City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Tuesday, 8 October 2019 at 10.00 am at Aldermanbury House, Godwin Street, Bradford

Commenced 10.00 am
Concluded 12.20 pm

Present –

Employer Representatives	Member Representatives
Councillor S Lal (Chair) – Bradford **Councillor M Johnson – Wakefield** **Ms R Manning - Employer**	**Mr G Nesbitt – GMB** **Mr M Binks – Unison** **Mr C Sykes – Unison**

Councillor Lal in the Chair

Apologies: Councillor D Jenkins (Leeds), Mr M Morris (Unite)

9. 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

10. MINUTES

Resolved –

That the minutes of the meeting held on 13 August 2019 be signed as a correct record.

11. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

12. MINUTES OF THE WEST YORKSHIRE PENSION FUND JOINT ADVISORY GROUP (JAG) 25 JULY 2019

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

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

The Director, West Yorkshire Pension Fund, reminded Members that there had been little progress on the Northern LGPS (NLGPS) as Government business had been dominated by the Brexit process. It was confirmed, however, that the NLGPS continued to work well whilst making efficiencies and improving returns on unlisted investments.

Resolved –

That the minutes of the WYPF JAG meeting held on 25 July 2019 be noted.

ACTION: Director, West Yorkshire Pension Fund

13. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019

The report of the Director, West Yorkshire Pension Fund, (**Document "G**") presented the WYPF audited Report and Accounts for the year ending 31 March 2019.

The audited Report and Accounts provided a summary of West Yorkshire Pension Fund's financial position. The accounts had been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 `.
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007.
- International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The report revealed a net increase of £796.41m (5.8%) from March 2018. Asset values for the previous nine years were included in Document "G". A Member questioned if the value of assets might reduce in 2019/20 and he was advised that it was not possible to predict future markets on past performance. The

Director, WYPF, explained that the figures provided a snap shot of performance over the previous 10 years. It was important to monitor the trend over that time; the value of assets was rising steadily and cash flow was positive. The employer contributions would be set based on the perception of future markets.

A Member questioned how much additional contribution rates could be expected of employers and questioned if increases in contribution rates would be reasonable considering the current situation. In response it was explained that following the 2016 valuation the fund was one of the most optimistic. The Actuary had been concerned that the Government inspection might criticise that optimism but it had not. The objective was to keep the funding level between 100 & 90% and keep contribution levels consistent. When employer contributions were recalculated the aim would never to be above 100% or below 90% funded. The calculations were CPI related and not as predictable as might be thought. The affect the Brexit proposals could have were discussed.

The recovery of Academy debts was questioned and it was explained that invoices were being sent to the Department of Education shortly and that the debt was the responsibility of that department. Discussions were being held with the actuary and debts would be pursued through legal challenge if required.

The potential difficulties for lower paid members to purchase additional contributions were queried and Members were reassured that calculations did take account of the level of pay. Members earning £20,000 would make a 5% contribution and those earning £30,000 would pay 6-7% for the same benefits. The option for all members to purchase Additional Voluntary Contributions (AVC) was discussed and the opportunity to pay 50/50 contributions was explained.
A Member who had been unable to attend the meeting had submitted written questions including concern about the rise in printing and posting costs and the following response was provided:-

- An increase in printing and postage costs reflected in the management expenses forecast and outturn report was due to a large increase in partners. The budget for communication had been reduced due to efforts to promote paperless communication. The fund had invested in the “My Pension” website to be launched shortly which would improve digital communication and efforts were being pursued to issue digitally the Annual Benefit Statements to members. It was agreed that the option to receive meeting papers digitally be available to Pension Board members. The ability for members to produce their own estimates via the My Pension website was being pursued, however the ability to provide estimates on line were limited because of the necessity for these to be sent to secure email accounts.

Members agreed that the report revealed a successful year and officers were thanked for their hard work.

Resolved –

That the audited report and accounts for 2018/19 be noted.

ACTION: Director, West Yorkshire Pension Fund

14. FIVE YEAR INTERNAL AUDIT PLAN FOR 2019/20 TO 2023/24

The report of the Director, West Yorkshire Pension Fund **(Document "H")** presented the latest five year internal audit plan for West Yorkshire Pension Fund (WYPF). The plan was reviewed annually between WYPF finance team and CBMDC internal audit by carrying out a detailed assessment of WYPF business risks, pensions and investment regulatory compliance environments, and service developments.

The report revealed that during 2018/19 the fund had increased resources to allow Internal Audit to increase the number of staff working on service reviews which had translated into increased internal audit service quality and reviews for WYPF. There was now a monthly meeting with the Internal Audit Manager. To increase in depth service awareness and engagement with WYPF it was explained that the Internal audit Manager also attended Investment Advisory Panel, Joint Advisory Group and the Local Pension Board and was present at the meeting to talk to the report under consideration.

All internal audit recommendations in 2018/19 were delivered within agreed timescales. In addition to the five year plan a detailed resource plan for the financial year 2018/19 was also produced allowing CBMDC internal audit and WYPF service managers to deliver all internal audit reviews planned in the year. To conclude the audit each year the fund reviewed internal audit recommendations, which provided key governance information on risk management and control.

Key information provided in Document "H" included a five year internal audit plan 2019/20 – 2023/24 and the list of internal audits completed during 2018/19.

Members questioned the external audit procedure and queried how long the current provision had been in place. In response it was explained that Bradford Council was the scheme manager and that the fund must utilise their external audit provision. Bradford Council did have processes to review and rotate auditors. Following a mini review of the provision in 2013 it had been decided that arrangements in place at that time be retained. Assurances were provided that partners from external auditors were rotated each year. Members accepted that the fund was bound by the regulatory requirements of Bradford Council and it was agreed that information on those obligations be reported at the next meeting.

Members acknowledged that it was not the role of external auditors to look for incidents of fraud and questioned if there was an overarching programme for that purpose. The Director provided assurances that external auditors would be criticised for failing to spot any issues of material fraud and that this was also an import element of the internal audit role.

It was agreed that the management reports from internal audit could be circulated

to Members for information and be discussed at subsequent meetings.

Audit arrangements for the NLGPS were questioned and the Internal Audit Manager reported that collaborative arrangements were being discussed. The Director WYPF explained that GLIL and NPEP had their own external audit requirements and procedures.

The production of a comprehensive report was welcomed and officers thanked for their hard work.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

15. WEST YORKSHIRE PENSION FUND PENSIONS ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund, (**Document "I")** provided an update on West Yorkshire Pension Fund's pensions administration activities.

Document I revealed performance against key areas of work for the period 1 April 2019 to 31 August 2019 and that performance had been met or exceeded in the majority of areas. It was explained that the target for pension estimates had been affected by the high level of requests. As requests for estimates were made well in advance of retirement more immediate demands had been the focus of attention.

The difficulty caused by members not advising the fund of changes to their personal details continued to be a challenge when producing death on deferred information. It was hoped that the introduction of the "My Pension" portal would help members to keep their details updated.

The total volume of work in progress, categorized into work groups, was revealed in the report and it was explained that work volumes did fluctuate..
Some of the larger volumes of work covered:

- Current Members – changes to member records, changes to AVC's, queries from monthly postings
- Early Leavers – calculation of refunds, calculation of deferred benefits, contribution postings queries
- Linkings – multiple employments where members could link those employments
- Retirements - Retirement quotes and actuals, deferred benefits into payment (quote and actual)
- Transfers – Transfers in and out (quote and actual), AVC transfers, Divorce

Membership of all schemes administered by WYPF was reported as 422,177 and

a full breakdown between the different Funds and Schemes was appended to the report.

As part of the fund's commitment to improving services random surveys of customers who had contacted the fund were undertaken and the results of those surveys were also appended to the report.

Appendices also reported feedback from employer training sessions conducted between January to March 2019.

Internal dispute resolution procedures were discussed and the determination of two Pensions Ombudsman cases reported.

A staffing update included in the report revealed sickness absence at the fund compared favourably with that of Bradford Council. Recruitment and retention was good and a detailed breakdown of the experience of staff was provided. Staff qualifications were discussed and it was confirmed that staff surveys were conducted by Bradford Council.

Assurances were provided that fund employees were encouraged to progress and incentive schemes to encourage them to pursue additional qualifications were in place.

The utilisation of apprentice schemes was questioned and it was confirmed that the apprentice programme was actively supported. Apprenticeships in the IT department were discussed and it was confirmed that the suitability of all vacancies arising were considered to ascertain if they would be suitable for an apprentice opportunity. All apprentices recruited to the fund would receive pension specific training.

Appraisal schemes were questioned and whilst there was no specific information contained in the report Members were assured that regular appraisals were conducted and details could be provided in a future report. Staff progression through pay grades was dependant on regular assessment and evaluation.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

16. FEEDBACK FROM 2019 ANNUAL BENEFIT STATEMENT EXERCISE

The report of the Director, West Yorkshire Pension Fund **(Document "J")** explained that on 14 May 2017 an amendment to the regulations was issued allowing deferred members to take reduced benefits from age 55. Roughly 56,500 members were aged over 55 in December 2018 which accounted for about a quarter of all members. In response to concern that the fund would not be able to maintain its high standard of service delivery with the ever increasing requests for estimates, it was decided to work towards providing figures at different ages for members on their ABS. The information provided on Annual Benefit Statement (ABS) was amended to include figures for retirement from age

55, 60, 65 and state pension age.

The report explained that officers in the Service Centre team provided all the immediate pension calculations and services to current, deferred and retired members. Changes had previously been made to how those staff members worked and dealt with the different areas of pension work. The work was functionalised into teams and resources allocated according to demand. As surges in any type of work were experienced work was rotated to meet that demand. That system was utilised to ensure that demand resulting from regulation changes and from members had been managed. Statistics to reflect changes in work patterns were contained in Document J.

It was also explained that a senior officer had been recruited in March 2019 to provide more calculations from the pension management system which could be incorporated on current and deferred members ABS's.

In response to questions about the response to the new arrangements it was reported that feedback from the Pension Liaison Group and members had been favourable.

Following discussions about investment in information technology it was confirmed that IT was crucial to the provision of member information. Whilst the information would be basic the implementation of the "My Place" portal would allow members to calculate their own estimates.

Resolved –

1. **That the work undertaken to implement improvements to the ABS's for scheme members in order to provide more details of retirement figures be noted.**

2. **That the range of benefit calculations provided in one statement enables members to be better financially informed about retirement options be noted.**

3. **That the improvements and increases in work production following the application of functionalised working methods in the Service Centre be noted.**

ACTION: Director, West Yorkshire Pension Fund

17. LOCAL GOVERNMENT PENSION SCHEME REGULATION UPDATES

The report of the Director, West Yorkshire Pension Fund **(Document "K")** updated the Local Pension Board on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Members acknowledged that the affect of the Brexit proposals had resulted in little movement on those regulations and matters.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

18. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report (**Document "L**") which informed Members that, in accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as it was reasonably practicable where that person had reason 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 the Pensions Code of Practice was maintained in accordance with the Pensions Regulators requirements and WYPF Breaches Procedure.

The report revealed that the entries on the Register of Breaches for 2019/20 related to the late payment of contributions and Annual Benefit Statements not issued by 31 August 2019. An amendment to the report explained that the reference to 99.6% of Annual Benefit Statements issued should state that the target was by 31 August 2019 not 2018. All payments referred to in Appendix A had now been paid.

As the breaches outlined in Document L had not been regarded as material they had not been reported to The Pensions Regulator.

Resolved –

That the entries on the Register of Breaches of Law be noted.

ACTION: Director, West Yorkshire Pension Fund

19. 2019 ACTUARIAL VALUATION

The report of the Director, West Yorkshire Pension Fund **(Document "M")** explained 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.

Members were reminded that in accordance with the Local Government Pension Scheme Regulations the Fund was subject to an actuarial valuation by its appointed consulting actuary at 31 March 2019.

The main aims of carrying out an actuarial valuation of the Fund were 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 were met.

The report revealed that fund was working with the Fund's Actuary to ensure, wherever possible, any changes to employer's contributions were minimal. That approach was consistent with the Regulations, which specified that the actuary must have regard to the desirability of maintaining as nearly constant a common rate as possible.

Members were advised of progress which included that:-

The Terms of Reference for the Actuarial Valuation at 31 March 2019 had been agreed with the funds actuary ahead of time.

The actuary had completed the longevity analysis for the Fund, using data and experience from the last 5 years. That analysis indicates that there has been a slowdown in longevity improvements since the last valuation and this will be taken into account when agreeing the final demographic assumptions.

Data extracts for actives, deferreds, pensioners, preserved refunds and dependants records was supplied in early July and the validation of this information has been completed.

It was explained that a meeting had been held on the 23 September 2019 with the actuary, officers and the Chair of the Joint Advisory Group and Investment Panel to discuss and agree the final assumptions to be used for the Fund valuation. As a result of that meeting the actuary was finalising the whole Fund result following which the individual employers' results including the assets, liabilities, primary contribution rate and any deficits payments required would be produced.

It was anticipated that the Employer's result would start to be provided from early November. The results for the 5 West Yorkshire Councils, West Yorkshire Police and West Yorkshire Fire and Rescue would be produced first, with the results for the other employers following.

The Fund's Actuary would present an item on the 2019 Valuation at the Funds Employers annual meeting on the 7 November 2019. It was not expected that the results for the majority of employers would be available before that meeting; however employers would have the opportunity to hear from the Actuary on the outlook for the valuation.

In response to questions it was explained that employers had not been advised of likely contribution rates but the 5 West Yorkshire Councils, West Yorkshire Police and West Yorkshire Fire and Rescue had been advised that the fund hoped to keep rates the same as in 2019.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

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

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

The report detailed progress on the exercise to date and Members were advised that this was a long term process. HMRC's initial timescale of 31 December 2019 had been extended a number of times and it was expected that it would be again. It was confirmed that WYPF was also undertaking the reconciliation work for Lincolnshire Pension Fund, Hounslow Pension Fund (at stage 3) and eleven of the fourteen Fire Authorities.

In response to questions it was explained that no funding was being received from HMRC to carry out the exercise.

Resolved –

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

ACTION: Director, West Yorkshire Pension Fund

21. WYPF DATA IMPROVEMENT

The report of the Director, West Yorkshire Pension Fund (WYPF), **Document "O",** informed members 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.

Document O reported that there were two types of data that should be measured: common data and scheme specific data. A definition of both categories was provided. As a result of measuring the data a data score was calculated and that was the percentage of members in the scheme that had been assessed as having complete and accurate common or scheme specific data.

The latest version of the 2018/19 Data Improvement plan was appended to Document O and had been updated with the results for September 2019.

Members were advised that in 2018 the Local Government Association (LGA)

started a project to develop a list of scheme specific data for the LGPS. Unfortunately that work was not completed until July 2019. As a result Funds were advised to assess what they thought were scheme specific data, and use that for 2018 tPR scheme return. Work had now been completed by the LGA and a final list of scheme specific data to be used was issued on 8 July 2019. That definition included additional categories and work was continuing to adjust the data quality reports to take into account the new scheme specific requirements. The Data quality score which would be provided for the Pension Regulator scheme return in autumn would be produced using the final list of scheme specific data.

A copy of the list of Scheme specific data the Fund was required to monitor against was appended to the report and it was reported that since the issue had been discussed at the last meeting a Governance Manager had been appointed and was dedicated to data improvement.

It was questioned if the deadline dates of November 2021 contained in the data improvement plan were achievable. It was explained that it had been proposed to complete high risk data by November 2019; however, following the production of the final list of scheme specific data, there may be new criteria to be included. A plan would be prepared annually and prioritised accordingly.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

22. WEST YORKSHIRE PENSION FUND RISK REGISTER

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

Information on five risks from the 22 which were above their tolerance level was included in Document "S" so that members could ensure that adequate Management Action Plans were in place to monitor those risks.

A presentation on those risks was provided and included plans which were in place to mitigate those threats.
A Member questioned measures to be taken in the event of an electrical power cut. Assurances were provided that data was stored in the Council's Britannia House offices where there were additional power generators in place; there were power generators available at the fund's office in Aldermanbury House and that the data centre back up system would be implemented in such circumstances.

Resolved –

That the five risks and action plans to manage and mitigate those risks contained in Document "P" be noted.

ACTION: Director, West Yorkshire Pension Fund

23. TRAINING, CONFERENCES, SEMINARS AND EVENTS

Members were reminded that training to understand their responsibilities and the issues they would be dealing with was a very high priority.

The report of the Director, West Yorkshire Pension Fund, (**Document "Q**") informed Members of training courses, conferences and seminars which may be of assistance.

No resolution was passed on this item.

24. EXCLUSION OF THE PUBLIC

Members were asked to consider if the item relating to the West Yorkshire Pension Fund Investment Advisory Panel (**Document "R**") should be considered in the absence of the public and approved the following recommendation:-

Resolved –

That the public be excluded from the meeting during consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 25 July 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.

25. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL 25 JULY 2019

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

the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

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

Resolved –

That the Not for Publication minutes of the Investment Advisory Panel on 25 July 2019 appended to Document "R" be noted.

ACTION: Director, West Yorkshire Pension Fund

Chair

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

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER