heart of our business, whether it's business records, personal data or intellectual property. ISO 27001:2013 (ISO 27001) is the international standard that provides the specification for a best-practice information security management system (ISMS). WYPF has started work towards gaining accreditation for this standard.

5.3 Network Security

Network security is the process of protecting the usability and integrity of your network and data. This is usually achieved by conducting a network penetration test, which aims to assess our network for vulnerabilities and security issues in servers,

hosts, devices and network services. Regular installation of patches is done by Bradford Council to ensure that any bugs are fixed. WYPF has successfully carried out penetration testing on our systems.

5.4 Business Continuity Planning

Business continuity planning (BCP) involves being prepared for disruption by identifying potential threats early and analysing how day-to-day operations may be affected. WYPF has a full BCP in place.

5.5 End-user education

Human error remains the leading cause of data breaches, Bradford Council has a number of IT policies in place to ensure that every employee is aware of the potential threats they face, whether it's a phishing email, sharing passwords or using an insecure network. Staff are required to undergo mandatory security training annually.

5.6 Investment in Infrastructure

Support for some of the equipment is due to expire by 2020 and it is vital that Bradford Council as well as WYPF make the necessary investment to ensure security risks are minimised. Examples of equipment that are currently on the WYPF/Bradford Council schedule to be replaced are move from Windows Server 2008 to Windows Server 2012 or 2016, and the upgrade of WYPF server hardware and infrastructure which is 5-7 years old.

Bradford Council have a programme to implement Windows 10 by 2020. WYPF are involved as early implementers and have recently received some Windows 10 PC's which we will be testing. WYPF has identified servers that need replacing and are at an early stage of procuring replacement hardware.

5.7 Best practice

Appendix B gives some useful information on cyber security and best practice, most of which has been implemented by the Council but some for WYPF to consider and action.

6 Recommendations

It is recommended that the report is noted.

7 Appendix

Appendix A - Social Engineering

Appendix B - Bradford Council security update



JUNE 2018

Social Engineering

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PREPARED BY:

DR ANITHA CHINNASWAMY, SENIOR LECTURER IN CYBER SECURITY MANAGEMENT

DR ALEXEIS GARCIA-PEREZ, READER IN CYBER SECURITY MANAGEMENT

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CENTRE FOR BUSINESS IN SOCIETY, COVENTRY BUSINESS SCHOOL



Executive Summary

Cyberattacks and threats are the biggest challenge organisations face today. With digital transformations and advancement, these organisations are constantly having to focus on managing risks and reduce the cost of cybercrimes. However, cyberattacks in recent times have become more specialised and criminals are focusing now on using deceptive techniques to target individuals. This growing trend of attack patterns have significant damages to an organisation that not only includes financial losses and operational disruptions, but also a significant reputational damage. In the light of current regulation (e.g. the new General Data Protection Regulation), these risks become particularly relevant for organisations that store financial information and personal identifiable information about individuals, as it is the case for the City of Bradford Metropolitan District Council. Cyber readiness of the Council is therefore vital in aiding the readiness to detect, prevent, contain and respond to evolving threats in the digital environment, which have had a severe effect in similar institutions.

The objectives of this project was to:

Assess the cyber security readiness of the council by conducting a vulnerability testing exercise that targeted cyber awareness of the workforce and their ability to make informed decisions when dealing with potential cyber security threats.

The findings from this project:

demonstrate that businesses and councils are increasingly susceptible to cyber attacks by social engineering techniques. These attacks have the potential to steal the council's intellectual property, distribute viruses on computers, hold the organisation to ransom and cause disruption to the IT infrastructure.

Key vulnerabilities have been identified which allow cyber criminals to gain access to virtually any section of the data and information held by the Council, from council tax payment details to children and adults receiving specific services from the council. Recommendations are then made to address these vulnerabilities.

CONTENTS

02	Executive Summary
04	Background
06	City of Bradford Metropolitan District council
08	Social Engineering
12	Phish Email 1
16	Phish Email 2
18	Rogue Calls
20	Conclusion
21	Recommendation



Background

Today most organisations face the threat of cyber-attacks. A recent survey found that nearly 9 out of 10 large organisations suffered some form of cyber security breach in 2015. Since then, cyber security incidents have not only increased in number but also become more sophisticated. The cyber security attacks can cause significant damage to the performance and reputation of an organisation.

Threats are dynamic and can either be classified as technical and non-technical (or human factors). Historically, the data breaches that are widely reported are typically carried out by outsiders i.e. external threats. It is only recently, however, that attention is being paid to the risk of insider threats. These are the threats that are more difficult to prevent, as a majority of the times, these data breaches by the insiders may be unintentional.

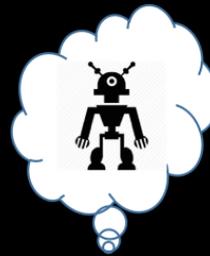
As the Council have confidence on the resilience of its technical infrastructure, this exercise has been set out to explore the cybersecurity awareness and resilience of its workforce. This has been tested through a series of social engineering techniques played by Coventry University in order to lead the Council staff to grant access to potentially sensible information about individuals within the Bradford community.

Cyber Security Threat Vectors

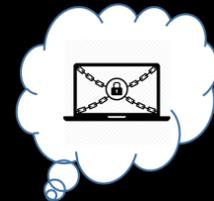
System & Software Vulnerabilities - A weakness in a product refers to any type of weakness, and we can term it overall as a bug.



Bot Attacks - A "bot" is a type of malware that allows an attacker to take control over an affected computer.



Phishing – Emails received pretending to be from reputable sources in order to trick a user to part with sensitive information such as passwords



Ransomware - a type of malware that prevents or limits users from accessing their system, either by locking the system's screen or by locking the users' files unless a ransom is paid.

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

City of Bradford Metropolitan District Council (CBMDC) is the local authority of the City of Bradford in West Yorkshire, England. It is a metropolitan district council, one of five in West Yorkshire and one of 36 in the metropolitan counties of England, and provides the majority of local government services in Bradford.

CBMDC provides a variety of public services and hence obtain and stores a large volume of information assets. The council recognizes the value and importance of its information resources, and its statutory obligations to protect them against theft, corruption or loss.

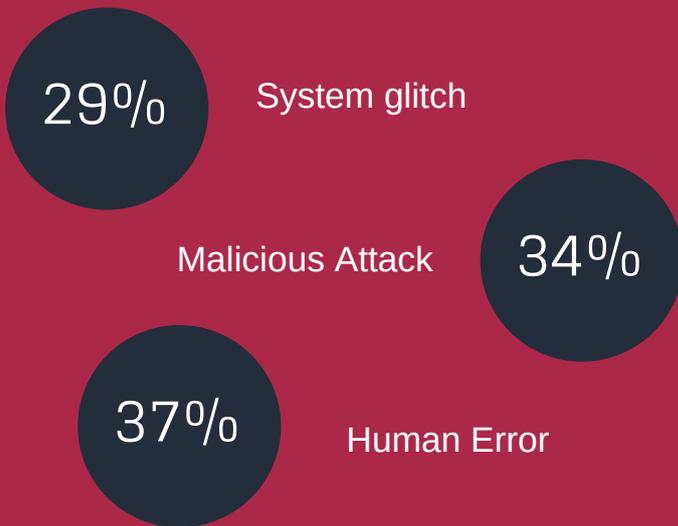
However, cyberattacks are becoming more specialised and concentrated in nature, and targeting specific organisations and individuals. With attack patterns becoming more directed, it is imperative to understand the nature of threats and the risks for the council.

RISKS

Cyber security is largely perceived as the domain of specialist IT professionals, but it is vital to understand that cyber security needs to be managed across organisations and not restrict it only to the IT department. Often, many of the risks stem from people who have either been careless, ignorant or malicious and badly designed processes rather than from technology.



A study by Ponemon Institute in 2013 revealed the following causes for security incidents:



THE HUMAN ELEMENT

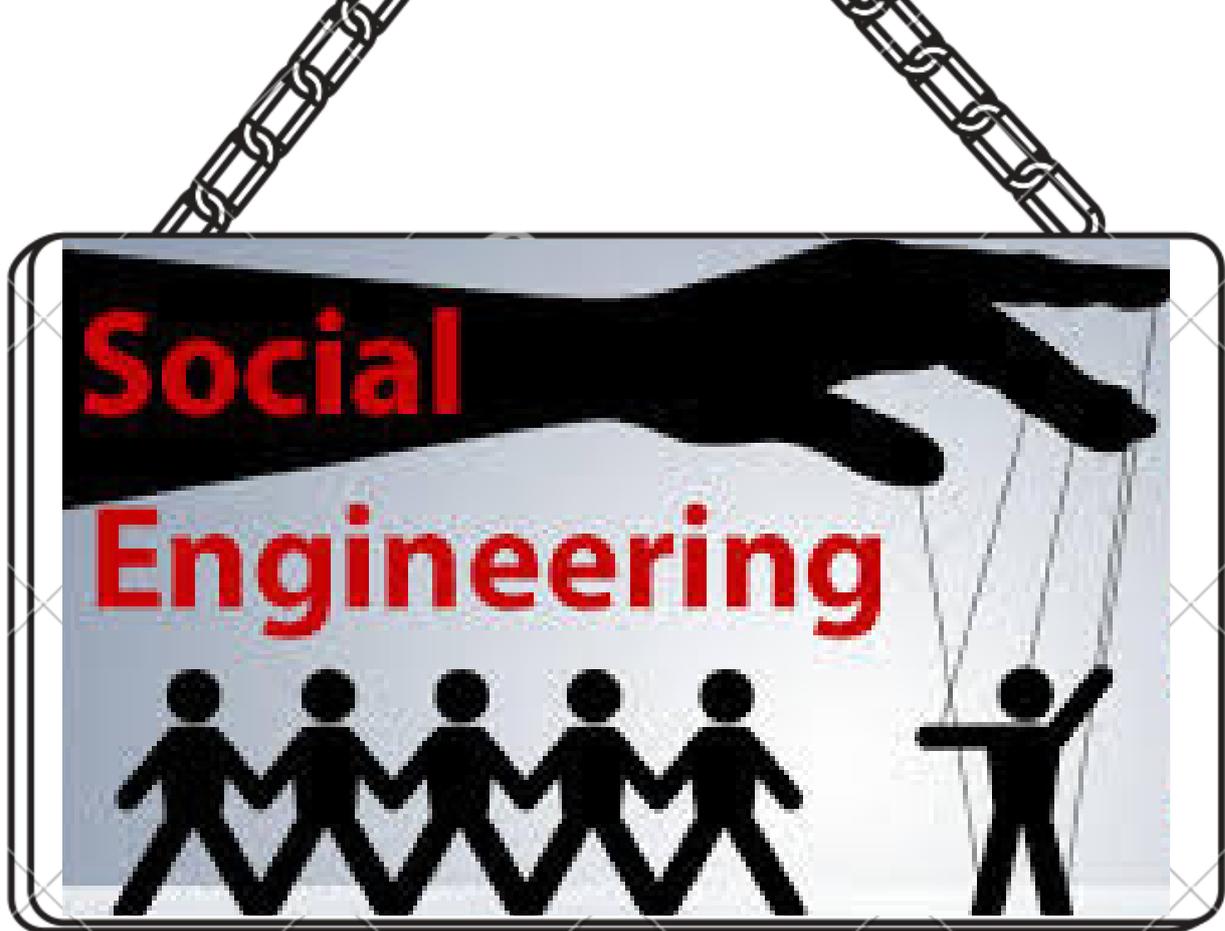
The big data breaches at target in 2013 and JP Morgan in 2014 came as a result of employees falling for 'phishing' scams rather than clever hackers finding a sophisticated way into corporate networks. The human element accounts for the majority of data leaks and security breaches, yet it is often overlooked by inadequate security systems.

CYBER READINESS

Cyber security readiness is not just about technology but also includes people and business processes, hence, in order for CBMDC to combat these risks, a continuous cyber security risk assessment strategy is required.

To this aim, this project aims to implement a cyber security monitoring exercise that serves to both understand the current cyber security readiness level of the CBMDC and also set the basis for the future implementation of cyber security risk assessment and strategy.

The objectives are to assess how staff are protecting their network passwords and other sensitive information, that could be used to gain unauthorised access to the CBMDC IT network and systems, to gain a better understanding and statistical data of one of the main risks faced by the Council - so that it can ensure more targeted training and awareness and more informed risk management.



- The term social engineering is defined as “the act of manipulating a person to take an action that may or may not be in the target’s best interest”
- Social Engineering is increasingly the most prolific means of obtaining sensitive information that is of use to an attacker.
- This usually involves manipulating individuals to induce them to carry out some specific action to divulge information and does not require a large amount of technical knowledge.
- Attacks may vary from bulk phishing emails that deliver malicious software (malware) that enables an attacker to gain information, commit fraud and/or obtain access to secure systems.
- This may only be only a part of a multi-layered tailored attack that will almost be indistinguishable from genuine interactions.
- As social engineering works on manipulating human behavioural traits and preys on human psychology, the technical solutions to guard against these attacks are limited.

PHISHING

Phishing is the fraudulent attempt to steal personal or sensitive information by masquerading as a well-known or trusted contact. Whilst email phishing is the most common, phishing attacks can also be conducted via phone calls, text messages and fax, as well as other methods of communication, including social media.

Phishing emails often ask the user to follow a link to a website or open an attachment. When asked to click on a link, it may be designed so that the text the victim clicks on appears to be for a known website, but the link takes them to a completely different website (a technique known as obfuscation). At the website, the victim will then be asked to enter confidential information or may unknowingly download a file which will subsequently infect their machine with malware. Likewise, any attachment on a phishing email is likely to contain malware.



ATTACK ON MULTIPLE FRONTS

A determined attacker may adopt a multi-layered approach along with additional techniques to increase their target's trust, or confusion, in order to maximise the chance of success.

Whilst somewhat indiscriminate, an attacker could begin dialling random numbers within an organisation claiming to be IT support (potentially using a real name from the IT support department gleaned from social media) until they eventually find a victim that does have an IT issue.

In their attempt to solve the problem, they will trick the user into giving them login, password or other information that will be useful in compromising their computer.





IMPACTS

The impact of cyberattacks can be severe leading to:

- **Disruption of business processes**
- **Theft of intellectual property/sensitive data**
- **Reputational damage**
- **Financial loss**
- **Employee morale**
- **Regulatory non-compliance**



METHODS

Attackers are adopting various systems and methodologies that increases the likelihood of an attack to take place. The top attacks include email based phishing attacks, malware/ransomware, web based applications and other social engineering techniques that exploit the vulnerabilities within the system. Although the IT security teams strive to prevent intruders from gaining access to a system, little can be done to avert insider attacks and social engineering techniques.

Hence, to assess the council's vulnerability and identify any security gaps, a social engineering exercise was carried out that included:

- Phishing emails sent to staff across the council
- USB sticks left on desks
- Rouge customer calls to Revenues and Benefits helpdesk
- IT rogue desk calls made to obtain access to systems.

EXERCISE 1 - PHISHING EMAIL TEMPLATE 1

Phishing email sent to a cross-section of CBMDC staff. Contains link or dummy malicious payload. Captures how many staff members click the link or run the payload. Attempts to capture (in a fully secure way) sensitive information such as network passwords. University developed a capture web site, dummy malicious payload and email structure. Council provided details of mailboxes to send to.

Template one was an email designed to 'Request to update information' to the staff. This prompted the user that IT services was updating records and hence staff were to click on the link and update information. The sender id was masked to appear coming from IT Services itservices@bradford-gov.uk, while the actual IT Services email is itservices@bradford.gov.uk.

Request to update your information



IT Services <itservices@bradford-gov.uk>

Tuesday, 23 January 2018 at 11:41

To: ○ Anitha Chinnaswamy

Anitha,

IT Services are updating our records so that we are able to provide relevant information to you, therefore

We would like you to update your information:

[UPDATE NOW](#)

If the link above doesn't work, you can copy and paste the following into your browser or just click on the link below:

<http://bradford-gov.uk/south.cloudapp.azure.com/update>

Those who update their information will be entered into a prize draw to win the New Apple iPad courtesy of The Broadway Shopping Centre.

Many thanks

IT Services

6th Floor, Britannia House, Bradford, BD1 1HX

City of Bradford Metropolitan District Council
Department of Corporate Services

IT Services *'Defining the future of IT'*

This email, and any attachments, may contain Protected or Restricted information and is intended solely for the individual to whom it is addressed. It may contain sensitive or protectively marked material and should be handled accordingly. If this email has been misdirected, please notify the author immediately. If you are not the intended recipient you must not disclose, distribute, copy, print or rely on any of the information contained in it or attached, and all copies must be deleted immediately. Whilst we take reasonable steps to try to identify any software viruses, any attachments to this email may nevertheless contain viruses which our anti-virus software has failed to identify. You should therefore carry out your own anti-virus checks before opening any documents. Bradford Council will not accept any liability for damage caused by computer viruses emanating from any attachment or other document supplied with this email. Emails may be subject to recording and / or monitoring in accordance with relevant legislation.

A total number of 1,846 phishing emails were sent to a selection of 1,495 email addresses provided by the Council.

1846

Requests in total were made

98%

of the emails were received by the Council staff

28%

521 Unique clicks

OVERVIEW

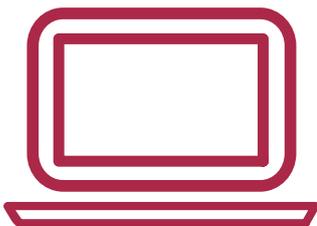
521 of those were read by the recipient, meaning that 28% of emails sent (potentially by a cyber criminal) were successful in being read by council staff.

The client type used and the statistics by department is also provided here.

CLIENT TYPE

Staff read the email on:

70.55%



Desktop

13.24%



Phone

9.82%



Others

5.94%



Tablet

0.46%



Webmail

Please note that if an attack based on a phishing email has been carefully designed by a cybercriminal, often it is enough to have one email read by an employee for the criminal to gain access to his/her Council credentials, enabling the criminal to view, modify or delete most of the information that such an employee is normally able to see or use.

FORM DATA

On submission of the update form the entries made by the end user are logged on the server to a separate location. This recorded data includes:

- ♣ Date
- ♣ Time
- ♣ Department
- ♣ Service/Division
- ♣ Post Code

A number (approximately 80) of the record 'POSTS' have invalid data where users have entered misleading or abuse content. 63 of the invalid submissions have duplicated data that occurs from 3:24 until 3:26PM on 6th Feb 2018, with the same data being entered a further three times at 4:46PM. This reduces the value of 'correctly' submitted data to approximately 400 submissions.

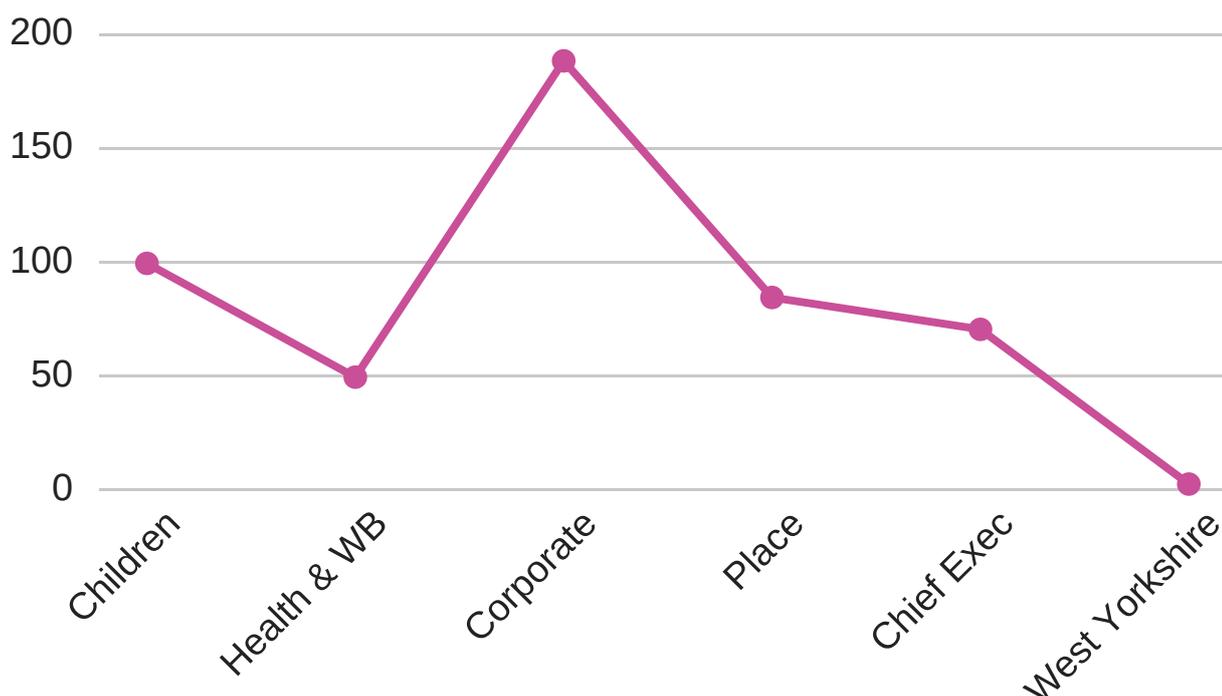


Figure: Submitted Forms by Department

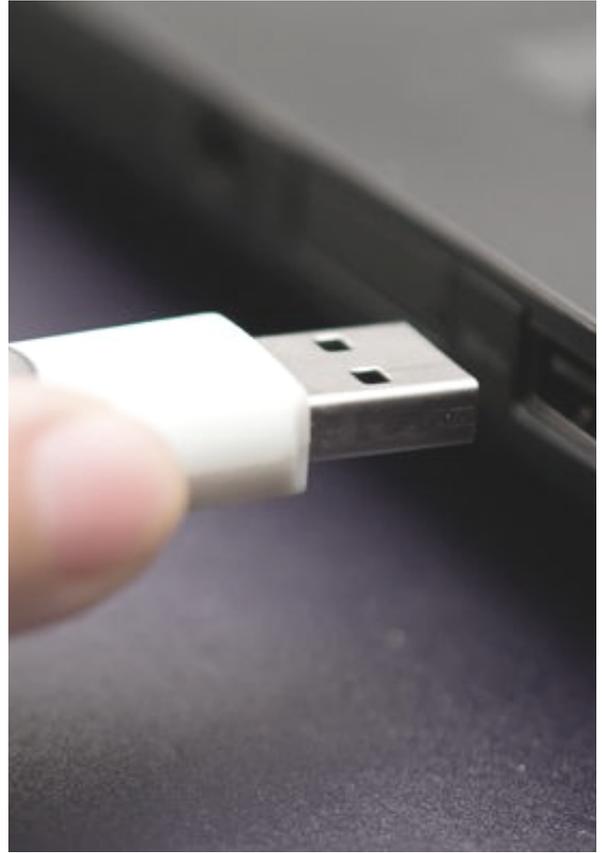
The highest responses were obtained by the Corporate Services with 188 staff responding to the email, followed by Children's services with 99 staff responses, with 84, 70 and 49 responses were Department of Place, Chief Executive and Health & Well being.

Some employees highlighted that the email was spam and contacted the comms team who sent out an email advice to all staff not to open these spam emails. This was on the 6th of February, but between the 7th and the 17th February 2018, 187 staff still went to click the link.

EXERCISE 2 - USB

USB ATTACK

An attacker may also use hardware to bait a target or group of targets. The nature of this type of social engineering means that it is typically only used by more sophisticated attackers against a particular sector, organisation or individual. A common example of baiting is to leave a form of digital media (e.g. a USB flash drive, CD, DVD) unattended, perhaps labelled with something alluring to, and in a location frequented by, the intended victim (like a car park). The intent is that they will pick it up and then use it on a personal or work computer, whereupon that computer is infected with malware. Another form of physical baiting can be at conferences or other events, where the attacker is in a position to hand out free USB drives as gifts, or provide further information on digital media, which is secretly loaded with malware.



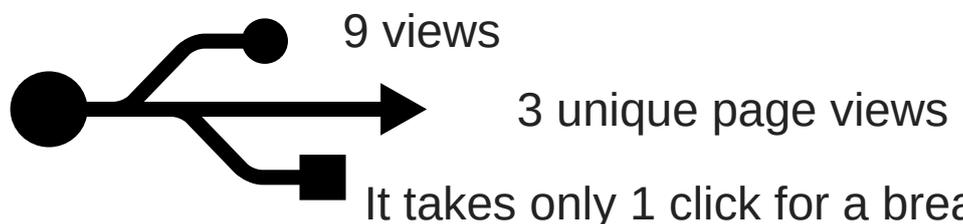
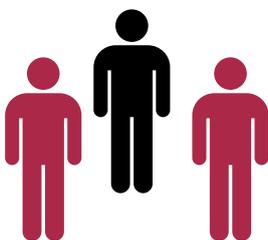
PROCESS

USB sticks were designed with a phony weblink. 25 sticks were placed across 3 buildings in the City Centre offices at random places to see how staff respond. The attachment was entitled: Pay Scales in the Council.txt. This was actually a Web URL link (Pay Scales in the Council.txt.url) that would open the users web browser and take them to the following URL: <http://bradford-gov.uksouth.cloudapp.azure.com/usb/>

Clicking on the link was recorded through the web page. Of the number of USBs that were placed: 17 were returned.

8 are still unaccounted for

9 views were recorded, with 3 staff members clicking on the link.



It takes only 1 click for a breach

Phishing Template 2

EMAIL

The second email template was designed as a 'Staff Satisfaction Survey'. A total number of 1490 email accounts had been supplied, these accounts being split in to 3 groups of users. This email thus prompted users to:

'In order to further improve our employees' satisfaction at work, we are running an employee satisfaction survey which will take a few minutes to complete. Please provide answers to the questions and please do complete as soon as possible.'

The first of the email 'shots' was sent on the 27th Mar 2018, with the second and third following on 30th Mar 2018.

1490 emails were sent and questions included:

- Are you proud to be a Bradford Council Employee?
- Does the council inspire you to do your very best at work?
- Does your council help support you in work life balance?

A drop down box was provided to chose the department staff worked in.

145 members of staff responded to this request.

19 employees sought to raise awareness across the organisation of the potential threat they had received.

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The following analysis highlights the departments at most risk.

The Overall Statistics

98%

of the 1490 requests received by the staff

9.8%

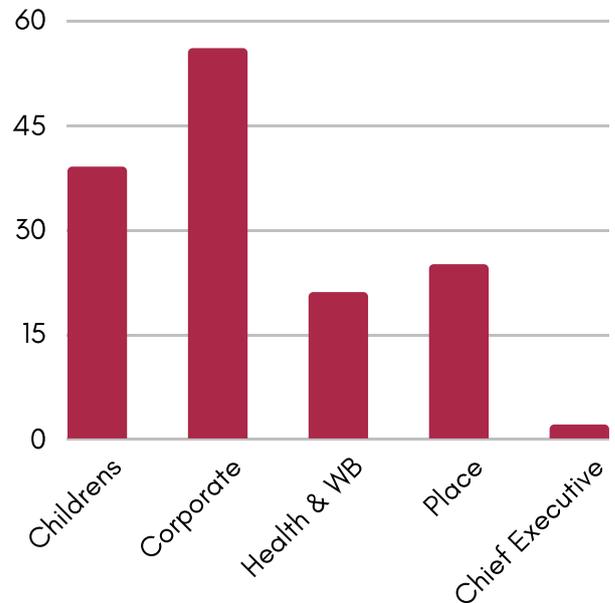
145 Staff members accessed the emails

RESULTS

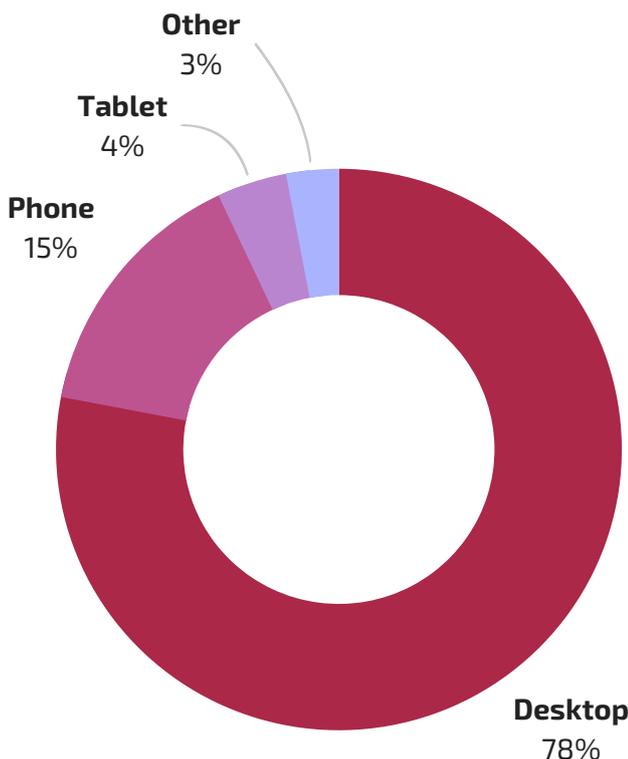
ANALYSIS BY DEPARTMENT

The Department of Corporate Services had the most hits with almost half of the unique link clicks arising from this department. This was closely followed by staff of the Department of Children's services, the Department of Place and Health & Well Being.

The Department of Chief Executive had the lowest with only two members of staff responding to the email,



TECHNOLOGY USED BY COUNCIL STAFF TO ACCESS PHISHING EMAIL



This chart demonstrates the client used to respond to the emails. Desktop was the most widely used indicating that the responses were most likely answered from their desks at work, closely followed by about 15% responding on their phones.

This statistic is important as spam email have identifiers that may be checked on the desktops and harder to notice while on the phones or tablets. .

Rogue Calls



This exercise involved impersonating one of the public members (whose limited details was available on the public domain i.e Initial, Last name and Address only). A call was made at various times/days of the week, to test the robustness of the system and if all the procedures of security was being followed.

12 names were chosen at random, at first it proved difficult to pass the security questions due to limited knowledge of the individuals.

However, on 3 occasions, just with the name and the address, we were able to persuade the staff and:

- a. Obtain the council tax reference number
- b. Change direct debit details
- c. Obtain information on the history of payments

Although this may appear insignificant, most historical social engineering attacks are not just a one-step approach, but a series of steps that lead to gaining inside knowledge resulting in significant data breaches.

"Don't be a victim, know the scams."

For Tax Payer -

No reference number when calling If a person has not got a reference number, correct answers to security questions must be supplied before the call can proceed

- Citizen should verify their full address including the postcode (property and / or contact address) You should also ask at least one of these additional questions ideally in order of sequence.*

- If the citizen claims Council Tax Reduction or Housing Benefit then ask them to confirm their date of birth or NINO.*

- Confirmation of a previous payment amount and method of payment*

- Confirmation of a previous address*

- If a person is claiming a discount, ask them to confirm what this is*

- Time period when they last contacted and what the query was about (Looking at the notepad)*

- When the citizen last sent in or completed an on-line form (URB)*

IT Desk Calls

The Background

A call impersonating to be a member of the IT services team, claiming that unusual activity is noticed on the user's computer and leading them onto typing a phish webpage. This is in order to 'Update' their systems to run software to clean up their computers. Once they type the website, a random reference number is supplied by the caller, and then they are prompted to enter their Login and Password (we of course don't capture it).

They click on 'submit' to be taken to a next page. Here they are asked to enter the details of their:

Department
Name of service/division
Building postcode

They then click on an update button that reads 'Update security software'. They are finally Thanked for updating their software.

A screenshot of a web form titled 'Software Update' from the City of Bradford Metropolitan District Council. The form is labeled 'Step 2:' and contains two input fields: 'Department...' and 'Postcode...'. A green 'Update' button is located at the bottom right of the form. Below the form, there are four small circles, with the first one being green and the others grey. The entire screenshot is framed by a dark red border.

- 15 random members of staff across the council were provided. Calls were made at various times to the staff, however no successful attempt was achieved by this exercise. This may be attributed to
- High awareness of the staff
- Suspicion on the callers demand
- Limited inside knowledge by the callers that put them at a disadvantage.

Conclusions

Information security is often perceived by management as a technology challenge for their organisations. More than an information technology issue, cybersecurity is a system of interrelated elements that interact to protect the confidentiality, integrity and availability of data, information and knowledge of individual citizens, private organisations, local government institutions, and nation states.

Whilst the information technology infrastructure of the City of Bradford Metropolitan District Council is both robust and secure, this exercise has shown that the human element of the system becomes the weakest link in the information security chain. A cybersecurity management strategy therefore becomes an imperative for the City of Bradford Metropolitan District Council to guarantee the privacy of citizens, the resilience of their services and the sustainability of the organisation.

Such a strategy must address at least the following elements:

- The Council's workforce development and capacity building:

Efforts must be made to help staff better understand not only the technology but also the risks associated to the data and information they handle and the implications that any breach may have for the organisation and the individuals affected. Better organisation of the cybersecurity domain within the Council in relation to the various roles and responsibilities, so that every member of the staff and the management board become part of the Council's information security team.

- Legal issues related to the security of the data held and the resilience of the services provided by the Council.

National and international legislation such as GDPR must be understood and made part of the management activity of the council.

- Organisational issues and structures that go beyond a technology department to also include the different roles within the management board and in different teams across the organisation in terms of preparing for, dealing with and recovering from a cyber incident.

- Technical elements.

Although the technology is reliable, it is important that the Council remains aware of the critical data and information that is produced, stored and communicated, so that every effort is made to maintain its security.

Whilst one cybersecurity incident may have devastating consequences for the Council, this study has shown that a coordinated effort is -at present, likely to lead to cybercriminals gaining access to the information technology and management infrastructures of the Council. This is demonstrated by the following statistics:

- 521 individuals (30%) fell victims of the first phishing email. Looking by departments, there were:

- o Corporate Services was the highest with 188 staff responding
- o Followed by Children's services with 99 responses.

- 10% of the individual recipients fell victims of a second phishing email. Statistics by department:

- o Corporate Services had the highest impact with 55 responses
- o Children's services was second largest with 39 responses.

- 9 'infected' memory sticks were accessed by Council staff, with 3 of them opening a potentially infected file.

- With the rogue calls, we had 3 breaches that resulted in access to citizens' data.

RECOMMENDATIONS

Although the findings of this exercise are significant for the different dimensions of the cybersecurity strategy of the City of Bradford Metropolitan District Council, we perceive the initiative as a first stage towards the definition of such a strategy. As such, our recommendations are focused on the need for immediate action in one of the key areas and focus of our project: the human dimension of the system for cybersecurity and resilience of the Council. We therefore recommend a development of the cybersecurity management capabilities within the organisation in two main domains:

The Management Board:

Each member of the Board of Directors has a role to play in the Council's efforts to prepare, deal with, recover and learn from cyberattacks. From the HR director to Communications, Finance and every senior member. Collaboration with an institution that specialises in cybersecurity training is required for the Board not only to understand their roles but also to develop a cybersecurity management strategy that is specific to the information technology and management infrastructures of the council, and to embed such strategy into the daily operation of the organisation. Cybersecurity management training and simulations could be an ideal mechanism for the Management Board to develop over the next six months.

The Workforce:

It is essential that every employee within the Council becomes fully aware of the nature of the data and information resources that they have access to, of the need to protect such resources, the potential threats and the consequences that a cyberattack may have on the organisation and the community of Bradford.

It is also important that every member of the staff recognises the importance of reporting cybersecurity incidents without fear of being penalised, and that they have a mechanism to do so. Every effort must be made to minimise the risk of cybersecurity incidents. A data breach that goes unreported may have devastating consequences in the medium term for the Council and for individuals affected.

To achieve this aim, a multidimensional training and development strategy must be implemented by the Council to include online and face to face sessions that cover each relevant area: legal, technical and organisational.

Concluding remarks:

Given the findings of this project, it is recommended that a relevant cybersecurity training programme and strategy development for the Council be at least initiated within the next 3 to 6 months. The authors, with support from the Coventry University's Centre for Business in Society remain available for further engagement with the Council to address its cybersecurity management needs.

Social engineering constitutes a security risk because it can be used to bypass intrusion detection systems, firewalls, and access control system with the offender taking advantage of people to obtain information or knowledge one should not have.

One of the dangers of social engineering attacks is their harmless and legitimate appearance so that targets are unaware of being victimised. The result of a social engineering attack can be disastrous.

As organisations are becoming more dependent on information technology and technical prevention improves, social engineering will be the greatest threat to any security system.

Security Update



City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

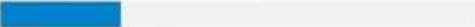
Cyber-attacks in the UK have risen by 300 per cent in 2017 compared with a 151 per cent increase worldwide. In addition, National Crime Agency figures showed that Ransomware attacks – where businesses or individuals have to pay to get their data back – have also increased.

[Guardian Online,](#)

Data Breaches and the State of Data Security

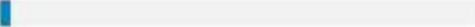
Who's behind the breaches?

75% 
perpetrated by outsiders.

25% 
involved internal actors.

18% 
conducted by state-affiliated actors.

3% 
featured multiple parties.

2% 
involved partners.

51% 
involved organized criminal groups.

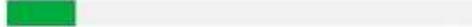
What tactics do they use?

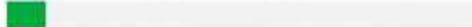
62% 
of breaches featured hacking.

51% 
over half of breaches included malware.

81% 
of hacking-related breaches leveraged either stolen and/or weak passwords.

43% 
were social attacks.

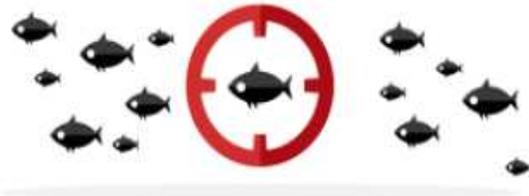
14% 
Errors were causal events in 14% of breaches.
The same proportion involved privilege misuse.

8% 
Physical actions were present in 8% of breaches.



Phishing Attacks

- A 2017 Verizon Data Breach Investigation Report found that:



- Roughly 1 in 14 users was tricked into following a link or opening an attachment.
- 25% of those who fell for a phishing attempt were duped by such tactics more than once.

61%

of the data breach victims in this year's report are businesses with under 1,000 employees.

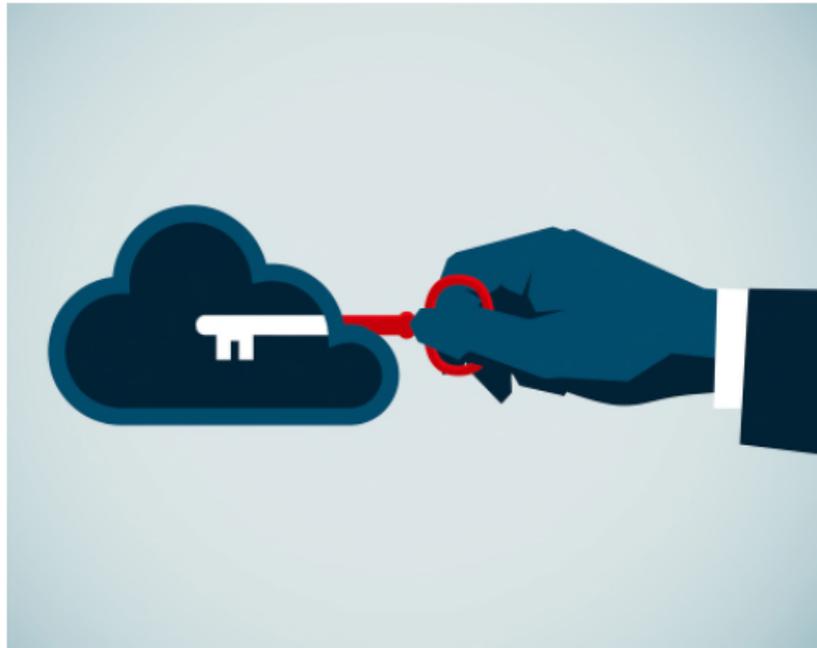
95%

of phishing attacks that led to a breach were followed by some sort of software installation.



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Software Flaws and Vulnerabilities



Recently disclosed chip flaws, known as **Meltdown** and **Spectre**, render data that is stored on chips, including passwords and other sensitive information, vulnerable to exposure.



Best Practices: Information Security Policy

- Practice Data Minimization
- Control Internal and External Access
- Require Authentication
 - ✓ Strong passwords
- Configure Networks Securely
 - ✓ Remote access security
 - ✓ Segmented networks
 - ✓ Safe storage and transmission of sensitive information
- Vet Service Providers' Security Practices
- Establish a Security Protocol
 - ✓ Update procedures and install patches



Best Practices: Security by Design



- Think through data collection practices
 - Daily operation
 - Consumer services
- Identify and locate sensitive information stored by your organization
 - Determine what is needed and who needs access
- Establish multiple layers of security for sensitive information and secure all points of access
- Configure networks to suspend users' credentials after repeated invalid authentication attempts are made
- Securely store physical documents, media, and devices containing sensitive information
- Train employees in security basics
- Establish a protocol and security measures for remote access
- Continuously evaluate security practices and proactively address threats



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**Report of the Director, West Yorkshire Pension Fund,
to the meeting of West Yorkshire Pension Fund
Pension Board to be held on 26 March 2019**

P

**Subject: Update on the Guaranteed Minimum Pension (GMP)
Reconciliation Exercise**

Summary statement:

This report gives an update on the current position regarding the GMP reconciliation exercise

Recommendation

That the Board note the update in this report and acknowledge the potential additional workloads anticipated from this exercise.

Rodney Barton
Director

Phone: (01274) 432317

E-mail:

Rodney.barton@bradford.gov.uk

Report Contact: Yunus Gajra

(01274) 434266

E-mail: Yunus.gajra@bradford.gov.uk

1. Background

- 1.1 An exercise is taking place across the pension industry to reconcile pension information held by all private and public sector pension schemes and Her Majesty's Revenue & Customs (HMRC).
- 1.2 The aim of the GMP Reconciliation Exercise is to ensure that pension schemes hold the correct information regarding members' contracted-out service.
- 1.3 It is important to reconcile the GMP element recorded on our system with that held on the HMRC system, to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.

2.0 The Reconciliation Process

- 2.1 HMRC's starting position is usually that its data is automatically correct (although this is not always the case as we have found) unless the pension fund can prove otherwise. This puts the investigative responsibility and costs fully onto the pension fund. The reconciliation will involve investigative work, reviewing data and benefit accrual.
- 2.2 As part of the process WYPF has registered with HMRC's scheme reconciliation service and has received a data file which lists all active, deferred, and pensioner members totalling 229,144 records.
- 2.3 Unlike some other Funds, WYPF is looking to undertake the exercise fully in house, thereby making substantial savings on costs that are being charged in the market place.

3. Stage 1

- 3.1 We have run a number of reports to enable us to conduct a comparison with the HMRC file and the data held on our pension administration system. This process has provided some headline figures and an early indication of the potential size of the reconciliation issues. This has been used to undertake a baseline reconciliation followed by a more detailed reconciliation/comparison of the results. Early analysis has produced high level results based on data within the Civica pension administration system and data provided by HMRC as indicated below:

Matching Categories	Volumes of Data
Total records received from HMRC	229,144
Members with both a Pension Record and HMRC record but require further investigation	26,793
Members on the HMRC file but no WYPF Pension record found	7,386
Members not on the HMRC file but where our Pension records indicate that there is a contracted out liability	13,219

4. Stage 2

4.1 Information from WYPF system has been uploaded onto the HMRC Workspace area for HMRC to respond to.

4.2 Responses have been received for:

- Members on the HMRC file but no WYPF Pension record found (Not in Scheme)
- Members not on the HMRC file but where our Pension records indicate that there is a contracted out liability (In Scheme - where there is a transfer in – 2056 records)

4.3 It is not expected that all variances will need to be investigated. Guidance has been issued by a working group set up by HM Treasury on the general approach that LGPS Funds should take in GMP Reconciliation. It recommends that the following member data should be reconciled:

- Scheme members who have not yet reached state pension age and who have any service between 6 April 1978 and 5 April 1997
- Non-members who the Pension scheme believe it has already discharged its liability (through, for example, transferring out their benefits to another pension scheme or payment of a refund of contributions).

4.4 The HM Treasury working group also provided the following recommendations on how any discrepancies identified through the reconciliation process should be dealt with:

- Pensioners that have been underpaid should receive their pension arrears in full, with interest in accordance with scheme rules.

- Cases where pensioners have been overpaid should be considered in the context of the overall extent of any overpayments, and a view taken over whether there will be value for money recouping overpayments
- Where discrepancies are small, for example if a service period discrepancy is less than a year, or if the discrepancy in weekly GMP amount is no more than £2, schemes should use the data provided by HMRC in respect of any individuals who have not reached state pension age, or the data held by the scheme in respect of any individuals who have reached state pension age.

4.5 The Local Government Association (LGA) has recommended the following approach to post 5 April 1997 contracted out data:

- Where contracted-out records appear on HMRC records but no corresponding LGPS pension records exist within its fund, LGPS Administering Authorities should investigate all cases
- Where dates of contracted-out service differ, each LGPS Administering Authority should only investigate those cases where in its view there is a significant risk to LGPS benefits or process
- Where contracted out records do not appear on HMRC records but an LGPS pension record exists within the fund, each LGPS Administering Authority should notify HMRC of the discrepancy but only investigate those cases where in its view there is a significant risk to LGPS benefits or process.

5. Stage 3

- 6.1 Once the liabilities have been identified there will need to be a reconciliation of the Pension Payroll, this will require the adjustment of pensions in payment.
- 6.2 As part of this final phase of the project, a communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment.

6. Shared Service Clients

- 6.1 WYPF is also undertaking the reconciliation work for Lincolnshire Pension Fund, Hounslow Pension Fund (at stage 3) and eleven of the fourteen Fire Authorities.

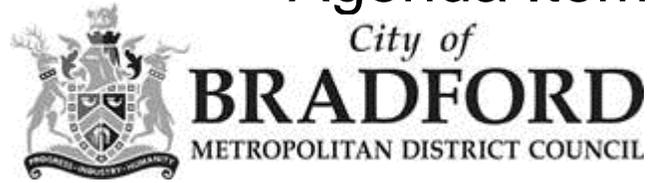
7. Resource Requirements

- 7.1 Currently the project is being managed within the IT team, mainly because of the exchange of bulk information with HMRC. However, staff with pensions and pensions payroll knowledge will soon need to get involved with the project, particularly at the recalculation of pensions stage.
- 7.2 The information contained in this report relates to WYPF members. The same work is being undertaken for Lincolnshire Pension Fund and a number of the Fire Authorities we provide administration for.

7.0 Conclusion

- 7.1 The GMP Reconciliation project has placed additional burden and pressures on the Fund but once records are reconciled it will mean that members are getting the correct benefits resulting from the GMP paid from WYPF and the State pension and also the correct liabilities are taken into account at valuation.

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

Q

Subject: Register of Breaches of Law

Summary statement:

In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has 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 is therefore maintained in accordance with the Pensions Regulators requirements and WYPF Breaches procedure.

Recommendation

It is recommended that the Local Pension Board note the entries on the Register of Breaches of Law.

Rodney Barton
Director

Portfolio

Report Contact Caroline Blackburn
Phone: (01274) 434523
Email: caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area

1. **Background**

1.1 Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to the Pensions Regulator as soon as reasonably practicable where a person has 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.

1.1 This requirement applies to:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

1.2 The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2. **Reporting Breaches Procedure**

2.1 A record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF maintains a record of all reported or unreported breaches.

2.2 The Register of Breaches of Law (reported or otherwise) is provided to each Joint Advisory Group meeting, and this will also be shared with the Pension Board.

3. **Register of Breaches of Law**

3.1 The Register of Breaches of Law can be found at Appendix A.

3.2 The entries on the Register relate 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 not issued by the 31 August.

4. **Recommendations**

- It is recommended that the entries on the Register of Breaches of Law are noted.

5. **Appendix**

- Appendix A - Register of Breaches of Law 2018/2019

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WYPF Breaches of the Law 2018 -2019

Date	Category (eg administration, contributions, funding , investments)	Pensions Regulator code of practice	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported/Not reported	Outcome of report and or investigations	Outstanding Actions
April 2018	Administration - Maintaining contributions	147	<p>Employee contributions deducted from a members pay must be paid to the manager of the scheme, at the latest by the 19th day of the month following deduction or by 22nd day if paid electronically.</p> <p>Please see schedule below for details of employers who failed to make payment by the appropriate date.</p>	Contributions not received by the scheme within the prescribed timescales	<p>Immediate action: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee charged and notified if there are any further late payments they may be reported to the Pensions Regulator.</p> <p>Continuing Action: Employers are closely monitored. Records of each employer who fail to make payment each month are maintained along with details of the number of late payment occasions.</p>	<ul style="list-style-type: none"> • Enviroserve were reported to the Pensions Regulator on the 13th September 2018. • All other late payments have not been report 	All outstanding payments are chased up and all payments received.	None

WYPF Breaches of the Law 2018 -2019

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2018 onwards

Month	Employer	Date contributions due	Date Paid	Value of late contributions	No of times late in last 6 months prior to this month	No of times late in last 12 months prior to this month
April	Leeds College of Music	18/05/18	06/06/18	82566.48	0	0
	Ackworth Parish Council	18/05/18	14/06/18	1466.76	1	1
	Sodexo Ltd	18/05/18	20/06/18	1784.61	0	0
	Caterlink Ltd (Grove Lea Primary School)	18/05/18	10/07/18	80.48	0	0
	Enviroserve (Calder High School)	18/05/18	05/10/18	1,127.85	1	1
	Enviroserve (Victoria Primary Academy)	18/05/18	02/07/18	353.76	5	5
	Enviroserve (Ebor Gardens Primary Academy)	18/05/18	02/07/18	591.35	5	5

May	Carerlink (Grove Lea Primary School)	19/06/18	10/07/18	100.05	1	1
	Leeds Appropriate Adult Service	19/06/18	10/07/18	452.05	0	0
	Enviroserve (Calder High School)	19/06/18	05/10/18	1,127.85	2	2
	Enviroserve (Victoria Primary Academy)	19/06/18	20/11/18	353.76	6	6
	Enviroserve (Ebor Gardens Primary Academy)	19/06/18	09/11/18	591.31	6	6

June	Groundwork Wakefield	19/07/18	25/07/18	3679.74	0	0
	Groundwork Leeds	19/07/18	25/07/18	1541.91	0	4
	Baildon Town Council	19/07/18	24/07/18	1510.14	0	0
	Calderdale College	19/07/18	26/07/18	86679.03	0	0
	Enviroserve (Calder High School)	19/07/18	05/10/18	1,127.85	3	3
	Enviroserve (Victoria Primary Academy)	19/07/18	20/11/18	353.76	6	7
	Enviroserve (Ebor Gardens Primary Academy)	19/07/18	09/11/18	406.19	6	7

WYPF Breaches of the Law 2018 -2019

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2018 onwards

Month	Employer	Date contributions due	Date paid	Value of late contributions	No of times late in last 6 months prior to this month	No of times late in last 12 months prior to this month
July	Pool Parish Council	17/08/18	30/08/18	275.45	0	0
	Compass Contract Services (UK) Ltd (SPTA)	17/08/18	23/08/18	244.52	0	0
	Woodhouse Grove School	17/08/18	22/08/18	676.18	0	1
	Leeds College of Music	17/08/18	22/08/18	76,786.93	1	1
	Compass Contract Services (St John Fisher)	17/08/18	23/08/18	1,340.02	0	0
	Enviroserve (Calder High School)	17/08/18	05/10/18	1,127.85	4	4
	Enviroserve (Victoria Primary Academy)	17/08/18	23/08/18	1340.02	6	8
	Enviroserve (Ebor Gardens Primary Academy)	17/08/18	09/11/18	261.34	6	8
	August	Morley Town Council	19/09/18	10/10/18	226.92	0
Aspens (Featherstone)		19/09/18	05/10/18	178.81	2	5
Aspens (Leeds West)		19/09/18	05/10/18	392.32	2	5
Aspens (Leeds East)		19/09/18	05/10/18	381.43	2	5
Aspens (Oasis Lister Park Academy)		19/09/18	05/10/18	1,023.08	2	5
Aspens (Appleton Academy)		19/09/18	05/10/18	1,258.92	2	5
Waterton Academy Trust		19/09/18	27/09/18	64,067.34	0	0
Enviroserve (Calder High School)		19/09/18	05/10/18	1,127.85	6	5
Enviroserve (Victoria Primary Academy)		19/09/18	20/11/18	353.76	6	9
Enviroserve (Ebor Gardens Primary Academy)		19/09/18	09/11/18	261.34	6	9

WYPF Breaches of the Law 2018 -2019

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2018 onwards

Month	Employer	Date contributions due	Date paid	Value of late contributions	No of times late in last 6 months prior to this month	No of times late in last 12 months prior to this month
September	Catholic Care	19/10/18	22/10/18	376.96	1	1
	Bradford College	19/10/18	22/10/18	140,112.02	0	0
	Horsforth Town Council	19/10/18	25/10/18	520.73	0	0
	Aspens (Featherstone)	19/10/18	7/11/2018	176.14	3	5
	Aspens (Leeds West)	19/10/18	7/11/2018	380.52	3	5
	Aspens (Leeds East)	19/10/18	7/11/2018	428.45	3	5
	Aspens (Oasis Lister Park Academy)	19/10/18	7/11/2018	849.86	3	5
	Aspens (Appleton Academy)	19/10/18	7/11/2018	1315.55	3	5
	Enviroserve (Victoria Primary Academy)	19/10/18	20/11/2018	353.76	6	10
	Enviroserve (Ebor Gardens Primary Academy)	19/10/18	9/11/2018	261.34	6	10
October	Absolute Catering Ltd (Batley MAT)	19/11/18	26/11/18	2292.14		
November	Hepworth Gallery trust	19/12/18	04/01/19	1924.17	0	1
	Elite Cleaning Ltd	19/12/18	Not received		1	1
December	Elite Cleaning Ltd	19/01/19	Not received yet		2	2
	Taylorshaw Ltd Fieldhead Grimes	19/01/19	Not received yet		0	0
	Sitlington Parish Council	19/01/19	24/01/19	621.54	0	0
	Ebor Gardens Primary Academy	19/01/19	30/01/19	4633.92	0	0
	Enviroserve (Calder high)	19/01/19	25/01/19	970.94	6	6
	Enviroserve (Victoria Primary Academy)	19/01/19	Not received yet		6	11
	Enviroserve (Ebor Gardens Primary academy)	19/01/19	Not received yet		6	10

WYPF Breaches of the Law 2018 -2019



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

R

Subject: The Pension Regulators record keeping and data quality requirements

Summary statement:

The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director

Portfolio:

[Insert where appropriate]

Report Contact: Caroline Blackburn
Phone: (01274) 434523
E-mail:
caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

- 1.1 The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.

2. BACKGROUND

- 2.1 In 2018, for the first time, Local Government Pension Funds were required to report on the quality of common and scheme-specific data in their Pension Regulator scheme returns. Funds are required to review their data annually and, where necessary, put in place a data improvement plan which sets out the steps to be taken to address any issues.
- 2.2 There are two types of data that should be measured: common data and key scheme specific (conditional) data.
- Common data are basic data items which are used to identify scheme members. All schemes should hold these for all members.
 - Conditional Data is other data in respect of members and their participation in the scheme.
- 2.3 Schemes are required to measure their data and need to consider if the required data is present and whether it is accurate. Checking the data includes:
- Checking there is data in all the required fields,
 - Consistency checks – data items must be consistent with each other,
 - Validation checks - data must be in a valid format and,
 - Specific processes, for example life certificate exercises, checking members date of birth against birth certificates
- 2.4 As a result a data score is calculated. The Data Score is the percentage of members in the scheme that have been assessed as having fully present and accurate common or scheme specific data.
- 2.5 At November 2018 WYPF Data quality Scores were:
- Common Data: 95.83%
 - Conditional Data: 97.86%
- 2.5 A draft data improvement plan is currently being developed to identify actions to be taken to improve the Data Scores and resolve any incomplete or inaccurate data.

3 RECOMMENDATION

- 3.1 It is recommended that the Local Pension Board note this report.



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

S

Subject: Risk Register

Summary statement:

WYPF maintain a Risk register which contain 45 risks that have been identified and framed into scenarios. The risks have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line.

Information on 5 risks from the 22 above their tolerance levels is included in this report so that the Pensions Board can ensure adequate Management Action Plans are in place to monitor those risks.

Recommendation

It is recommended that the 5 risks and action plans to manage and mitigate them are noted.

Rodney Barton
Director

Portfolio

Report Contact Yunus Gajra
Phone: (01274) 432343
Email: Yunus.gajra@wypf.org.uk

Overview & Scrutiny Area

1. Background

- 1.1 WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.
- 1.2 WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.
- 1.3 As part of a regular review by the Senior Management Team, 45 risks have been identified and framed into scenarios. The risks identified have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line.
- 1.4 Management Action Plans (MAPs) are agreed for the risks above the tolerance levels which include target and critical success factors to allow the risks to be monitored.

2. Top Risks

- 2.1 The Pensions Board will receive information on 5 risks from the 22 above their tolerance levels at each of their meetings so that they can ensure that adequate management Action Plans are in place to monitor those risks.

- Risk 6 Council elections could bring about a change in change of Investment Panel, JAG and Pension Board members
- Risk 21 Greater level of support expected by district councils than other employers
- Risk 22 Recruitment and retention of experienced staff
- Risk 41 Pressure on General Fund (employers)
- Risk 10 Improved Pensions and Investments systems are not developed and adopted

3. Risk register

- 3.1 The full Risk Register can be found at Appendix A.

4. Recommendations

- It is recommended that the 5 risks and action plans to manage and mitigate them are noted.

5. Appendix

WYPF Departmental Risk Management and Opportunities Report

Introduction

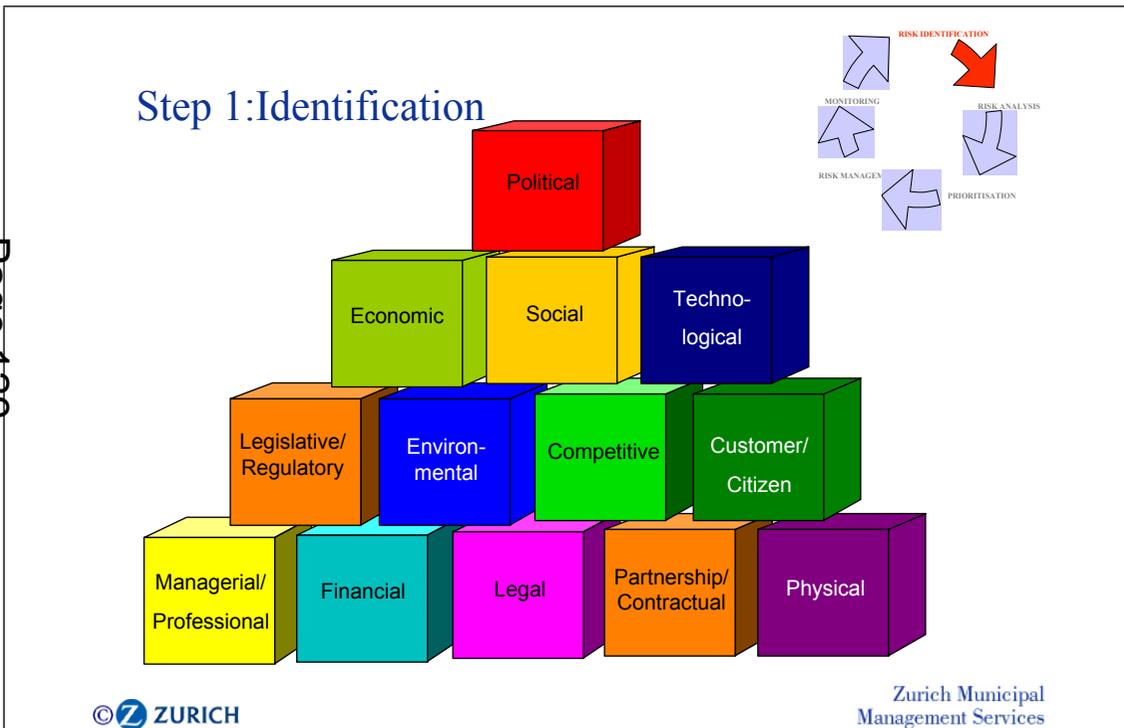
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior Managers and covers 13 categories of risk as shown below.



Identified risks

Economic

Scenario	Short name
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
61	Employers no longer able to meet its liabilities to the Fund

Political

Scenario	Short name
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel, JAG and Pension Board members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts

Technological

Scenario	Short name
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
62	Cyber Crime

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Legislative/Regulatory

Scenario	Short name
19	Legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, security and Custodial (GSC) + Banking Contract
63	Compliance with requirements of GDPR

Managerial/Professional

Scenario	Short name
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21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence

Finance

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension

Physical

Scenario	Short name
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Competitive

Scenario	Short name
27	Lack of PI's and overall performance management framework

Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

Social

Scenario	Short name
4	Reduction in proportion of active members

Partnership / Contractual

Scenario	Short name
53	Shared Service with South Yorkshire Fire, Humberside Fire, West Yorkshire Fire, North Yorkshire Fire, Lincolnshire Fire, Royal Berkshire Fire, Buckinghamshire & Milton Keynes Fire, Northumberland Fire, Devon and Somerset Fire, Dorset and Wiltshire Fire and Tyne and Wear Fire Authorities.
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG and Pension Board members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service
58	Investment Pooling

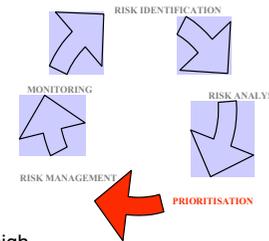
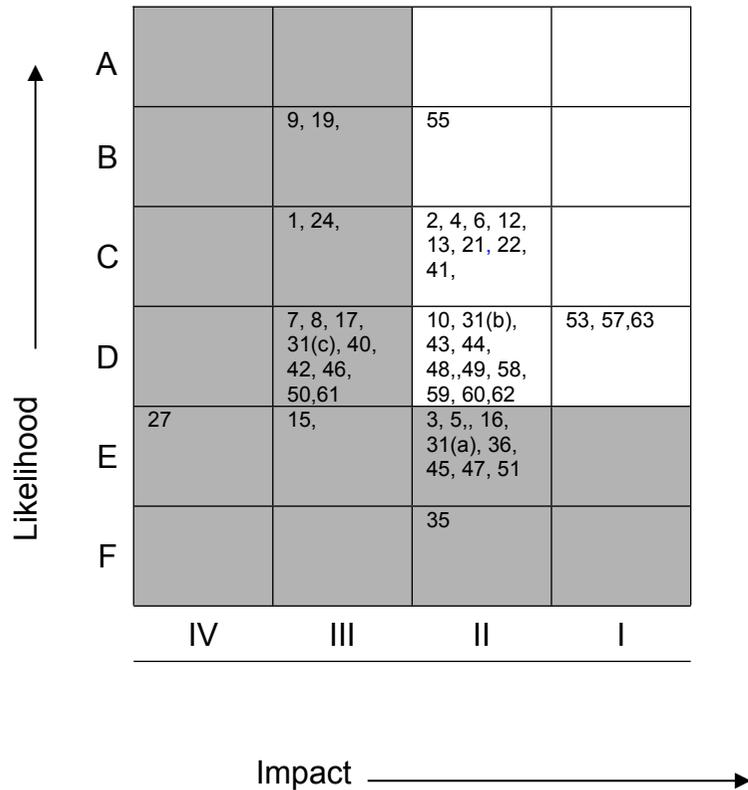
59	Northern Pool custodial contract
60	HSBC Global, Security and custodial (GSC) + banking Contract
62	Cyber Crime
63	Compliance with requirements of GDPR

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 45 risks have been identified and framed into scenarios. The risks identified have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – October 2018

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Likelihood:

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

Impact:

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C2	<p>Fund is in deficit therefore employer contributions to rise / employers default on their liabilities.</p> <p>Triennial Valuation undertaken on the Fund using a range of Financial assumption as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least :</p> <ul style="list-style-type: none"> • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could results in Increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years from 31 March 2016	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> • Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and Iss become out of date Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
6	C2	Council elections could bring about a change to Investment Panel, JAG and Pension Board members	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings		Establish a standard training plan for new members

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: <ul style="list-style-type: none"> • Civica user group • LGPS group • Payroll user group 	Ensure regular attendance and report back from the User Groups/Meetings as necessary. Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available. Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market
12	C2	Too much information is supplied by employers on paper medium.	Enhancements to UPM2 are continuing.	Develop employers web site Introduction of Monthly returns.	Yunus Gajra/Ola Ajala	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication.
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	C2	Greater level of support required/expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training.
22	C2	Recruitment and retention of experienced staff in Pensions Administration,	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades.
31(b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual		Carry out regular data cleansing exercises –)recently engaged Accurate Data to find addresses for 12.000 lost contact DB cases).

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
41	C2	Pressure on General Fund (employers) due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D2	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance policy statement and Communications policy published.	Revise ISS each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRPs cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March nn	Attract new business to the Fund
44	D2	Payroll failure	Payroll contingency plan in place Disaster Recovery plan in place	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review	Able to run payrolls for other Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
45	E2	Industrial Action	Contingency plans in place	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required		Flexible working available to a number of staff.
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required		Able to run payrolls for other Funds
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required	A register of casual staff is maintained to provide cover at short notice.
53	D1	Fire Authority Shared Service	Adequate	Regular meetings with the 11 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing	Provide service for other FA's/
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing	Increase staffing numbers – benefit for local economy.
57	D1	Lincolnshire and LB of Hounslow Pension Fund Shared Service	Governance arrangements in place (regular client meetings, Collaboration Board, attendance at Pensions Committee).	Regular senior management review meetings internally and Collaboration Board meetings with LPF and LB of Hounslow	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing	Provide service for other LA Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
58	D2	Investment Pooling joint steering group of Officers and Members from the three Funds established	Governance arrangements in place	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1 April 2018	
59	D2	Northern Pool custodial contract. WYPF is leading on this joint procurement. Risk on timing and meeting delivery deadline.	Adequate	Regular review of progress against project plan	Ola Ajala	Pooling – custodial contract implemented 1 April 2018	Monthly	1 April 2018	Enhance WYPF reputation
60	D2	HSBC Global, Security and Custodial (GSC) + Banking contract – New contract will be split between Banking and GSC contract. GSC contract will be let by Northern Pool, banking will be retendered.	Adequate	Review in July 2017	Ola Ajala	Current contract ends in July 2018	Monthly	July 2018	Enhance WYPF reputation
62	D2	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal.,	Yunus Gajra	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
63	D1	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff.	Monitor progress against deadline	Yunus Gajra	All requirements met by deadline	Ongoing	25 May 2018	

The risks identified but below their acceptable tolerance level require no further action at this time.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1
 Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Economic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nationwide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	<ul style="list-style-type: none"> • Budget doesn't meet demand • Criticised for not providing a good service • Bad publicity
2	C2	Economic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	<ul style="list-style-type: none"> • Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Political/Economic	Governance (Strategic)	<p>Understanding of issues at high officer and Member level. Clear risk, return and contribution objectives Consistent FSS and ISS documents in place</p> <p>The purpose of the FSS is : to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabs are best met and must be consistent with the published Investment Strategy Statement and the Fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.</p>	Un-coordinated operation caused by lack of understanding	<ul style="list-style-type: none"> • The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level • Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice • panel composition not representative of all bodied in the Fund • Overall investment objectives do not represent what members of panels consider necessary to meet the Fund's liabilities given their understanding of contributions likely to be received from employers and employees and do not take account of their attitude to risk • Unstable contribution rates • Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	C2	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> • Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/reputation	<ul style="list-style-type: none"> • Budget cut • Actively look at outsourcing/partnership • Look at alternatives • Project process unmanageable • Lack of trust in information provided • Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel ,JAG and Pension Board members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	<ul style="list-style-type: none"> • Loss of effective support • Learning curve

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> • Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity
8	D3	Political	Central Government regionalisation agenda	<p>Possible regionalisation of pension funds</p> <p>Could be asked to compete against other LG Funds or the private sector</p>	Becomes Government policy	<ul style="list-style-type: none"> • Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	<ul style="list-style-type: none"> • Risk of non-compliance – bad publicity and fines • Dilutes development of systems • Increased admin costs • Increased communications costs
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> • E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met	<ul style="list-style-type: none"> • People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set • Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met
13	C2	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and	Minor incident occurs	<ul style="list-style-type: none"> • Can't back up the data

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc. Link with 35	Major incident occurs	<ul style="list-style-type: none"> • Loss of service • Permanent data loss • Loss of income • Inability to pay pensioners
15	E3	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> • other systems available but enforced change time consuming • pressure on staff
16	E2	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	<ul style="list-style-type: none"> • Loss of data • Corrupt data • Incorrect payments • Breach of DP Act

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
17	D3	Technological	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	<ul style="list-style-type: none"> • Learning curve • Pressure on remaining staff • Reduction in service delivery • Delays in development work
19	B3	Legislative/ Regulatory	Lots of legislative /regulatory change with no resource given to implement it	Lots of legislative/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	<ul style="list-style-type: none"> • Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non compliance • Key objective not met • studies not completed • general pensions knowledge declines • give ill advice • pressure on staff • staff don't have up to date, consistent knowledge and understanding
21	C2	Managerial/ Professional	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> • Staff frustrated • Reduced level of service to other employers

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
22	C2	Managerial/ Professional	Recruitment and retention of experienced staff in Pensions Administration	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> • Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> • Act 'ultra vires' • Promises made that can't be met
27	E4	Competitive	Lack of PIs and overall performance management framework	Local Best Value PI's in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to define PIs. Link with 8	Don't develop PI's within an overall performance framework	<ul style="list-style-type: none"> • Can't manage performance effectively • Fail to meet explicit objective

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
31(a)(b)(c)	D2 E2 D3	Finance	External Fraud	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	<ul style="list-style-type: none"> • overpaid pensions • court cases • time commitment • key objective not met
35	F2	Legislative /Regulatory	Administration of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employers in accordance with statutory requirements Link with 13	Unable to provide service	<ul style="list-style-type: none"> • key objective not met
36	E2	Finance	Maximise Council surplus balances	Maximise the returns from external investment of any surplus cash balances of the Council		<ul style="list-style-type: none"> • loss of income • key objective not met
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisors – Fund Managers, Advisors, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisors, performance expectations of dept and the long term funding strategy statement , strategic asset allocation etc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	<ul style="list-style-type: none"> • Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance • Individuals performance not gauged and remedied where necessary • Sub-optimal performance of investments • Poor long term investment performance • Missing assets • Disputes over title • Late reports • Changes to assumptions mid stream

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> • Targets not set • Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the Fund Maturity of the scheme influences the investment strategy adopted Employer contribution rate	Funding level falls to unacceptable level	<ul style="list-style-type: none"> • Low funding level will raise ER's contribution rate • ER's contribution rate unsustainable pressure on LGPS from Central Govt. • Employers cease admitting new members • Employers stop joining the Fund • Then becomes risk 4

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	<ul style="list-style-type: none"> • Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
43	D2	Customer/Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> • Fines • Bad publicity • Shrinking user base
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time
45	E2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	<ul style="list-style-type: none"> • Pensions not paid • Backlog of work on return • Delayed SAP implementation • Additional admin work to input strike breaks
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> • Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	<ul style="list-style-type: none"> Data falls in the wrong hands and used for criminal purposes Bad publicity Loss of trust and confidence in WYPF
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> Pensioners not getting paid on time Cause financial hardship Damage to WYPF reputation Increase in number of complaints. Callers/Visitors
49	D2	Managerial/Professional	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	<ul style="list-style-type: none"> Impact on service provision (Staff, Employers, Scheme Members etc) Crucial tasks are not performed
50	D3	Managerial/Professional	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> Information could be passed on Records updated inappropriately Contravene DP Act
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> Funds might go bust resulting in losses for the Fund
53	E3	Partnership/Contractual	Fire Pension Scheme Administration	WYPF administers the Fireman's Pensions Scheme on behalf of 11 Fire Authorities	Lose contracts	<ul style="list-style-type: none"> Will not be able to provide a pensions administration service to the FA's Will not be able to pay pensions or process work ICT systems not available Damage to WYPF Reputation Bad publicity Loss of income

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
55	B2	Political	Impact of Government Budget cuts	Cuts in Local Authority budgets will lead to a reduction in workforce.	Increase in member contribution rate	<ul style="list-style-type: none"> • Increase in opt outs from the scheme • Reduction in public sector workforce leading to reduction in pension scheme membership • Possible strike action
56	D2	Financial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	<ul style="list-style-type: none"> • Salary details will not be posted to members records • Benefits will not be able to be calculated accurately • IT systems will not be action the returns from Employers • Timescales not met
57	D1	Partnership/Contractual	Lincolnshire and LB of Hounslow Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15 (LPF) and 1 August 18 (LB of Hounslow)	Collaborative working with other Pension Funds	<ul style="list-style-type: none"> • Will not be able to provide a pensions administration service to LPF or LB of Hounslow • Will not be able to pay pensions or process work • ICT systems not available • Damage to WYPF Reputation • Bad publicity • Loss of income
58	D2	Legislative /Regulatory	Investment Pooling	Pooling of investments with GMPF and Merseyside Pension Fund.	Structure to be set up by 1 April 2018	<ul style="list-style-type: none"> • Does not meet government target • Bad publicity • Key objectives not met
59	D2	Legislative /Regulatory	Northern Pool custodial contract.	WYPF leading on custodial contract for Northern Pool	Custodial contract to be implemented by 1 April 2018	<ul style="list-style-type: none"> • No custodian in place to hold assets • No record of how much assets are worth • Adverse impact on investment performance
60	D2	Legislative /Regulatory	HSBC Global, Security and Custodial (GSC) + Banking contract –	Risk of managing a sub contract within the Northern Pool overriding contract	Not all existing services in use provided by Contractor	<ul style="list-style-type: none"> • Adverse impact on investment performance

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> • Inefficient banking processes
61	D3	Financial	Employers deficits	Managed through assumptions used at valuation. Employers monitored at regular intervals for membership changes.	Employer's deficits/ liabilities are an amount they are not able to meet upon exiting the Fund.	<ul style="list-style-type: none"> • The liabilities at exit which are not meet by the employer will be passed on to all the other employers in the fund through the next triennial valuation.
62	D2	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	<ul style="list-style-type: none"> • Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
63	D1	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	<ul style="list-style-type: none"> • Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

T

Subject: Training, Conferences, Seminars

Summary statement:

The training of Pension Board members to understand their responsibilities and the issues they are dealing with is a very high priority. Details of training courses, conferences and seminars listed may assist Board Members.

Recommendation

Consideration is given to attendance by Board Members at the events in Section 1.

Rodney Barton
Director

Report contact: Caroline Blackburn
Phone: (01274) 434523
E-mail: caroline.blackburn@wypf.gov.uk

Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

1. Training Events

1.1 If any Pension Board member would like any specific training through one to one meetings with the in-house team, then this can be arranged.

1.2 Pension Board members should consider the following events.

- Eversheds Public Sector Pensions Conference 2019
19 April (9.30 to 13.00)
Leeds
- PLSA Local Authority Conference 2019
13-15 May 2019
Gloucestershire
- LAPFF Annual Conference
4,5 & 6 December 2019
Venue tbc
- LGPS “Trustee” Training – Fundamentals
The training will be delivered at three locations. (Dates and venues to be confirmed).
- LGPC Trustees conference. (Dates and venue to be confirmed)

1.3 Members should also ensure they have completed the Pensions Regulator Public services toolkit training. A link can be found at: www.thepensionsregulator.gov.uk/public-service-schemes.aspx

1.4 Members can also make use of the web based training provided by

- Standard Life Learning Gateway
Web based training provided by Standard Life
<http://sliglobaluk.intuition.com/SignIn.aspx?action=s>

1.5 Appendix 1 – Eversheds Public Sector Pensions Conference

London 05 April 2019

Leeds 12 April 2019

09.30 – 13.00

£100

+VAT per delegate

Public Sector Pensions Conferences 2019

Our 2019 public sector pensions conferences will provide an insight into some of the key legal challenges impacting the LGPS, and other public sector pension schemes and their employers.

Barnett Waddingham will be talking about the 2019 LGPS valuations. The conference will also cover LGPS pooling, outsourcing, an insight from TPR and a round-up of legislation and recent case-law / Pensions Ombudsman decisions.



Speakers

Gary Delderfield

*Partner & Head of Public Sector Pensions,
Eversheds Sutherland*

Rebecca Woodley

*Industry Liason Manager, The Pensions
Regulator*

Barry McKay

Associate & Actuary, Barnett Waddingham

Melanie Durrant

Associate & Actuary, Barnett Waddingham

Dan Murphy

Senior Associate, Eversheds Sutherland

Jeff Houston (London Conference)

*Head of Pensions, Local Government
Association*

Bob Holloway (Leeds Conference)

*Pensions Secretary, Local Government
Association*

Gavin Paul (London Conference)

Principal Associate, Eversheds Sutherland

Mandy Kaur-Sadler (Leeds Conference)

Senior Associate, Eversheds Sutherland

Public Sector Pensions Conferences 2019

£100

+VAT per delegate

London 05 April 2019 **Leeds** 12 April 2019

Who should attend?

This conference will be relevant to pension managers, members of pension committees and pension boards, HR, finance, investment, and other professionals across the public and private sectors with an interest in the LGPS and other public sector pension schemes

Delegates will gain an insight into:

- the 2019 LGPS valuations and other public sector pensions valuations
- public sector schemes and scheme governance from The Pensions Regulator
- an update on pooling of LGPS funds: two years on from implementation
- the current position on outsourcing of public sector services
- an update on legal developments and recent case-law in the public sector pensions arena



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Programme

09.00 registration and coffee, 09.30 start

09.30 - 09.45

Welcome and overview

Gary Delderfield

EVERSHEDS
SUTHERLAND

09.45 - 10.30

Valuations

Barry McKay / Melanie Durrant



10.30 - 11.00

TPR and the public sector

Rebecca Woodley



11.00 - 11.15

Coffee

11.15 - 11.45

Pooling two years on

Jeff Houston / Bob Holloway



11.45 - 12.15

Outsourcing

Mandy Kaur-Sadler / Gavin Paul

EVERSHEDS
SUTHERLAND

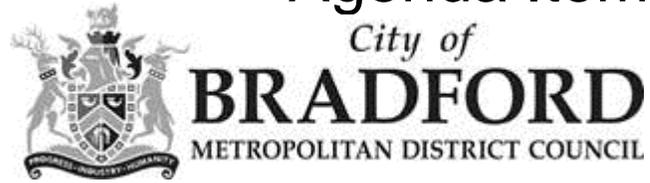
12.15 - 13.00

Round up: legal and case-law update

Dan Murphy

EVERSHEDS
SUTHERLAND

13.00 close, followed by lunch



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 26 March 2019.

U

Subject: Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 1 November 2018.

Summary statement:

The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is 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 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommendation

It is recommended that the Local Pension Board review the minutes of the meeting of 1 November 2018.

Rodney Barton
Director

Portfolio:

Phone: (01274) 432317
E-mail: [Rodney Barton@bradford.gov.uk](mailto:Rodney.Barton@bradford.gov.uk)

Overview & Scrutiny Area:

1. Appendix

Appendix A – Minutes of Joint Advisory Group held on 1 November 2018.

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 1 November 2018 in Aldermanbury House, Godwin Street, Bradford, BD1 2ST

Commenced 12.35 pm
Concluded 1.20 pm

Present – Councillors

<p><u>Bradford Members</u> Councillors: Thornton Ellis</p>	<p><u>Calderdale Members</u> Councillors: Baines Lynn Metcalfe</p>
<p><u>Kirklees Members</u> Councillor: Richards</p>	<p><u>Leeds Members</u> Councillors: Harrand Scopes</p>
<p><u>Wakefield Members</u> Councillors: Jones Speight</p>	<p><u>Trades Union Members</u> Councillor I Greenwood (UNISON) Mr Chard (GMB) Ms L Bailey (UNISON)</p>

Apologies: Councillor E Firth, Councillor Shakeela Lal, Councillor F Loonat, Councillor Neil Dawson, Wendy Robinson, Councillor Graham Stokes and Mr K Sutcliffe

Councillor in the Chair

20. DISCLOSURES OF INTEREST

The Director, West Yorkshire Pension Fund, disclosed a pecuniary interest in West Yorkshire Pension Fund Revised Budgets 2018/2019. He presented Document “O” to Members then left the meeting during consideration and voting on the item.

21. MINUTES

Resolved –

That the minutes of the meeting held on 26 July 2018 be signed as a correct record

ACTION: City Solicitor

22. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

23. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during consideration of the item relating to the West Yorkshire Pension Fund Revised Budget because information would be disclosed which is considered to be exempt information within paragraph 4 (Labour Relations, Consultation or Negotiation) 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 implications of any decision without prejudicing the Labour Relations, Consultation or Negotiation position of the West Yorkshire Pension Fund.

24. WEST YORKSHIRE PENSION FUND REVISED BUDGETS 2018/2019

The Director, West Yorkshire Pension Fund, presented a report, (**Document “O”**) and following that presentation, he left the meeting and took no further part in the discussion.

Resolved –

- 1. That the Strategic Director, Corporate Services, be requested to undertake detailed work to implement the recommendation contained in Paragraph 4.1 of Not for Publication Document “O”.**
- 2. That the recommendation contained in Paragraph 4.2 of Not for Publication Document “O” be noted.**

Action: Strategic Director, Corporate Services

Chair

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

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

