

## Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 27 January 2022 at 1.30 pm in Council Chamber - City Hall, Bradford

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Commenced 1.50 pm  
Concluded 3.35 pm

### Present - Members of the Committee

<b><u>Bradford Members</u></b> Councillors: Thornton Winnard	<b><u>Calderdale Members</u></b> Councillors: Hutchinson Lynn
<b><u>Kirklees Members</u></b> Councillors: Firth Ramsay Uppal	<b><u>Wakefield Members</u></b> Councillors: Swift
<b><u>Scheme Members</u></b> Mark Morris	<b><u>Trades Union Members</u></b> Ms L Bailey (UNISON)

### 16. 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***

### 17. MINUTES

Resolved –

That the minutes of the meeting held on 29 July 2021 be signed as a correct record.

***Action: City Solicitor***

### 18. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

**19. EXCLUSION OF THE PUBLIC**

Members were asked to consider if the item relating to the Northern LGPS, (Document “K” containing Not for Publication Appendices 1 & 2) should be considered in the absence of the public.

**No resolution was passed on this item.**

**20. WEST YORKSHIRE PENSION FUND (WYPF) AUDITED REPORT AND ACCOUNTS 31 MARCH 2021**

The report of the Director, West Yorkshire Pension Fund (**Document “K”**) was submitted to the Group to provide Members with the annual audited report and accounts for 2020/21.

Members were advised that the Local Government Pension Scheme Regulations 2014, Regulation 57 specified that the deadline for publishing the WYPF audited account was 1<sup>st</sup> December each year. The WYPF accounts formed part of the City of Bradford Metropolitan District Council (CBMDC) accounts and as such WYPF accounts were signed by auditors as a bundle with the Bradford accounts. The WYPF accounts had been presented on time, however, the Bradford accounts were delayed, and signed by the auditors Mazars LLP on 22 December 2021. WYPF Report and Accounts were signed on the same day, 21 December 2021, and published on the WYPF website on 22 December 2021. That was 21 days late, however, considering the current COVID-19 pandemic operating environment, the fund was still ahead of a number of LGPS funds in publishing the 2020/21 report and accounts.

**Resolved –**

- 1. That the Audited report and accounts for 2020/21 be noted.**
- 2. That the WYPF total cost per member of £33.63 and investment management costs of 3.15 basis point be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

**21. WYPF PENSION ADMIN AND OVERSIGHT BUDGET REPORT - 2021/22 FORECAST AND 2022/23 BUDGET**

The Director, West Yorkshire Pension Fund, presented a report (**Document “L”**) containing budget proposals, projections and pension administration costs for members and employers.

The report revealed a favourable outturn figure against the predicted budget for 2021/22 and continuing low costs to members. Officers were congratulated for their impressive achievements.

Increased accommodation costs were reported in Document “L” and the rationale for those increases and the likelihood of their continuation in the future was questioned.

The Director explained that the fund, like every organisation, had seen a significant increase in fuel costs and a focus for the future would be in sourcing green energy. It was reported that the building required regular maintenance and insurance costs had also risen. Increases in rent had also occurred and although the fund owned the building it did pay itself a commercial rent.

Clarification on the prediction that support services would increase was requested and it was explained that the increase in business from shared services required additional support services. Increased regulation in investments and pension administration had also impacted on the support required.

Members discussed recruitment figures contained in the report and questioned if exit interviews were conducted with staff who resigned and if so what had been learnt. In response it was explained that a large proportion of staff leaving had retired and others had left for career progression. It was explained that currently there were many opportunities in other pension funds and hybrid working had enabled people to take up positions in other parts of the country without the need to relocate. The administration side of the fund had a good level of staff retention and the fund had one of the lowest staff turnover rates compared with others. A Member requested the fund be flexible on salaries to ensure that senior and specialist roles would attract and retain the highest calibre of staff.

The driver of increased investment management costs was queried and it was explained that these were because of challenges from increased regulations and an expanding asset base. The report revealed that using basis points (bps) WYPF investment cost was between 3 and 5 bps of current investment asset value of £17.5 billion. Based on the Investment Association survey for 2021/22 the average cost of investment management was 18bps, that was 300% more than WYPF. That measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

To address competition in attracting talent to the fund engagement had been made with local universities; staff training had been provided and apprentice posts had been developed to create a talent pool in the local area.

The impact of vacancies in the fund on service delivery was questioned and it was explained that staff were passionate about what they did and the quality of work had not suffered. It was stressed that people were proud of their work but that if vacancies were not filled that would eventually have an impact on the service. A number of vacancies had recently been filled and whilst the fund carried out many initiatives which were recognised nationally there was a desire to do more. Members questioned if vacancies were artificially keeping costs low and it was explained that they made only a small difference.

In response to questions about the impact of separate investments costs it was reported that the asset value was now £17.5 billion compared to £8 billion in 2012-13. There had been an increase in the value and diversity of markets together with increased legislation and regulation. It was stressed that the fund employed specialist hard working staff but there is a need to create local talent to aid recruitment and maintain service performance standards.

## Resolved –

1. That the projected outturn of £5.09m against budget of £5.41m for 2021/22 be noted.
2. That the proposed budget of £6.17m for 2022/23 be approved.
3. That the WYPF total cost per member of £33.63 is the lowest LGPS cost per member, this is also supported by strong service performance and quality, be noted.

## **ACTION: Director, West Yorkshire Pension Fund**

### **22. BUSINESS PLAN 2022-2027**

The report of the Director, West Yorkshire Pension Fund (**Document “M”**) informed Members of the development of a five-year business plan for the period 2022-2027.

It was explained that the fund was working with actuary firm Aon to develop a five-year business plan for the period 2022-2027 which would outline the Fund's goals and objectives over the medium term. Once completed, the business plan would be formally reviewed and agreed every year.

The purpose of the business plan was to –

- Explain the objectives for the management of the WYPF.
- Document the priorities and improvements to be implemented by the WYPF team during the next five years to help achieve those objectives.
- Enable progress and performance to be monitored in relation to those priorities.
- Provide staff, partners and customers with a clear vision for the next five years.

The plan would present a number of key objectives under the categories of governance, funding, investments, administration and communications

Recent developments and changes impacting the fund were reported and included the fund's responsible investment approach; expansion of the fund's external customer base and changes to how the pensions administration software was used. This included enhancement to monthly employer data collection and online member and employer services.

It was explained that the business plan was at an early stage of production but would be brought to JAG at the July meeting to review.

A Member reported difficulties in accessing the on line platform. He was advised that a number of enhancements had been made and a web developer, with the experience to redesign the platform, had been employed. It was explained that the system had been an on off the shelf product and the web developer would tailor it to the requirements of the fund. It was believed that issues had decreased significantly and improvements had been seen by members. Recent incidents in

accessing the service were discussed and the member who had raised those issues agreed to act as a test user to assess future progress.

A Member referred to the West Yorkshire Mayor's request for an annual report on divestment in fossil fuels and questioned if the fund would respond to that request; the cost of that report and when it would be provided.

The Director, WYPF explained that the fund had a clear Environmental, Social and Governance (ESG) policy which was set by the Investment Advisory Panel which would be reporting regularly on the carbon footprint of the fund. A report, produced by an independent firm, was about to be published and information provided to the West Yorkshire Mayor would be reported.

Members were advised that the fund would not divest from commodities until it was evident that change could not be made. The intention was to influence change in companies which were owned by the fund. The final step would be to divest if no progress was made. The success of that approach was questioned and it was explained, as an example, that Shell was installing more car charging points than other companies. Members were advised that the website set out more detailed information on influences made. The speed of such impacts was queried and it was explained that this was the beginning of an exponential transition. Things had moved slowly, however, increasing pressures were enforcing rapid change and external events beyond the control of companies were having an impact.

It was questioned if the governance arrangements for the fund would change and a 'Pensions Committee' be created. In response it was explained that the Pension Board had oversight of the fund whilst the Joint Advisory Group played a monitoring role. The legislation required the two roles to be kept separate.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

## **23. FUNDING STRATEGY STATEMENT**

The report of the Director, West Yorkshire Pension Fund presented a report, **Document "N"**, which informed Members of proposed changes to the Funding Strategy Statement (FSS) following a review of how liabilities were calculated for non-tax-raising bodies whose liabilities became 'orphan' on exit.

It was explained that WYPF's current approach, which it was understood was common in other Local Government Pension Scheme Funds, was to calculate the exit liabilities by reference to the yield on index-linked gilts. Whilst that approach had served the Fund well, over many years, it had been decided to ask Aon, the Fund's actuary, to carry out a thorough review of that approach, prompted by two key factors -

The Fund did not believe that current index-linked gilt prices represented value for money, particularly given they had not really fallen following the announcement

that RPI would be linked to CPIH from 2030 (which meant pay-outs from index-linked gilts would fall because CPIH was lower than RPI by virtue of differences in how the two measures were calculated). Following discussions with the Fund Actuary it was therefore felt that it was appropriate to reconsider the approach of calculating orphan exit liabilities assuming they would be backed by index-linked gilts

The Fund was committed to maintaining a single investment strategy which applied to all employers and it wanted to explore if and how it could refine strategy such that a consistent methodology was used to calculate the funding target for all employers

Proposed changes to WYPF approach and updates to the Funding Strategy Statement were reported in detail together with the results of a consultation exercise conducted on the changes between 30 November 2021 and 7 January 2022.

A Member questioned if the proposals provided an opportunity to recognise ethical investments and was advised that the appropriate document to consider was the Investment and Strategy Statement approved by the Investment Advisory Panel. That statement and further information was available on the Fund's website.

#### **Resolved -**

- 1. That the proposed change of approach to how liabilities will be calculated for non-tax raising bodies whose liabilities become 'orphan 'on exit be approved.**
- 2. That the changes to the Funding Strategy Statement, contained in Document "N" be approved.**

#### **ACTION: Director, West Yorkshire Pension Fund**

#### **24. 2022 ACTUARIAL VALUATION**

The report of the Director, West Yorkshire Pension Fund (**Document "O"**) advised Members that the next triennial actuarial valuation of the Fund would be prepared based on the situation at 31 March 2022 and would determine the level of employers' contributions from April 2023.

The background to the report explained that the fund was subject to an actuarial valuation by its appointed consulting actuary and the main aims of that valuation were reported. Members were advised that the Actuary would be providing a virtual training session on 8 February 2022 and it was hoped that this could be recorded and Members provided with copies.

It was explained that the Government Actuary (GAD) had been appointed by the Department of Levelling up, Housing and Communities (DLUHC) to report under Section 13 of the Public Service Pensions Act 2013 in connection with the Local Government Pension Scheme (LGPS). Section 13 of the Act required the Government Actuary to report on four main aims every three years and these

were highlighted in the report. GAD's report was published in late December 2021 and the four recommendations were reported.

Included in recommendation four was a 'white' flag in relation to GAD's asset shock metric and Members asked for a definition of that status. It was explained that this related to the size of the fund's assets and the potential impact on local Councils. Members were assured that this was a general issue which did not require any action and there would have been an 'amber' flag if there had been broader concerns.

A Member queried the acronym SAB and it was clarified that this referred to the Scheme Advisory Board.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

## **25. PENSIONS ADMINISTRATION**

The report of the Director, West Yorkshire Pension Fund (**Document "P"**) provided Members with an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities over the last six months. The background to Document "P" reported that as well as providing pensions administration for WYPF scheme members, WYPF provided a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and more recently the London Borough of Barnet and to 21 Fire Authorities. This included pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

Performance and benchmarking details contained in the report showed the performance against key areas of work for the period 1 July 2021 to 31 December 2021 and revealed that most key performance had been well met. There was commentary on any which had not been achieved and mitigating reasons were provided.

Work in progress, scheme information, praise and complaints, employer training, internal dispute resolution procedure and an administration update were included in the report. Details of ISO 9001 Quality Audits; security breaches; member portal and awards were also summarised. It was concluded that the fund continued to provide an efficient, cost effective and high level of service to members and employers within the fund.

Members questioned why unrealistic targets were maintained in performance targets and it was explained that the fund did not wish to reduce Key Performance Indicators (KPI) to maintain the challenge. It was felt that all were realistic when workloads and vacancies were addressed.

It was queried if KPIs were maintained on the number of people accessing the member portal or if members were consulted on preferred methods of communication. In response it was explained that the fund had begun to access that information from the CIVICA website and this would be reported.

Members asked if staff surveys were conducted for the fund or if there was reliance on Bradford Council's assessments. It was suggested that feedback on morale, job satisfaction and challenges faced could help address recruitment issues. It was confirmed that the Fund relied on the staff surveys conducted by Bradford Council but agreed there was no reason why a fund specific survey could not be carried out. It was explained that a survey had been conducted at the start of the pandemic to ascertain the level of support and equipment staff required.

It was reported that a hybrid method of working would be in place allowing staff to work both remotely and in the office and work was required to conduct a more up to date assessment of needs. The biggest issue faced during the restructure of the Fund had been pay and grades.

A definition of the acronym DPO was requested and it was clarified that this referred to Data Protection Officer. Reference to ICO was explained as relating to Information Commissioner's Office. It was confirmed that the Fund did employ a DPO.

It was questioned if the fund had any plans to provide shared services to all fire authorities and it was explained that this was not intended. It was explained that small fire authorities were attracted to the fund as it had the necessary expertise and that the complexity of the scheme was often not cost effective for those authorities.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

## **26. SHARED SERVICE PARTNERSHIP UPDATE**

The Director, West Yorkshire Pension Fund presented a report, **Document "Q"** which provided an update to Members of the Group on current administration issues and performance for WYPF's Shared Service Partnership.

Document "Q" reminded Members that the Fund provided shared service pension administration to Lincolnshire, London Borough of Hounslow and London Borough of Barnet Pension Funds and 21 fire authorities.

Updates on each of the services were appended to the report.

It was concluded that the fund provided an efficient and cost effective shared service to both the Local Government and Fire Scheme partners. In particular, WYPF was recognised for the high standards of service not only to the members of the schemes but also to the administrators who valued the expert knowledge



and guidance provided to them. WYPF was regularly approached for discussion and engagement on possible additional business.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

## **27. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE**

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

In addition to regular items reported to Members information on the publication of SF3 data for 2020 to 2021; the Section 13 report; the Pension Schemes Act 2021; Money and Pensions Service – Pensions Dashboard update; the Pensions Regulator consultation on a new Code of Practice and the Second Review of State Pension Age were provided in Document “R”.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

## **28. REGISTER OF BREACHES OF LAW**

The Director, West Yorkshire Pension Fund presented **Document “S”** which informed Members of entries on the 2021/22 Register of Breaches. The breaches register was appended to the report. Included in the register were four breaches relating to –

the late payment of employee’s pension contributions by employers,  
delay in making a transfer out payment to a new pension provider,  
the non-issue of Annual Benefit Statements by the 31 August 2021 to a small number of active members.

delays in settlement amounts paid to the Fund by Prudential when members have retired. (details of this breaches and copy of the submission to the Pension Regulator reporting this breach were supplied to the July 2021 JAG meeting.

The delays in settlement amounts by Prudential had been deemed to be of material significance and had been reported to the Pensions Regulator.

**Resolved –**

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

**ACTION: Director, West Yorkshire Pension Fund**

**29. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2022/23**

The report of the Director, West Yorkshire Pension Fund (**Document “T”**) asked Members to review and approve the Pensions Administration Strategy and Communications Policy 2022/21. It was explained that there had been no significant change to either policy, however, they had been updated to reflect planned activity in the next year.

**Resolved –**

**That the Pension Strategy and the Communications Policy 2022/23 be approved.**

**ACTION: Director, West Yorkshire Pension Fund**

**30. TRAINING, CONFERENCES AND SEMINARS**

The report of the Director, West Yorkshire Pension Fund (**Document “U”**) provided Members with details of training courses, conferences and seminars which may assist them to demonstrate that they had the necessary knowledge to carry out their roles effectively.

It was stressed that there was a growing need for LGPS funds to demonstrate that their committees and board members had an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board’s Good Governance project (England and Wales), and increasing scrutiny from The Pensions Regulator, the expectation on funds had never been greater.

Members were advised that the fund was developing a training plan for each JAG member to ensure training requirements were met and would maintain training records against the training plan. That information would be published in the Annual Report or the Governance Compliance Statement.

It was explained that WYPF had signed up to an online LGPS Learning Academy launched by Hymans to support training needs for Pension Committee members, Pension Board members and Pension Officers. Covering the key elements of the CIPFA knowledge and skills framework and TPR Code of Practice, bite-sized training videos would supplement all LGPS funds’ training plans. Along with the core video support there would be jargon busters and quizzes. Hot topics such as McCloud would be covered, and the Fund would continually look to update content with the most relevant issues affecting the LGPS.

The new online course aimed to make it easier for members to obtain the knowledge they require, in a more efficient and engaging way. It would cover all the key areas required in order to successfully manage the running of a fund, including –

- an introduction to LGPS oversight bodies, governance, legislation and guidance

- LGPS administration, including policies and procedures, pension fund auditing
- LGPS valuations, funding strategy and LGPS employers
- Investment strategy, pooling and responsible investment
- Performance monitoring and procurement
- Current issues in the LGPS

It was explained that if any Member would like some specific training through one to one meetings with the in-house team, then that could be arranged.

**Resolved –**

**That Members note the requirements for their knowledge and understanding to be up to the required standard.**

**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 Joint Advisory Group.**

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