

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 27 September 2018

M

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Local Pension Board meeting held 28 March 2018

Summary statement:

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS.

City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee.

The minutes of the WYPF Pension Board meeting are to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Corporate

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of WYPF Local Pension Board to be submitted to this committee.

2. APPENDIX

- Minutes of WYPF Local Pension Board 28 March 2018.

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Wednesday, 28 March 2018 in WYPF, Aldermanbury House, Godwin Street, Bradford BD1 2ST

Commenced 10.00 am
Concluded 11.45 am

Present –

Employer Representatives	Member Representatives
Councillor M Slater (Chair) – Bradford Ms R Manning - Employer	Mr G Nesbitt – GMB Mr M Binks – Unison Mr C Sykes – Unison Mr M Morris - Unite

Apologies:

Councillor G Hyde – Leeds
Councillor M Isherwood – Wakefield

Councillor Slater in the Chair

17. 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 business under consideration.

18. MINUTES

Resolved –

That the minutes of the meeting held on 8 November 2017 be signed as a correct record.

19. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

20. MINUTES OF THE WYPF JOINT ADVISORY GROUP 25 JANUARY 2018

The report of the Director, West Yorkshire Pension Fund, (**Document “L”**) 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, 8 November 2017 were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Members were advised that the estimates and revised estimates contained in Minute 24 had been amended and had been below the estimate for the year. The Fund continued to be the lowest cost provider of LGPS in the country which reflected the efforts of staff to improve efficiency.

It was explained that discussions with regard to Additional Voluntary Contribution Funds, as referred to in Minute 26, were continuing and it was felt these were moving in the right direction.

The report discussed in Minute 27, Investment Reform Criteria and Guidance – Investment Pooling, was to review progress from the commencement of the project and confirmed that the four criteria required had been met. It was explained that the issue would continue to be the subject of future reports.

A Member referred to a shared cost scheme being implemented by Kirklees Council and questioned if WYPF would consider a similar scheme. In response it was explained such a scheme would have no impact on the WYPF as the benefits were purely for the employers. Kirklees were the first local authority to implement the scheme and WYPF would monitor progress.

Resolved –

That the minutes of the WYPF JAG meeting held on 25 November 2017 be noted.

ACTION: Director, West Yorkshire Pension Fund.

21. INVESTMENT REFORM CRITERIA AND GUIDANCE - INVESTMENT POOLING

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

The report also informed the Board of the requirement of the Administering Authority to confirm that the pooling arrangements met the criteria set out in the November 2015 Investment Reform Criteria and Guidance. Document “M” summarised how those criteria were met by the Northern Pool.



The Pension Board was asked to note the progress on pooling to date, and confirm the pooling arrangements for the Northern Pool met the criteria set out in the November 2015 investment reform and criteria guidance, in compliance with the statutory guidance to the Investment Regulations.

The pooling criteria require asset pools to achieve benefits of scale; the pools must deliver strong governance and decision making; authorities were to achieve reduced costs and excellent value for money and that authorities were to achieve an improved capacity to invest infrastructure as outlined in Document "M".

WYPF's response to those criteria was explained including that in March 2017 there was £42 billion in the pool which more than met the government's minimum requirement of £25 billion.

A shadow joint committee, shortly to become a joint committee, had been established to ensure strong governance and decision making. The committee comprised two members from each fund and three trade union representatives from the regions. The representatives from WYPF were Councillor Thornton and Ian Greenwood. A constitution for that body, currently in draft form, was being considered by lawyers and would need to be accepted by the member authorities in May. Members were advised that the Chair of the shadow committee had, sadly, passed away at Christmas 2017. Ian Greenwood was to take over that role.

With regard to reduced costs and excellent value for money it was reported that at a recent meeting with the Local Government Association the consensus had been that most pools would set up a company with a budget of £5 million per annum. The Northern Pool had taken legal advice and was advised that this was not required and would concentrate on saving money on the unquoted investments. This was because equity and bonds were invested in house at a relatively small cost by WYPF and that Greater Manchester and Merseyside Pension Funds had very large mandates and were already excellent value compared to other authorities.

In relation to improved capacity to invest in infrastructure it was explained that GLIL, a joint venture between WYPF, Greater Manchester, Merseyside and LPP (a partnership between the Lancashire Pension Fund and the London Pension Authority) had been established to invest in infrastructure. GLIL had already committed £1.3 billion with £630 million already invested and earning a return. GLIL would receive Financial Conduct Authority approval shortly. Members questioned the nature of those investments and were advised that these included very large off shore wind turbines; railway carriages and a large stake in Anglian Water.

The impact of Brexit was questioned and it was explained that GLIL investments were in the UK and that the risk factor of Brexit was reviewed in each project.



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, in compliance with the statutory guidance to the Investment Regulations, be confirmed.

ACTION: Director, West Yorkshire Pension Fund.

22. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented **Document “N”** which reported that, in accordance with the Public Service Pensions Act 2013, 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 was reasonably practicable where that person had 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 Breaches of Law was, therefore, maintained in accordance with the Pensions Regulator’s requirements and WYPF Breaches Procedure.

It was noted that one employer appeared on the register a number of times. Members were assured that this had been due to teething problems following changes to the payroll system provider. The payments had only been a few days late and did not involve large sums of money. The most recent returns had been monitored and the issue appeared to be resolved.

An additional company appearing on the register five times was also questioned and it was confirmed that steps taken to resolve that issue had been effective

Members were advised that any employer who had not paid one month after the 19th of the month following the deadline date were charged interest and that there had been no financial loss to the WYPF because of those issues.

Resolved -

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

ACTION: Director, West Yorkshire Pension Fund.



23. PENSIONS ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund, (**Document “O”**) 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.

The report revealed that during the past year there had been 89 employers admitted as new employers and that 48 employers had ceased their participation. It was explained that a number of those ceasing participation were single academies converting to multi academy trusts already participating in the scheme and the true number of ‘leavers’ was 13.

Membership changes revealed that there were a number of ‘undecided’ and ‘frozen’ members and in response to questions it was explained that the term undecided referred to people who had left the scheme but not yet decided if they wished to transfer from the scheme or receive deferred benefits. Frozen referred to very old cases where people were entitled to refunds but the fund did not have any contact details. There were only a very few of those cases, usually involving small amounts, and efforts were being made to contact those people. In response to a request it was agreed that the value of those deferred and frozen members would be provided in a future report.

The number of active members in the 50/50 scheme was discussed and it was reported that in West Yorkshire and nationally the numbers were very low. It was explained that the majority of those 50/50 members were in the high paid bracket and that was not the intention of the initiative. A survey had been conducted and it was found that very few members were aware of the 50/50 option. If those people were not members of WYPF the fund was unable to contact them and it was the responsibility of employers to tell their staff that for those on low pay this was an attractive way to enter the scheme. The Trade Union Representatives reported that they would be interested in any support the fund could provide to promote the 50/50 option to their members.

It was questioned how many of scheme Members leaving had done so because of redundancy. That information was not available at the meeting but it was agreed that this could be provided if required. It was confirmed that employers met the cost for early retirement payments.

Performance and benchmarking statistics revealed that the majority of targets were exceeded. The reasons for any underperformance were explained. Death in Service, although treated as a very high priority, could encounter delays because of employers’ involvement. Death of deferred Members could encounter holdups if it was difficult to trace the next of kin.

The results of Member and Employer surveys conducted October 2016 to September 2017 measured satisfaction at 87% and it was explained that any negative comments were because of delays attributable to employers. It was also explained that the fund communicated to members in plain English but as



pensions were a complex subject inevitably some members did not understand the issues.

The report explained the Internal Dispute Resolution Procedure and although increases in Stage 1 appeals were shown it was explained that all those disputes had been rejected which demonstrated that WYPF had robust systems and processes in place. A pack had been prepared to enable employers to understand the procedures. A member questioned if that document could be made available to him and it was agreed to provide the document to those who would like a copy.

It was explained that the Consumer Price Index (CPI) for September 2017 was at 3% and that pensions would increase by that percentage from April 2018.

Document "O" reported that the Scheme Advisory Board for the LGPS in England and Wales had appointed Aon Hewitt to help them in a review of Tier 3 employers in the LGPS. Tier 3 Employers were those receiving no tax-payer backing and were usually colleges, universities, housing associations, charities and admission bodies with no guarantee from a tax-payer backed employer. An Employer representative expressed concern that a rise in contributions could have a detrimental impact on those organisations. In response it was explained that it was timely to conduct that review at the moment as the fund was performing well. It was also confirmed that potential increases would affect employer and not employee contributions.

A Member questioned the procedure for employers to take payment holidays and was advised that the option was only available for short term employers. Refund payments were not available for employers in surplus when they left the scheme and a potential surplus was the reason that some short term employers were able to halt their payments.

Document "O" presented changes to the State Pension Age (SPA) and it was it was questioned if those changes would affect the ability for fund members to access their pensions at the earlier age of 55. Members were advised that earliest retirement was not linked to the Government review although it had been normal practice for the earliest age retirement could be accessed to be 10 years prior to SPA. It was thought that amendments to the 55 year rule could be applied in the future.

The Pension Regulator had published information on roles and responsibilities and appended to Document "O" were details about the role of scheme managers, pension boards and others involved in governing public service schemes.

Members were advised that WYPF were winners of the Scheme Governance Award on 19 September 2017 and were shortlisted in a number of other categories.

It was reported that external business continued to increase and that WYPF continued to act as Adjudicator for Stage 1 Appeals for a number of Administering



and 'Employing Authorities outside of the West Yorkshire area. In response to questions it was confirmed that additional employment opportunities resulted and that all money made would be put back into the fund reducing costs for all.

Members questioned if an audit of data was conducted prior to accepting new business and raised concern about the quality of data from some London boroughs. It was explained that charges were made for work required to put data in good order. The discussions currently taking place with London Borough of Hounslow specify that the data must be of reasonable quality. The requirement of the Pension Regulator for data quality scores to be compiled would also help the fund to identify the quality of data in future business.

Resolved –

That the report be noted and the staff be thanked for their hard work in maintaining the high standards demonstrated in Document “O”.

ACTION: Director, West Yorkshire Pension Fund.

24. LOCAL GOVERNMENT PENSION SCHEME

The report of the Director, West Yorkshire Pension Fund, (**Document “P”**) updated Members on current issues affecting the Local Government Pension Scheme (LGPS).

Document “P” reported the name change of the Department for Communities and Local Government which had been renamed the Ministry of Housing, Communities and Local Government (MHCLG). It was also reported that following a cabinet reshuffle Rishi Sunak MP had been appointed Parliamentary under Secretary of State (Minister for Local Government).

The outcome of a high court judgement in January 2018 had declared that requiring a member to nominate a person under regulations 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 was incompatible with the European Convention on Human Rights and must therefore be disapplied. WYPF had endeavoured to contact all cohabiting partners that may be affected and had begun to pay a partner's pension to those who had proved they had met the criteria.

Members were advised of an increase in Member contribution rates in 2018/19 and a table of draft contribution rates from 1 April 2018 was presented. A Member questioned if the contribution rise would take account of pay rises or inflation and was advised that the contributions were increased in line with inflation.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund.



25. THE PENSION REGULATOR'S RECORD KEEPING AND DATA QUALITY REQUIREMENTS

The report of the Director, West Yorkshire Pension Fund (**Document “Q”**) advised Members of the Pension Regulator’s (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member’s pension contributions.

Work would commence in summer 2018 to assess the quality of data held by the Fund and a data improvement plan would be created.

It was explained that two types of data would be measured and that this was common data and key scheme specific (conditional) data. Guidance was awaited from the LGPC to ensure consistency. The score would be affected if the Fund did not have contact addresses for deferred members and work was being conducted to address that issue.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund.

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

The report of the Director, West Yorkshire Pension Fund (**Document “R”**) advised Members that the Guaranteed Minimum Pension (GMP) Reconciliation Exercise was to wind up the contracted out element link between the LGPS (Local Government Pension Scheme) and the SERP’s (State Earnings Related Pension Scheme) which affected members with service between 6 April 1978 and 5 April 1997.

The reconciliation process was designed to allocate all GMP liabilities to the correct Fund before the deadline in 2018, after which, the relevant Fund that held the record would be liable for pension inflation increases.

The amount of GMP was used when calculating Pensions Increase each April and determined whether some of the increase was paid by WYPF and included within the WYPF pension or whether it was paid by the state (DWP) and included within the SERPS element of the state pension. It was expected that any adjustments which needed to be made to WYPF records resulting from that exercise would be fully automated where possible.



Resolved -

That the update contained in Document “R” be noted and the potential additional workloads anticipated from the Guaranteed Minimum Pension Reconciliation Exercise be acknowledged.

ACTION: Director, West Yorkshire Pension Fund.

27. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY

The Director, West Yorkshire Pension Fund, presented a report, (**Document “S”**) which advised Members that, as part of the compliance with the LGPS Regulations 2013 regulations, WYPF prepare a written statement of the authority’s policies in relation to such matters as it considers 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 reviewed each year and approved by Joint Advisory Group (JAG).

Members were advised that there were no changes to the Pensions Administration Strategy. The strategy was appended to Document “Q” and highlighted roles, responsibilities and expectations for employers and WYPF.

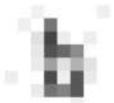
The Communications Policy had been updated to reflect activities planned for 2018-19. It was explained that WYPF considered communications an important part of pension administration and as many channels as possible were used to publicise the scheme including facts card, social media, newsletters and the member website where members could view their pension online and update personal information. There were plans to update the website further so members would be able to undertake benefit calculations.

A Member referred to difficulties that had been encountered by a person with hearing difficulties accessing the fund. It was explained that information was provided in a number of formats including braille and large type font. A telephone service was also available for members to call. It was agreed to provide that member’s details to WYPF to enable assistance to be provided. In response to questions it was explained that contact hours for WYPF had been lengthened to increase call answer rates.

Resolved –

That the Pensions Administration Strategy and Communications Policy 2018/19, contained in Document “S” be noted.

ACTION: Director, West Yorkshire Pension Fund.



28. TRAINING, CONFERENCES AND SEMINARS

The Director, West Yorkshire Pension Fund, presented a report, (**Document “T”**) which informed Members that their training to understand the responsibilities and issues which they would be dealing with was a very high priority. The report also explained that specific training through one to one meetings with the in-house team could also be arranged.

Members were advised that the next in house training event would be held in September/October 2018 date to be confirmed. A view that in house training would be required before that date was expressed and it was agreed that if members could provide details of topics they wished to be covered arrangements would be made for a training session in June.

The next meeting of the Pension Board would be held in October and the precise date would be confirmed shortly.

No resolution was passed on this item.

29. EXCLUSION OF THE PUBLIC

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 meetings held on 2 November 2017 and 25 January 2018 because information would be disclosed which was considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It was considered that, in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information as it was in the overriding interest of proper administration that Members were made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.



30. **MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT
ADVISORY PANEL HELD ON 2 NOVEMBER 2017 AND 25 JANUARY 2018**

Resolved –

That the Not for Publication minutes appended to Document “U” 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.

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

