

## Minutes of a meeting of the WYPF Joint Advisory Group held on Thursday, 25 January 2018 in WYPF, Aldermanbury House, Godwin Street, Bradford BD1 2ST

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Commenced 1.00 pm  
Concluded 2.50 pm

**Present –**

<b><u>Bradford Members</u></b> Councillors: Thornton	<b><u>Calderdale Members</u></b> Councillors: Lynn Metcalf
<b><u>Kirklees Members</u></b> Councillors: Richards	<b><u>Wakefield Members</u></b> Councillors: Stokes Jones Speight
<b><u>Scheme Members</u></b> Mr Sutcliffe	<b><u>Trades Union Members</u></b> Ms L Bailey (UNISON)

Apologies: Liz Bailey, Councillor S Baines, Mr Tristan Chard, Councillor Patrick Davey, Councillor Neil Dawson, Councillor E Firth, Ian Greenwood, Councillor Peter Harrand, Councillor Shakeela Lal, Councillor Glen Miller and Wendy Robinson

### **Councillor Thornton in the Chair**

#### **21. DISCLOSURES OF INTEREST**

As Members of local Pension Boards Councillors Speight and Stokes disclosed a pecuniary interest in Minute 38 and left the meeting during consideration and voting on that item.

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:** *Interim City Solicitor*

**22. MINUTES**

**Resolved –**

**That the minutes of the meeting held on 27 July 2017 be signed as a correct record (previously circulated).**

**23. INSPECTION OF REPORTS AND BACKGROUND PAPERS**

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

**24. WYPF REVISED ESTIMATES 2017/18 AND ORIGINAL ESTIMATES 2018/19.**

The Director, West Yorkshire Pension Fund, provided a report (**Document “P”**) which presented the revised estimates 2017/18 and the original estimates 2018/19.

The report revealed that the latest spend forecast for 2017/18 was £12.1m against a budget of £10.2m, overspend of £1.9m. Members were advised that the overspend was mainly due to accounting adjustments for investment transaction cost and brokers research fees of £2.5m, masking service efficiency savings and underspend of £0.6m from increased automation of pension processes.

A Member referred to employee costs contained in Document “P” and questioned if additional shared service partnerships would result in increased work loads. In response it was explained that staff resources would be increased if that was justified, however, technology would be utilised and additional staff training would increase the quality of service provided and present opportunities for employee development. Members were assured that the staffing structure would be frequently reviewed; charges received from shared services would be invested in the structure to allow resources to be built.

Sickness absence figures were discussed and it was explained that long term illness had impacted on that figure. Assurances were provided that the statistics were the result of outside influences and not caused by work pressures. The statistics contained cases which the Fund had very little control such as family bereavement and serious, long term, illness.

The recent choice by the London Borough of Hounslow to appoint the Fund to provide their pensions administration service reflected the quality provided.

**Resolved –**

**(1) That the revised estimate of £12.1m be approved for 2017/18.**

**(2) That the original estimate of £13.1m be approved for 2018/19.**



**(3) That the cost performance of £38.03 for total management cost per member for 2016/17 making WYPF the lowest cost Local Government Pension Scheme for 2016/17 be noted.**

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

**25. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2017**

The report of the Director, West Yorkshire Pension Fund, (**Document “Q”**) provided a summary of West Yorkshire Pension Fund’s (WPF) financial position for the year ended 31 March 2017.

Members were advised that, with the exception of minor improvements to the value of assets, the report had not changed from the draft version presented in July 2017. The audited report and accounts had been complemented by the fund’s auditors and had been approved by the Governance and Audit Committee.

**Resolved –**

**That the report be noted.**

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

**26. ANNUAL MANAGEMENT CHARGES FOR PRUDENTIAL ADDITIONAL VOLUNTARY CONTRIBUTION FUNDS**

Members were reminded that at the Joint Advisory Group meeting held on 27 July 2017 a question was raised in respect of the Annual Management Charges for the Prudential Additional Contribution Approved Funds.

The report of the Director, West Yorkshire Pension Fund, (**Document “R”**) provided an update on a presentation given by Prudential in which its future plans were outlined and which should reduce the Annual Management Charges.

The Member who had raised the initial questions was commended and it was agreed that it had provided a valuable opportunity to revisit the issue which had also been raised in 2015.

**Resolved –**

**That the report be noted.**

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



## 27. 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 are working towards the creation of an investment pool, Northern Pool (NP).

The report of the Director, West Yorkshire Pension Fund, (Document “S”) provided an update on the continued development of pooling arrangements.

The report referred to risks of the Treasury imposing a ‘regulated route’ which would increase the WYPF cost base. Members were advised that feedback following the progress report submitted to the Department for Communities and Local Government (now known as the Department for Housing, Communities and Local Government) in April 2017 had been favourably received. Members were assured that the criteria set out by Government could be met and that stance would be difficult to challenge.

The Chair explained that the route preferred by the Treasury Department was not part of the original criteria set out for the pooling arrangements. The Northern Pool had been clear in its responses and efforts to minimise cost and it was not believed that other routes were necessary.

Document “S” revealed that the total of the funds in the Northern Pool was in the region of £40 billion and the proportion of that figure attributed to WYPF was discussed. Members were assured that the assets of the Fund remained with the Fund but were managed as a pool. The governance arrangements of the pool ensured that each fund had equal votes and no control was lost.

In response to questions about the level of funds invested in the pool it was explained that all funds invested 100% of their assets in the Northern Pool but it was re-iterated that WYPF’s assets would be managed in accordance with the WYPF infrastructure.

**Resolved -**

**That the progress on pooling to date be noted and that the pooling arrangements for the Northern Pool meet the criteria set out in the November 2015 investment reform and criteria guidance be confirmed.**

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

## 28. PROJECT MAGPIE - TRANSFER OF FIRST WEST YORKSHIRE TO GREATER MANCHESTER PENSION FUND (GMPF)

The report of the Director, West Yorkshire Pension Fund (Document “T”) informed Members of the decision by First Group to consolidate all their Local Government Pension Scheme (LGPS) into one pot with Greater Manchester Pension Fund (GMPF).



Document “T” revealed that WYPF were currently working on the project to transfer pension assets and liabilities for First West Yorkshire to GMPF. The transfer would be cash and payments would be made quarterly from December 2017 to March 2019. The quarterly payment was set at £75m and the first instalment had been made on 19 December 2017.

The transfer also involved an agreement with the West Yorkshire Combined Authority (WYCA) to fund pension increases for First WY pensioners. This was 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. WYPF were still waiting for WYCA decision on how they would discharge their liability to First Group. WYPF view was that since WYCA was also in deficit that their account with WYPF should not be made worse by transferring any part of their assets to satisfy their liability to First Group for pension increase funding. The payment schedule set out in Document “T” did not include asset value for WYCA.

It was questioned when that issue would be resolved and it was expected that a resolution imminent. It explained that the WYPF stance that First West Yorkshire was a private company and public sector assets should be protected was strong and would hold up to challenge.

**Resolved –**

**That the report be noted.**

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

## **29. DEVELOPMENTS WITHIN WEST YORKSHIRE PENSION FUND**

The report of the Director, West Yorkshire Pension Fund, (**Document “U”**) set out developments within the Fund in the last year covering changes in employers, membership, Performance and Benchmarking, Employer and Customer Service Surveys, Internal Dispute Resolution Procedure Cases and External Business.

**Resolved –**

**That the report be noted.**

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

## **30. GENERAL DATA PROTECTION REGULATIONS 2018**

The Director, West Yorkshire Pension Fund, presented a report (**Document “V”**) which advised Members of a presentation they would receive on the implementation of the General Data Protection Regulation (GDPR) within the Pensions Administration Service.



The presentation revealed that GDPR was replacing the Data Protection Act 1988 and must be fully implemented by 25 May 2018. As GDPR would come into effect before Brexit was completed and the UK Government were seeking to transpose existing EU legislation in to the UK as part of Brexit.

Members questioned the rationale for securing data in just one place and it was explained that lots of protection could be applied; penetration testing was regularly undertaken to a high standard and 'back ups' undertaken.

The work required to ensure compliance with GDPR was questioned and it was confirmed that the process would be time intensive. Working groups had been established to ensure that the tight timetable was met.

**Resolved –**

**That the presentation be noted.**

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

### **31. REGISTER OF BREACHES OF LAW**

The Director, West Yorkshire Pension Fund, presented a report (**Document “W”**) which reported that Section 70 of the Pensions Act 2004 imposed a requirement to report a matter to the Pensions Regulator where it was believed that a legal duty relating to the administration of the scheme had not been or is not being complied with, and 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 Breaches was maintained in accordance with the WYPF breaches procedure. The register of breaches since April 2017 was appended to **Document “W”** and it was explained that all entries were considered not to be of material significance and, therefore, had not been reported to the Pensions Regulator.

The appendix revealed that 100% of Annual Benefit Statements must be issued by 31 August each year. It was explained that some members had not supplied relevant information within the timeline but that 99.91% had been issued on time.

One employer had failed to pay employees contributions by the appropriate date on three occasions. Assurances had been provided that they had implemented new systems and that the situation would not happen again. If it should occur again they would be reported to the Pensions Regulator.

A Member questioned the impact on the pensions of employees of Wakefield Academy Trust following its removal of sponsorship of 21 schools. Assurances were provided that those employees remained members of the fund and would transfer to a new academy trust once arrangements were finalised.



**Resolved –**

**That the report and entries on the Register of Breaches of Law be noted.**

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

**32. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND**

The report of the Director, West Yorkshire Pension Fund, (**Document “X”**) 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 presented performance against key areas of work for the period 1 April 2017 to 31 December 2017. The statistics showed that all areas were performing well with the exception of “Deferred Benefits Set up on Leaving”. The payroll provider, Serco, was failing to provide accurate and timely data to allow the benefits to be processed. Meetings had been held with them and the issue was being addressed. Serco had been advised that, as the situation had occurred over a period of time they ran the risk of being charged for the additional work caused to WYPF.

In response to questions it was confirmed that although the situation distorted the performance targets it had not impacted on the contributors and they had been paid on time.

In summation it was confirmed that the all other key areas were performing well and the shared service was being expanded to include the London Borough of Hounslow.

**Resolved –**

**That the report be noted.**

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

**33. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2018/19**

The Director, West Yorkshire Pension Fund, presented a report, (**Document “Y”**) 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.

It was explained that there were no changes to the Pensions Administration Strategy. The Communications Policy had been updated to reflect activities planned for 2018-19.

**Resolved –**

**That the Pension Administration Strategy and the Communications Policy 2018/19, contained in Document “Y”, be approved.**

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

#### **34. EXTERNAL BUSINESS - PENSIONS ADMINISTRATION FOR THE FIREFIGHTERS' PENSION SCHEMES**

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

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

It was reported that WYPF provide pension administration services to seven Fire Authorities and that the number would increase to 11 in April 2018.

The report presented performance against key areas of work for the period 1 April 2017 to 31 December 2017. The majority of the performance was good but it was explained that difficulty in accessing the volume and quality of information required from the fire authorities had reduced the performance for the production of some quotations. New ways of working were being trialled to improve performance.

**Resolved –**

**That the report be noted.**

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

#### **35. CIPFA BENCHMARKING REPORTS**

West Yorkshire Pension Fund takes part in the CIPFA Benchmarking Club for Pensions Administration. The report of the Director, West Yorkshire Pension Fund, (**Document “AA”**) provided information about the cost of the Fund's



pension's administration service and compared those costs with other LGPS funds that were part of the CIPFA Benchmarking Club.

The report confirmed that the cost per member continued to reduce whilst maintaining quality. IT costs at £1.09 compared favourably with all funds average of £2.24 and payroll costs per pensioner was £5.25 compared to an average of £5.54. It was explained that communication costs were higher per member because of increased activity at both Employer and Member level. A full copy of the report was available to any Member on request.

Congratulations were provided from Members on the low costs per member and high quality delivered.

**Resolved –**

**That the report be noted.**

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

### **36. TRAINING, CONFERENCES AND SEMINARS**

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

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

Members were requested to give consideration to attendance at the events in Document “AB”.

It was reported that the Pensions Regulator had agreed to provide a presentation/training to Members about the role of the Pensions Regulator and public sector requirements. It was agreed that a calendar invite would be sent to Members when the date of that session had been confirmed.

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

### **37. EXCLUSION OF THE PUBLIC**

Members were asked to consider if the item relating to the Introduction of an Intermediate Funding Target for Specific Employers (**Document “AC”**) should be considered in the absence of the public.



**Resolved –**

**That the public be excluded from the meeting during consideration of the item relating to the Introduction of an Intermediate Funding Target for Specific Employers 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.**

**38. CONSIDERATION OF THE INTRODUCTION OF AN INTERMEDIATE FUNDING TARGET FOR SPECIFIC EMPLOYERS**

**Resolved –**

**That the recommendations contained in Not for Publication Document “AC be approved.**

***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

