

## Minutes of a meeting of the WYPF Joint Advisory Group held on Thursday, 28 July 2016 at WYPF, Aldermanbury House, Bradford

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Commenced      1.00 pm  
Concluded        2.15 pm

**Present –**

<p><b><u>Bradford Members</u></b> Miller Lal Amran</p>	<p><b><u>Calderdale Members</u></b> Baines Lynn Metcalf</p>
<p><b><u>Kirklees Members</u></b> Fadia Richards Asif</p>	<p><b><u>Leeds Members</u></b> Davey Harrand</p>
<p><b><u>Wakefield Members</u></b> Jones Foster</p>	<p><b><u>Trade Union Representatives</u></b> L Bailey - Unison I Greenwood – Unison</p>
<p><b><u>Scheme Members</u></b> W Robinson</p>	

Apologies: Councillor Thornton (Bradford); Councillor Dawson (Leeds); Councillor Speight (Wakefield) T Chard (GMB) and Scheme Member K Sutcliffe.

**1. APPOINTMENT OF CHAIR**

**Resolved –**

**That Councillor Thornton be elected Chair for the Municipal Year 2016-2017**

**2. APPOINTMENT OF DEPUTY CHAIR**

**Resolved -**

**That Councillor Miller be elected Deputy Chair for the Municipal Year 2016/17.**

**Councillor Miller in the Chair**



### 3. 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*

### 4. MINUTES

**Resolved -**

**That the minutes of the meeting held on 28 January 2016 be signed as a correct record.**

### 5. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

### 6. WEST YORKSHIRE PENSION FUND (WYPF) ADMINISTRATION OUTTURN 31 MARCH 2016

The report of the Director, West Yorkshire Pension Fund (**Document “A”**) summarised the total costs of administering pensions and investments in 2015/16 for WYPF.

Appended to the report was an analysis of the total cost of operations for 2015/16 showing variance against revised budget and 2014/15 costs. A detailed explanation of a variance between the revised estimate and outturn figure of £95,000 was provided.

A variance on WYPF Oversight and Governance was raised. It was explained that the variance was due to CIPFA guidance now requiring some expenditure costs being reclassified from Investment Costs into the Oversight and Governance costs. A view that the previous classification was a more accurate account was expressed.

**Resolved –**

**That the WYPF total cost of administering pensions and investments for 2015/16, contained in Document “A”, be noted.**

**Action:** *Director, West Yorkshire Pension Fund.*



## 7. **UNAUDITED REPORT AND ACCOUNTS 2015/16**

The WYPF unaudited Report and Accounts for the financial year 31 March 2016 were appended to the report of the Director, West Yorkshire Pension Fund (**Document “B”**).

Members were advised that once the final audit was completed the audited Report and Accounts would be presented to the Joint Advisory Group at the meeting in January 2017.

The report revealed that the only Key Performance Indicator which had not been exceeded was the provision of pension estimates. It was explained that Government guidance had required changes to internal software systems. A delay in receipt of that guidance had prevented software suppliers adapting their systems and more detailed manual calculations had been required as a result. Enquires to the fund had been prioritised with the most urgent issues being given priority. In response to suggestions that the target be lowered it was stressed that work was in progress to achieve the target and whilst the performance figures were high the fund wished to maintain that level of service.

Members questioned the risk to the fund’s portfolio which could arise from fossil fuel disinvestment. In response it was reported that the Investment Advisory Panel, at its meeting in November 2015, had discussed the issue in detail. It had concluded its satisfaction with the existing portfolio but had agreed that investigations into alternative sources should be continued. The Investment Advisory Panel had discussed, at its meeting earlier today, a report produced by a specialist carbon disposal operator on plans to reduce oil costs and extraction of energy. Assurances were provided that the portfolio was reviewed on a regular basis and all investments, in terms of risk and reward were monitored. In ensuing discussions about fossil fuels the Fund’s ability to influence that industry through their investments was acknowledged.

Following discussions about the impact of a potential significant increase in redundancy payments it was explained that the fund valuation did include cash flow forecasts and Members would be kept advised of any liquidity issues arising.

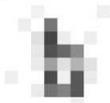
**Resolved –**

**That the unaudited WYPF Report and Accounts for the financial year ended 31 March 2016, appended to Document “B”, be approved.**

***Action: Director, West Yorkshire Pension Fund.***

## 8. **AUDIT STRATEGY MEMORANDUM 2015/16**

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**), contained the Audit Strategy Memorandum which set out the plan for the external audit of West Yorkshire Pension Fund 2015/16.



The document provided an assessment of significant risks of material error and work to mitigate that risk. Members were assured that the risks outlined were inherent to most organisations and were common and standard to a Pension Fund of the size of WYPF. The audit was underway and not yet completed but had not identified any material matters to which Members should be altered.

It was questioned if the process had changed in recent times to reflect the increasing use of information technology. In response it was confirmed that IT specialists were utilised to undertake programme reviews and testing and that no specific risks had been identified.

**Resolved –**

**That the Audit Strategy Memorandum 2015/16, contained in Document “C”, be noted.**

***Action: Director, West Yorkshire Pension Fund.***

## **9. INVESTMENT REFORM CRITERIA AND GUIDANCE - INVESTMENT POOLING**

The Director, West Yorkshire Pension Fund, presented a report, (**Document “D”**), which advised Members of the Government’s intention to work with Local Government Pension Schemes (LGPS) administering authorities to ensure that they pooled investments to significantly reduce costs while maintaining overall investment performance. The report also included proposals for asset pooling in the LGPS which had been submitted to the Government on 15 July 2016.

Members were reminded that on 25 November the Investment Reform Criteria and Guidance was issued, which set out the criteria to be applied to the pooling of LGPS assets. Authorities had been invited to submit their initial proposals for pooling by 19 February 2016. West Yorkshire Pension Fund (WYPF) together with Greater Manchester and Merseyside duly submitted its proposals by the deadline. The submission and the Minister’s response were available on the WYPF website. A more comprehensive proposal had been submitted to the Government on 15 July 2016 and that submission would be assessed against the criteria in Document “D”.

It was questioned if a response to the submission on 15 July had been received together with any agreement on assets to be held outside of the pool. The Director, West Yorkshire Pension Fund confirmed that a common response had been received to the proposals submitted in February.

The response submitted by the WYPF in July 2016 revealed that as the cost base for management of listed assets was so low it was likely that WYPF costs would rise as a result of pooling. WYPF had requested consideration should be given to allowing it to retain its listed investments outside the pool for a period in order to establish a baseline low cost for managing listed assets. Members



voiced their agreement with that request and suggested their support, and their strong belief that WYPF must not be made to raise costs, should be conveyed.

**Resolved –**

**That the submission to Government appended to Document “D” and the continued development of pooling arrangements also contained in Document “D” and subject to Government response, be noted.**

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

#### **10. LOCAL GOVERNMENT PENSION SCHEME 2014**

The Director, West Yorkshire Pension Fund, presented a report (**Document “E”**) which updated Members on changes and proposed changes to the Local Government Pension Scheme (LGPS) 2014.

**Resolved –**

**That the report be noted.**

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

#### **11. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) PROVIDERS**

Annually the WYPF ask Aon Hewitt’s Investment Consulting Division to review the performance of Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration. The report of the West Yorkshire Pension Fund Director, (**Document “F”**) outlined the findings of the review.

An amendment to 3.10 of Document “E” was tabled and provided the annual management charges for SSgA Emerging Markets Equity Index Fund which had been omitted from Document “F”.

Members were advised that issues about the costs of Prudential had been raised. Prudential had maintained that as they provided additional services for WYPF members they incurred additional administrative costs. Efforts were being progressed to reduce those costs.

**Resolved –**

**That the outcome of the annual review of WYPF’s AVC providers be noted and the recommendations of Aon Hewitt to make changes to the lifestyle options set out in paragraphs 3.6; 3.8 and 4.5 of Document “F” be approved.**

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



## 12. 2016 ACTUARIAL VALUATION

The report of the Director, West Yorkshire Pension Fund (**Document “G”**) advised Members that the actuarial valuation of the West Yorkshire Pension Fund (WYPF) was being prepared based on the situation at 31 March 2016 and would determine the level of employers’ contributions from April 2017 onwards.

The report provided Members with a summary of the proposed approach to the actuarial valuation at 31 March 2016 by the Fund’s actuary. Economic conditions, referred to in the report, were discussed and the likelihood of volatile conditions influencing the choice of discount rate was questioned. In response, dynamic discussions, which Members were assured were always undertaken with the actuary, were explained. The main objective of those discussions was to maintain as steady a contribution rate as possible for the main employers.

**Resolved -**

**That the report be noted.**

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

## 13. REGISTER OF BREACHES OF THE PENSIONS REGULATOR'S CODE OF CONDUCT

The report of the Director, West Yorkshire Pension Fund, (**Document “H”**), informed Members that in accordance with the Pensions Act 2004 (the Act), from April 2015 all Public Service Pension Schemes came under the remit of the Pensions Regulator.

Section 70 of the Act 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 would 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.

In accordance with the WYPF Breaches Procedure a register of any breaches of the Pensions Regulator Code of Practice was maintained. The Register of Breaches 2016 and Late Payment of Contributions, April 2016, due by May 2016 were appended to the report.

Members were assured that a report on the Register of Breaches would be provided to each meeting to ensure Members were aware of any contraventions.

**Resolved –**

**That the entries, all of which relate to late payment contributions by employers, on the Register of Breaches be noted.**

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



## 14. RISK MANAGEMENT

The report of the Director, West Yorkshire Pension Fund, (**Document “I”**) presented the latest WYPF Departmental Risk Management Report.

The report revealed that 42 risks had been identified. Members were advised that the risks had been rated. Of those risks 20 had been rated above their acceptable tolerance level and 22 below the tolerance line. To mitigate those risks an Action Management Plan had been developed and each risk was owned and reviewed by a senior manager of the fund. The Action Management Plan was contained at Appendix 1 to Document “I”.

The impact of Government Budget cuts was raised by Members and it was questioned how risks outside the control of the fund were managed. In response it was explained that if there should be a level of redundancy way above what was predicted at the actuarial valuation the Fund had the ability to divest short term liquid investments to meet liabilities. Any such measures would always be discussed with the Investment Advisory Panel and a communication exercise would be undertaken with Members.

The Director was thanked for the production of an understandable and informative risk management matrix.

**Resolved –**

**That the West Yorkshire Pension Fund Risk Management Report be noted.**

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

## 15. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND

Members were reminded that West Yorkshire Pension Fund’s (WYPF) shared service partnership to provide a pension’s administration service for Lincolnshire Pension Fund (LPF) had commenced on 1 April 2015.

The report of the Director, West Yorkshire Pension Fund, (**Document “J”**), provided an update on the partnership to date. The report included performance and benchmarking and contained an analysis of performance against key areas of work for the period 1 April 2015 to 31 March 2016 as measured against both local indicators and the national CIPFA benchmarks.

Scheme information including an age profile of the scheme and the number of employers were provided. An administration update reported the issuing of life certificates to all 18,000 pensioner members to monitor their continuing entitlement to a pension from LPF. It was explained that a life certificate exercise had not previously been conducted by LPF. The likelihood of fraud being detected arising from that exercise was questioned and it was anticipated that this would be minimal.



Issues which had been encountered with the quality and timing of data received from Lincolnshire were reported and work undertaken to receive monthly returns was discussed. The benefits of shared services to the whole of the WYPF were reiterated.

**Resolved –**

**That the report be noted.**

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

**16. EXTERNAL BUSINESS - PENSION ADMINISTRATION FOR THE FIREFIGHTERS' PENSION SCHEMES**

Members were advised that West Yorkshire Pension Fund provided a shared service partnership to provide a pensions administration service for seven Fire Authorities. The report of the Director, West Yorkshire Pension Fund, (**Document “K”**) was presented to provide an update on the business to date.

The background to the report revealed that West Yorkshire Pension Fund (WYPF) provided a shared service partnership to provide a pensions administration service for seven Fire Authorities. The majority of the fire service business had been won through tender process which meant that there were different prices and service level agreements in place for each of those authorities. It was explained that work was being undertaken to move all of the authorities to a shared service arrangement.

In recognition of its achievements Members were advised that, at the recent Pension Scheme of the Year Awards held in London, the Fund had won the Best Use of IT and Technology Award.

**Resolved –**

**That the report be noted.**

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

**17. TRAINING, CONFERENCES AND SEMINARS**

The Director, West Yorkshire Pension Fund, submitted a report, (**Document “L”**), which informed Members of training courses, conferences and seminars which may assist them. Full details of each event were available at the meeting.

Members were advised that training to understand their responsibilities and the issues they would be dealing with was a very high priority and that they were encouraged, and would be fully supported, to undertake such training by the Fund.

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



**18. ANNUAL MEETINGS**

The report of the Director, West Yorkshire Pension Fund (**Document “M”**) advised members of two Annual Meetings, one for Employers and one for Scheme Members which would be held in 2016.

**Resolved –**

**That the details of the Annual Meetings, contained in Document “M” 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 WYPF Joint Advisory Group.**

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

