

**Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 30 January 2020 in Ernest Saville Room - City Hall, Bradford**

Commenced 1.00 pm  
Concluded 2.50 pm

**Present –**

<b><u>Bradford Members</u></b> Councillors: Thornton Winnard	<b><u>Calderdale Members</u></b> Councillors: Baines Lynn
<b><u>Kirklees Members</u></b> Councillors: Murgatroyd	<b><u>Leeds Members</u></b> Councillors: Dawson Scopes
<b><u>Wakefield Members</u></b> Councillors: Speight	<b><u>Trades Union Members</u></b> Ms L Bailey (UNISON) Mr Chard (GMB) Mr A Goring (UNISON)

Apologies: Councillor Peter Harrand, Councillor Gulfam Asif, Councillor Masood Ahmed, Councillor Michael Graham, Councillor B Metcalfe, Councillor Les Shaw and Councillor Taj Salam

**Councillor Thornton in the Chair**

**20. 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***

**21. MINUTES**

**Resolved –**

**That the minutes of the meeting held on 25 July 2019 be signed as a correct record.**

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

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

**23. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019**

The Director, WYPF, presented **Document “O”** which reported that, in order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, West Yorkshire Pension Fund (WYPF) prepared an annual audited Report and Accounts.

The Reports and Accounts provided a summary of WYPF’s financial position for the year ended 31 March 2019. The audited accounts had been prepared in accordance with:-

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
- 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.

Members were reminded that the draft report and account was presented to the meeting held on 25 July 2019 shortly before the 2018/19 final audited report and account was approved by CBMDC’s Governance and Audit Committee. It was reported that the final 2018/19 audited accounts and report were available on the West Yorkshire Pension Fund’s website.

The report revealed, amongst other things, increases in the value of assets; favourable investment returns and low costs per member; administration; investment management and oversight and governance.

Key performance indicators, for 2018/19 in 20 key work areas, reflected the commitment of officers and managers in delivering services to all clients.

The fund continued to have a positive net cash flow and favourable investment returns which had exceeded benchmarks.

**Resolved –**

**That the audited report and accounts for 2018/19 be noted.**

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

**24. WEST YORKSHIRE PENSION FUND 2019/20 REVISED ESTIMATES AND 2020/21 ORIGINAL ESTIMATES**

The Director, West Yorkshire Pension Fund, presented **Document “P”** which reported that in accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to pension

fund accounts and not to local authorities' general fund accounts.

Document "P" revealed that the cost of services reported would be charged to the pension fund in the shared service partnership. The budget proposals in Document "P" would deliver pension administration services to over 430,000 pension scheme members, made up of 293,000 WYPF and 126,000 shared service partner members. WYPF supported over 800 active employers and the same resource would be used to manage over £15bn WYPF investment assets.

It was explained that the number of partners in the pension shared cost service continued to grow and had increased from 7 two years ago to 19 (WYPF, Lincolnshire, Hounslow LGPS and 16 fire services). More planned to join in 2020/21. The service strategy was to maintain service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance, as the quality of service is important to both employers and individual members.

A Member questioned the inclusion of a contingency of £378,000 in a summary of the 2020/21 revenue account. He was advised that Pension Funds were facing increasing statutory demands from regulators. The contingency had been allocated to meet the potential demands from forthcoming regulations. Demand was difficult to judge and the contingency would be closely monitored and regularly assessed. In response to questions about approval for the contingency it was confirmed that tight control would be exercised over any expenditure to be met from the contingency and would be included in reports to the Joint Advisory Group.

**Resolved –**

- 1. That the projected outturn of £14.51m against budget of £14.61m be noted for 2019/20.**
- 2. That a budget of £14.85m be approved for 2020/21.**
- 3. That the total pension cost per member of £34.46 for 2018/19 (2017/18 £36.45) making WYPF the lowest cost LGPS scheme for 2018/19 be noted.**

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

**25. ACTUARIAL VALUATION 2019 AND CONSULTATION ON THE DRAFT FUNDING STRATEGY STATEMENT**

The report of the Director, West Yorkshire Pension Fund (WYPF), (Document "Q") advised Members that the next triennial actuarial valuation of the West Yorkshire Pension Fund was being prepared based on the situation at 31 March 2019 and would determine the level of employers' contributions from 1 April 2020 to 31 March 2023.

Document "Q" revealed that, based on the situation at 31 March 2019, the fund was in surplus and that the five large Councils within the fund would receive a slight reduction in contributions.

The Draft Funding Strategy Statement (with tracked changes) was appended to the report together with a summary of comments received from the draft Funding Strategy Statement (FSS) consultation process.

A Member referred to previous concerns about initial rates and was assured that agreement had now been reached.

That Member continued to refer to a statement contained in the identification of risks and counter-measures in the FSS regarding climate change and a previous decision of the Investment Advisory Panel. He suggested that the Joint Advisory Group (JAG) should ask the Investment Advisory Panel (IAP) to develop a policy to deal with climate change. An additional Member agreed with that suggestion and felt that the issues about climate change were not adequately addressed in the FSS. She felt that JAG's role was to oversee such issues and requested that climate change be the subject of a future report.

The Chair reminded those Members that that the Investment Strategy was not under discussion and of the remit of the Joint Advisory Group.

A view that the FSS did not address potential risks regarding the viability of fossil fuel companies was expressed. In response assurances were provided that the Investment Advisory Panel kept the effects of climate change under review and that Investment Officers monitored all potential risks to investments.

A Member questioned pay growth assumptions contained in Document "Q" as high pay awards had not been awarded in the local government sector. In response it was explained that the assumptions were based on a forecast for the next 22 years.

**Resolved –**

- 1. That the report be noted.**
- 2. That the draft Funding Strategy Statement be approved.**

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

**26. WEST YORKSHIRE PENSION FUND AUDIT STRATEGY MEMORANDUM**

The report of the Director, West Yorkshire Pension Fund, (**Document "R"**) set out the plan for the external audit of the West Yorkshire Pension Fund for the year ended 31 March 2020.

The report was presented in draft for Members' information and would be submitted to the Governance and Audit Committee at the meeting on 26 March 2020 for approval.

In accordance with Standing Order 38.2 of the Council's Constitution the Director, West Yorkshire Pension Fund, explained that the report had not been available for public inspection five days before the meeting because the timing of publication did not allow for sufficient information to be received and made available to Members by that deadline. The item had not been deferred until the

next scheduled meeting to allow the presentation of the draft Audit Strategy Memorandum to Members prior to its presentation to the Governance and Audit Committee, for approval, in March 2020.

**Resolved –**

**That the report be noted.**

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

## **27. WYPF PENSIONS ADMINISTRATION REPORT**

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document “S”**) provided an update on WYPF’s pensions administration activities over the last six months.

The report provided a very comprehensive account of administration activities including Performance and Benchmarking; Scheme Information; Praise and Complaints; Internal Dispute Resolution Procedures and Administration Updates. Document “S” revealed that, with limited and justifiable exceptions, minimum targets had been met and consideration was being given to raising minimum standards.

During discussions about increased volumes of work due to ‘linkings’ it was revealed that members with multiple jobs could link those employments. The fund had developed software which other funds had not established. It was questioned if those systems could be used to generate income. It was explained that only ten other pension providers used the same systems. The systems which had been developed internally had been sold back to the software providers.

In response to questions Members were advised of a number of categories for which the fund had been nominated for awards and it had been the recipient of three awards in the previous year.

**Resolved –**

**That the report be noted.**

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

## **28. SHARED SERVICE PARTNERSHIP UPDATE**

The Director, West Yorkshire Pension Fund presented **Document “T”** which reported on current administration issues and performance for West Yorkshire Pension Fund’s shared service partnerships.

The background to the report explained that WYPF provided shared service pensions administration to:

- Lincolnshire Pension Fund
- London Borough of Hounslow Pension Fund

- Sixteen Fire Authorities

An update on each of the three services was appended to the report and concluded that WYPF 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.

In response to questions about differing levels of scheme specific data outlined in the report it was explained that the other partners' data had previously been managed by third party administrators and was not complete for every member. Elements of that data was in paper form and not structured. Improvements on those data scores would, therefore, be over the longer term as WYPF reviewed each record. The timeliness of the receipt of data was no longer an issue and was the reason this was not referred to in the report.

**Resolved –**

**That the report be noted.**

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

## **29. LOCAL GOVERNMENT SCHEME REGULATION UPDATES**

This report of the Director, West Yorkshire Pension Fund (WYPF), **Document “U”**, discussed changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Members were aware that the career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014. Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.

LGPS (Amendment) Regulations 2019 were laid before Parliament on 5 November 2019. Those Regulations were effective from 31 December 2019 and introduced survivor benefits payable under earlier regulations for opposite sex civil partnerships. A person who was the surviving opposite sex civil partner of a deceased member would be provided with a survivor pension calculated on the basis that the survivor was a widow or widower depending on their gender.

Following a consultation on the local valuation cycle and the management of employer risk MHCLG had reported it had received around 280 responses. A response or amendment regulations had been expected in autumn 2019 however this had not been issued to date.

The report revealed that a consultation on restricting exit payments had closed on 3 July 2019. Her Majesty's Treasury (HMT) had not yet published its response to the consultation, however, it was understood that HMT would not be introducing the exit cap before 1 April 2020.

Members were advised that it was not yet known when the 'McCloud case' would be resolved. The impact of that outcome on the LGPS was questioned. In response it was explained that members of the 2014 scheme had some benefit protection if they were within 10 years of retirement and their benefits in the old scheme were more favourable than the new. It was expected that the protection would be extended to all scheme Members.

**Resolved –**

**That the report be noted.**

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

### **30. REGISTER OF BREACHES OF LAW**

The report of the Director, West Yorkshire Pension Fund, (**Document “V”**) informed Members that, in accordance with the Public Service Pensions Act 2013, from April 2015, all Public Service Pension Schemes now come 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 it is 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 any breaches of the Pensions Code of Practice was maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2019/20 was appended to Document “V”.

Members were advised that the entries on the Register of Breaches for 2019/20 related to either the late payment of employees' pension contributions by employers, or non-issue of Annual Benefit Statements by the 31 August 2019 to a small number of active members.

A member raised concerns about an employer which had made late payments over a four month period and he was assured that any late payments of contributions would not affect Members' benefits. It was explained that the fund worked with employers to resolve any issues they faced and if necessary fines were imposed.

**Resolved –**

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

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

### **31. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY**

## 2020/21

The Director, West Yorkshire Pension Fund presented **Document “W”** which advised Members that, to comply with the Local Government Pension Scheme (LGPS) Regulations 2013 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 appended to Document “W” with tracked changes highlighted.

Members were reminded that the documents were brought before JAG each year to review and approve, particularly if there were any new regulations and revisions to working practices. It was reported that there were no changes to the Pensions Administration Strategy. The Communications Policy had been updated to reflect activities planned for 2020-21 including increased electronic communications.

### **Resolved –**

**That the Pension Administration Strategy and the Communications Policy 2020/21 be approved.**

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

## **32. THE PENSIONS REGULATOR - GOVERNANCE AND ADMINISTRATION 'DEEP DIVE' ENGAGEMENT REPORT**

The report of the Director, West Yorkshire Pension Fund, (**Document “X”**) introduced the Pension’s Regulator’s Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

The report revealed that in the Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds. That action was as a result of TPR identifying a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this.

The engagement took place between October 2018 and July 2019, following the results of TPR's annual governance and administration survey, in which it was identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR carried out the review at a high level, based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of fund documentation and examples of communications sent to members, prospective members and beneficiaries.

Members were advised that this was not a comprehensive evaluation of the funds’ operations and was not intended to replace audit requirements, nor was it to be considered as regulatory assurance or an endorsement of the fund by TPR.

The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report was appended to Document “X” together with key recommendations taken from the Hymans Robertson 60 Second Summary.

The key recommendations reported included a number of measures to be taken and issues to be overseen by the Pension Board. A Member questioned if the Pension Board enhanced the efficiency of the Fund. In response it was explained that the establishment of a Pension Board had been a requirement of the Public Pension Act. The Board scrutinised the Joint Advisory Group but did not have decision making status. Members were assured that it did query and question the decisions of the Joint Advisory Group and that Members had been invited to attend the Joint Advisory Group as observers. Pension Board Members were legally required to carry out training to undertake their roles and it was challenged why that was not the case for Members of the Joint Advisory Group.

A Member reported that Leeds City Council was Public Services Network (PSN) certified and it was confirmed that Bradford Metropolitan District Council also had that status. A recent potential cyber attack was discussed and Members were advised that systems were not penetrated.

**Resolved –**

**That the Pension Regulator’s findings, contained in Document X be noted.**

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

### **33. TRAINING CONFERENCES AND SEMINARS**

The report of the Director, West Yorkshire Pension Fund, (**Document “Y”**) reminded Members that the training of Joint Advisory Group Members to understand their responsibilities and the issues they were dealing with was a very high priority. Details of training courses, conferences and seminars were provided. Members were advised of the benefits they would gain from their attendance and assured that WYPF would meet all costs.

A Member referred to her second attendance at the Fundamentals training and all Members were encouraged to attend that event.

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

### **34. EXCLUSION OF THE PUBLIC - CIPFA BENCHMARKING CLUB**

**Resolved –**

**That the public be excluded from the meeting during consideration of Document “Z” containing Not for Publication Appendix 2 (CIPFA Benchmarking Club) 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 this 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.**

### **35. CIPFA BENCHMARKING CLUB**

The Director, West Yorkshire Pension Fund (WYPF), presented **Document “Z” which contained Not for Publication Appendix 2**, which reported that WYPF had taken part in the CIPFA Benchmarking Club for Pensions Administration.

The report provided information about the costs of WYPF’s pensions administration service and compared those costs with other Local Government Pension Schemes funds who were part of the CIPFA Benchmarking Club and that was the reason for the restrictions to the publication of the appendix to the report.

Document “Z” concluded that WYPF’s unit costs were one of the lowest across all pension funds. Member surveys revealed good levels of satisfaction from different categories of members. The Fund continued to win awards over the years for quality of service and best administration. Overall the administration service was considered effective and low cost, however, the Fund would continue to seek efficiencies and savings to squeeze costs further.

The levels of experience and qualifications revealed in the report was commended and favourable comparisons between the level of staff turnover and costs of the Fund were welcomed. In relation to levels of pay revealed in the report it was requested that a progress report on the WYPF Revised Budgets 2018/19, discussed at the meeting on 1 November 2018, be provided.

#### **Resolved –**

- 1. That the report be noted.**
- 2. That the Director, West Yorkshire Pension Fund, be asked to provide a progress report on the request to undertake detailed work to implement the recommendation contained in Paragraph 4.1 of Not for Publication Document “O” (2018/19) made at the meeting on 1 November 2018.**

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

### **36. EXCLUSION OF THE PUBLIC - NORTHERN LGPS (NLGPS)**

**Resolved –**

**That the public be excluded from the meeting during consideration of Document “AA” containing Not for Publication Appendices 1 & 2, relating to the Northern Pool, 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**

**37. NORTHERN LGPS**

The report of the Director, West Yorkshire Pension Fund, (**Document “AA”**) set out progress in establishing the Northern LGPS (formerly the Northern Pool), covering:-

- Drafting the Northern LGPS Operating Agreement, including the Terms of Reference for the Joint Committee
- Procuring a joint custodian for all the assets of NLGPS
- Developing the GLIL infrastructure vehicle (including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment)
- Developing a joint private equity vehicle.

**Resolved –**

**That progress to date, contained in Document “AA” 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 Joint Advisory Group.**

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