

Minutes of a meeting of the WYPF Joint Advisory Group held on Thursday, 27 July 2017 at Aldermanbury House, Godwin Street, Bradford BD1 2ST

Commenced 1.00 pm
Concluded 2.30 pm

Present –

<p><u>Bradford Members</u> Councillors: Miller Thornton</p>	<p><u>Calderdale Members</u> Councillors: Lynn Metcalf</p>
<p><u>Kirklees Members</u> Councillors: Fadia E Firth</p>	<p><u>Leeds Members</u> Councillors: Davey Dawson</p>
<p><u>Wakefield Members</u> Councillors: Stokes Speight</p>	<p><u>Trades Union Members</u> Mr Greenwood (UNISON) Mr Chard (GMB) Ms L Bailey (UNISON)</p>
<p><u>Scheme Members</u> Mr Sutcliffe Ms W Robinson</p>	

Apologies: Councillor D Jones and Councillor H Richards

1. APPOINTMENT OF CHAIR

Resolved –

That Councillor Thornton be appointed Chair of the Joint Advisory Group for the Municipal Year 2017/2018.

2. APPOINTMENT OF DEPUTY CHAIR

Resolved –

That Councillor Miller be appointed Deputy Chair for the Municipal Year 2017/2018

3. DISCLOSURES OF INTEREST

No disclosures of interest were received under this item but see Minute 13.

4. MINUTES

Resolved –

That the minutes of the meeting held on 26 January 2017 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. RISK MANAGEMENT

The Director, West Yorkshire Pension Fund submitted a report, (**Document “A”**) which presented West Yorkshire Pension Fund’s latest risk management report.

A member referred to the risk identified that Central Government could ask the Pension Fund to compete against other Local Government funds or the private sector and was advised that this was a realistic risk. To mitigate against it, the identification of shared service partners or other businesses were being pursued actively.

It was noted that the reference to Auto Enrolment in risk number 4 would be amended to reflect the fact that this had already been introduced.

A member suggested that an entry be included that the appetite for risk, in terms of investment, would depend on the financial position of the fund as a whole. The Director confirmed that this could be included but pointed out that it was covered in the investment strategy and was an issue for the Investment Advisory Panel.

A member raised the issue of cyber crime in relation to the Pension Fund. Members were given an assurance that this was an issue that was regularly discussed at higher governance levels of the Council to ensure that ICT had a number of strategies in place. Regular reviews were undertaken to ensure that the latest technology was in place. Penetration tests were carried out to be certain that the Pension Fund website was secure and all front facing systems were checked annually.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund



7. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND

The report of the Director, West Yorkshire Pension Fund, (**Document “B”**) 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 partnership was reported to be working well with very good feedback received from LPF. All Key Performance indicators were being exceeded except for one (Deferred Benefits Set Up on Leaving) which was reported not to be a concern.

The Chair congratulated WYPF on winning the Best DB Scheme Innovation award at the Professional Pensions Scheme of the Year Awards.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

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

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

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) provided an update on business. It was reported that the partnership had been successful and that WYPF had been approached by four other Fire Authorities and had made submissions for two of them that had been put out to tender.

In response to a member enquiry it was agreed to include a Key Performance Indicator in a future report which identified backlogs in Potential Spouse Pension Enquiries.

It was noted that West Yorkshire Pension Fund benefitted from income received and each year costs had come down as a result of providing a shared service partnership for the Fire Authorities.

Members were advised that the risk of a successful outcome was minimal, in respect of the Fire Brigades Union appeal against a Tribunal ruling that reforms to the Fire Fighters’ Pension Scheme arrangements did not discriminate on the grounds of age, sex or race.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund



**9. WEST YORKSHIRE PENSION FUND (WYPF) ADMINISTRATION OUTTURN
31 MARCH 2017**

The report of the Director, West Yorkshire Pension Fund, (**Document “D”**) summarised the total costs of administering pensions and investments in 2016/17 for West Yorkshire Pension Fund.

Resolved –

That the WYPF total cost for 2016/17 reported in Document “D” be noted.

ACTION: Director, West Yorkshire Pension Fund

10. UNAUDITED REPORT AND ACCOUNTS 2016/2017

The report of the Director, West Yorkshire Pension Fund (**Document “E”**) presented the “WYPF unaudited Report and Accounts for the financial year 31 March 2017. The report and accounts were currently being audited by Mazars LLP.

The unaudited Report and Accounts provided a summary of West Yorkshire Pension Fund’s financial position for the year ended 31 March 2017. The accounts had been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- 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

It was noted that performance on 18 key work areas had all exceeded the Key Performance Indicators. The final audited accounts would be reported in January 2018.

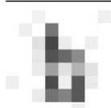
Resolved –

That the unaudited WYPF Report and Accounts for the financial year ended 31 March 2017 be noted.

ACTION: Director, West Yorkshire Pension Fund

11. AUDIT STRATEGY MEMORANDUM 2016-2017

The External Auditor presented (**Document “F”**) on the Audit Strategy Memorandum which set out the plan for the external audit of West Yorkshire Pension Fund for 2016/17 formal account.



It was noted that no new significant risk had been identified.

Resolved –

- (1) That the Audit Strategy Memorandum 2016/17, appended to Document “F” be noted
- (2) That the proposed audit fee for 2016/17 and 2017/18 of £48,546 + VAT for both years be noted.

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

12. INVESTMENT REFORM CRITERIA AND GUIDANCE - INVESTMENT POOLING

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 “G”**) provided an update on the continued development of pooling arrangements.

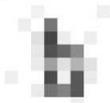
Pools were required to provide an update on progress by the end of April. The Northern Pool challenged the need to increase costs for funds, clarifying its simpler, cheaper model, and the progress made towards creating a low cost operational pool.

A subsequent telephone conversation with the responsible civil servant was positive in tone, and the progress in establishing GLIL and consequent investment in infrastructure was particularly welcomed.

It was noted that each member of the investment pool had been requested to designate Councillor Kieran Quinn, Chair of the Greater Manchester Pension Fund, as Chair of the investment pool. This had been agreed at the West Yorkshire Pension Fund Investment Advisory Panel meeting on 27 July 2017.

In response to a member question the Director advised members that the objective of the pool in setting up the GLIL joint venture was to invest in large UK infrastructure projects. He stressed that the West Yorkshire Pension Fund had to ensure that it had a portfolio of investments in UK and foreign infrastructure projects and the appropriate return on investment was paramount.

In response to a member comment about prioritising investment in the north over the south the Director stressed the need to be mindful of the return that the investments would achieve.



Resolved –

That the continued development of pooling arrangements be noted.

ACTION: Director, West Yorkshire Pension Fund

13. LOCAL GOVERNMENT PENSION SCHEME 2014 - UPDATE

The Director, West Yorkshire Pension Fund presented **Document “H”** which updated Members on the current issues affecting the Local Government Pension Scheme (LGPS) 2014.

A member referred to the recent High Court ruling arising from the case brought by the Palestine Solidarity Campaign that the government had issued a pensions directive for a non pension purpose.

Councillor Lynn declared an interest as a member of the National Executive of the Palestine Solidarity Campaign.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

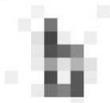
14. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

West Yorkshire Pension Fund had three Additional Voluntary Contribution Providers namely:

- Equitable Life Assurance Society
- Scottish Widows
- Prudential

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

The Director referred to concerns that had been raised about Prudential’s charges and reported that they were the same as all other Local Government schemes that they worked with. He added that the WYPF had many different employers with different payrolls and that if it could work to introduce a “straight through” payroll system this would reduce the charges. A member was still concerned about the level of their charges and whether the WYPF was getting value for money from Prudential and asked whether pressure could be brought to bear by looking at other providers. The Director confirmed that this issue was being pursued but stressed that the tender process was complex.



Resolved –

That the outcome of the annual review of West Yorkshire Pension Fund’s Additional Voluntary Contribution Providers, contained in Document “I” be noted.

ACTION: Director, West Yorkshire Pension Fund

15. ACTUARIAL VALUATION 2016

To establish that the West Yorkshire Pension Fund (the Fund) was able to meet its liabilities to past and present contributors, and to review employer contribution rates, a full actuarial valuation was carried out every third year.

The last full actuarial review of the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation determined the level of employers’ contributions for the period 1 April 2017 to 31 March 2020. The report of the Director, West Yorkshire Pension Fund (**Document “J”**) provided a summary of the results of that valuation.

WYPF was 94% funded, compared to the situation at 31 March 2013 when it was 96% funded. This valuation combined with a positive cash flow demonstrated that the Fund was in a sound financial position.

Resolved –

That the report be noted.

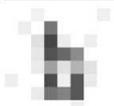
ACTION: Director, West Yorkshire Pension Fund

16. REGISTER OF BREACHES OF LAW

The report of the Director, West Yorkshire Pension Fund, (**Document “K”**), 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 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 any breaches of the Pensions Regulator Code of Practice was maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2016/2017 was appended to **Document “K”**. All entries were considered not to be of material significance and therefore had not been reported to the Pensions Regulator.

Resolved –

That Document “K” and the entries on the Breaches Register appended to Document “K” be noted.

ACTION: Director, West Yorkshire Pension Fund

17. NORTHERN POOL - APPOINTMENT OF A COMMON CUSTODIAL SERVICE PROVIDER

The Director, West Yorkshire Pension Fund presented a report, (**Document “L”**) which informed the Joint Advisory Group of the decision by Northern Pool to appoint a common custodian for all assets managed by funds within Northern Pool. The decision was made on the ground of efficiency and the need to have Financial Conduct Authority (FCA) regulation within the Pool.

WYPF had the largest take up of custodian services, due to the fact that it was 100% internally managed and coincidentally its current contract would be coming to an end in July 2018, therefore WYPF had taken the lead in the project to appoint a common custodian service provider for the Northern Pool.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

18. PROJECT MAGPIE - TRANSFER OF FIRST WEST YORKSHIRE (First WY) TO GREATER MANCHESTER PENSION FUND (GMPF)

The report of the Director, West Yorkshire Pension Fund, (**Document “M”**) informed the Joint Advisory Group of the decision by First WY to transfer their pension arrangements to Greater Manchester Pension Fund. The transfer was being managed by Hymans Robertson (Hymans) for First WY. Completion of the transfer was originally planned by both First WY and Hymans for 31 March 2018, the completion deadline had now moved to 31 March 2019 after initial discussion with WYPF officers, mainly due to the high value of asset that may be transferred, currently estimated at £420m.



The transfer would also involve an agreement with the West Yorkshire Combined Authority (WYCA), due to an agreement in 1986 between First WY and the West Yorkshire Passenger Transport Executive – whose functions passed to the WYCA in April 2014. Until all relevant agreements were in place it would not be possible to produce a final plan for the transfer.

The transfer of this size of assets from WYPF to GMPF would impact on how the investment strategy was managed for a period of time. GMPF had indicated a preference for cash, however the final agreement would be based on the precise detail of the transfer directive issued by the Secretary of State, actuarial valuation and how best to manage any impact on WYPF investment strategy and performance.

Resolved –

- (1) **That the report be noted.**
- (2) **That the Director, West Yorkshire Pension Fund be requested to provide updates about the transfer at future meetings until the transfer is complete.**

ACTION: Director, West Yorkshire Pension Fund

19. TRAINING, CONFERENCES AND SEMINARS

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

The Director, West Yorkshire Pension Fund submitted a report, (**Document “N”**), 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 requested to give consideration to attending the training courses, conferences and seminars set out in Document “N”.

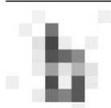
No resolution was passed on this item.

20. ANNUAL MEETINGS

The report of the Director, West Yorkshire Pension Fund (**Document “O”**) advised members that two Annual Meetings, one for Employers and one for Scheme Members, will be held in 2017.

Resolved –

- (1) **That it be noted that the West Yorkshire Pension Fund’s Employers Annual Meeting will be held on Thursday 2 November 2017 at City Hall.**



- (2) That the Members Annual Meeting be held at 3pm on Wednesday 1 November 2017 in City Hall, Bradford, light refreshments to be provided.

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

