

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held remotely on Thursday, 28 January 2021

Commenced 1.00 pm
Concluded 3.20 pm

Present – Members of the Committee

<u>Bradford Members</u> Councillors: Thornton Winnard	<u>Calderdale Members</u> Councillors: Baines Lynn
<u>Kirklees Members</u> Councillors: Firth Murgatroyd	<u>Leeds Members</u> Councillors: Dawson Scopes
<u>Wakefield Members</u> Councillors: Graham Speight	<u>Trades Union Members</u> Ms L Bailey (UNISON)
<u>Scheme Members</u> Mr M Morris	

Apologies: Councillor Asif, Councillor Harrand, Mr T Chard and Mr A Goring.

Councillor Thornton in the Chair

18. 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

19. MINUTES

Resolved –

That the minutes of the meeting held on 30 July 2020 be signed as a correct record.

20. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

21. WYPF AUDITED REPORTS AND ACCOUNTS FOR 31 MARCH 2020

The Director, West Yorkshire Pension Fund, (WYPF) presented **Document “M”** which detailed the latest report and accounts for West Yorkshire Pension Fund, summarising financial activities and financial performance for the year 2019/20. Members were advised that the audited report was available on the WYPF website and links to that page were provided.

Members were reminded that the unaudited report and accounts had been considered at the meeting in July 2020 when a number of comments had been received and noted.

It was explained that the Government had provided an extended deadline for signature of the accounts of 30 November 2020. Delays encountered because of the current pandemic had resulted in the accounts being signed on 11 December. The slight delay had been reported to the Ministry of Housing, Communities and Local Government (MHCLG) without issue.

Members were informed that the work on the report and accounts had provided a valuable opportunity to work with the auditor in light of the change in values and the need to examine the various investment values. The work was extensive and it was confirmed that the report and accounts had been signed without any major issues or concerns.

The report revealed a reduction in value in the last year, however, it was reported that since the account was published the value of assets had increased to over £14 billion and the reduction published had been recouped.

It was confirmed that the Fund was 101% funded; that figure did not take account of the £14.5 billion new valuation and, in light of the pandemic, it was felt that was good news.

The only new addition since the report had been considered in July 2020 was that the Government returns on cost per member for all LGPS had been received and it had been confirmed that WYPF presented the lowest cost for last year. When the return had been sent to government the Fund was mid audit and the figure in the accounts was slightly lower than that sent to government by approximately 50p which made no significant difference.

A Member questioned the impact of COVID-19 on the funding position and whilst noting the sadness of the situation it was speculated that there would have been increased deaths which would have impacted the fund. In response it was explained that the accounts did provide a point of emphasis on the pandemic and the impact on assets. Reference was made to the asset being depressed and the uncertainty around the valuation of assets.

In terms of the liability valuations, as the accounts were prepared for the end of March 2020 it could not be amended to include additional impacts. Auditors did work with the Actuary and there was a point of emphasis in the accounts and also in one of the notes to the accounts regarding COVID. Efforts had been made to illuminate the impact of COVID, and the 2021 report from the Actuary would include more on the impact of the pandemic. That topic would be addressed further in the net valuation at the end of March 2021.

A Member noted that the minutes of the meeting held on 30 July 2020 (Minute 7) referred to the lively debate which had ensued whilst discussing climate change and investment in fossil fuels. Whilst acknowledging that the foreword to the Audited Report and Accounts under discussion had been provided by the Chair it was suggested that more reference to that debate could have been included.

Resolved –

That the audited report and accounts for 2019/20 be noted.

ACTION: Director, West Yorkshire Pension Fund

22. WYPF 2020/21 REVISED ESTIMATES AND 2021/22 ORIGINAL ESTIMATES

The report of the Director, West Yorkshire Pension Fund (**Document “N”**) was presented to the Board in accordance with Local Government Pension Scheme Regulations which stipulates that the costs related to managing LGPS pension funds must be charged to pension fund accounts and not to Local Authority general fund accounts.

It was reported that the latest forecast for expenditure plus the cost of managing the fund was £12.6 million against a target of £14.8 million representing an underspend of £2.7million. Unfilled vacancies within WYPF remained a key issue and impacted on the figures, however recruitment was progressing.

The cost per member was forecast to be £34 and plans for services had been put in place which were not delivered due to the COVID pandemic but would be brought back on line with the same base budget being proposed for the following year.

A key point from the report indicated that moving from HSBC to Northern Trust would achieve a saving, investment was needed for more IT as well as providing more services and to increase the digital offering to clients. Officers were confident that the service remained cost effective versus other LGPS and the private sector.

Members were then given the opportunity to ask questions, details of which, along with responses, are detailed below:

- Officers were asked whether the COVID pandemic had affected services provided.
 - It was confirmed that services continued to be provided including payments, servicing memberships both in and out of the scheme and were fully compliant with submitting returns. Employers were

supported with issues and guidance throughout. Only face to face meetings were unavailable and the contact centre was available via telephone and email. They also stated that staff had moved to working from home and had worked hard and shown flexibility. Whilst there had been operational savings, equipment was provided to facilitate this.

- Services had continued to be provided to partners and pension fund members throughout the pandemic and Officers were asked how this had been possible, especially in light of unfilled vacancies.
 - In response, it was advised that staff had undertaken extra hours and extra work and that the vacancies that existed did so before the pandemic and were as a result of a proposed re-structure and continuation of the existing service was the priority.

- A Member proposed that a report be commissioned into divestment in fossil fuel companies and requested that funds be made available in the budget to facilitate this. During the discussion it was confirmed that a review of investment strategy was already underway and that it was not appropriate to make such a proposal as it was not within the remit of this Board to do so. It was also confirmed that funds were available to undertake the review and provide a separate report if required. Following a vote amongst Members a resolution on the matter was reached (please see resolution 4 below)

- A Member raised a concern that the budget was due to be increased next year and asked whether the saving from this year would be rolled forward.
 - Officers advised that savings were due to unfilled vacancies as the team was under resourced. The new staff structure needed to be implemented and the appropriate staff needed to be recruited. There was no risk of a 'double budget' and only what is spent is charged to the account.

Resolved –

- 1. That the projected outturn of £12.68m against budget of £14.85m be noted for 2020/21.**

- 2. That budget of £15.38m be approved for 2021/22.**

- 3. That the Government SF3 data - total pension cost per member of £41.94 for 2019/20, making WYPF the lowest cost LGPS scheme for 2019/20, be noted.**

- 4. That additional funding of up to £50,000 be made available in the budget to the Investment Advisory Panel to commission a report on divestment in fossil fuel companies should the Investment Advisory Panel deem that it is required.**

Action: Director, West Yorkshire Pension Fund

23. FUNDING STRATEGY STATEMENT (FSS)

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document “O”**) advised Members that the Ministry of Housing, Communities and Local Government (MHCLG) laid regulations LGPS (Amendment) (No2) Regulations 2020 on employer contributions and exit payment flexibility on 23 September 2020.

As a result, WYPF’s current Funding Strategy Statement (FSS) required updating to cater for:

- Regulation 64A: revision of rates and adjustments certificate – **Revisions to scheme employer contributions between valuations**
- Regulation 64B: Revision of actuarial certificates – **Spreading of exit payments**
- Regulation 64: Special circumstances where revised actuarial valuations and certificates must be obtained – **Deferred Debt Arrangements**

The Scheme Advisory Board (SAB) and MHCLG had issued draft guidance on the operational and practical assistance to administering authorities and scheme employers in implementing these flexibilities.

The impact of the regulations and measures for implementation were outlined in Document “O”. Members were asked to approve the changes to the FSS subject to there not being any material changes to the guidance to be issued by MHCLG and the Scheme Advisory Board (SAB) and the results of the consultation exercise with stakeholders not indicating any concerns or issues.

A Member reported that he was not comfortable with the wording regarding climate change in Section 7.22 of the strategy and suggested amendments to that paragraph and that a bespoke study to map out of fossil fuel investments be commissioned.

Some Members disagreed with those suggestions maintaining that they were being asked to approve amendments to FSS as a result of new regulations and that investment strategy was the remit of the Investment Advisory Panel.

There was some disagreement to that statement as others believed that the addition of the sentences suggested would strengthen the strategy. Those Members felt that the FSS was an important communication to others and should be amended as suggested.

The Member proposing the amendments referred to discussions at the meeting in July 2020 when the FSS had not been approved because of the issues in the same paragraph. He explained that his amendments were in an endeavour to get the strategy approved. In response some concern was expressed that the amendments were in an attempt to influence the Investment Strategy of the fund. It was understood that this was beyond the remit of the Joint Advisory Group and that it should not dictate Investment Strategy.

The Director, WYPF, advised Members that the wording on climate change in the FSS was intentionally limited as those issues were covered in the Investment Strategy Statement. It was suggested the Members could propose wording to highlight potential risks and liability but it was not for the group to decide that a route map out of particular holdings be developed.

It was reported that a review of the Investment Strategy was currently being conducted. It was expected that there would be significant changes as a result of that review and those amendments would be reflected in that strategy.

Members in opposition to that view believed that the Investment Strategy and FSS were intertwined and amendments to reflect their views on climate change should be incorporated into the FSS.

Resolved –

That subject to there not being any material changes to the guidance to be issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Scheme Advisory Board (SAB) and the results of the consultation exercise with stakeholders does not indicate any concerns or issues, the changes to the Funding Strategy Statement outlined in Document “O” be approved.

ACTION: Director, West Yorkshire Pension Fund

24. WYPF PENSIONS ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund (**Document “P”**) was presented to the Board to provide an update on the administrative work carried out during the previous six months.

In addition to providing pensions administration to West Yorkshire scheme members, it also provided a service to a number of other Local Authorities and Fire Services. These included payroll for all except one Local Authority and reporting to statutory bodies, data provision to external bodies and local authorities for production of scheme accounts.

The report included performance data against key performance indicators (KPI's) and the variety and volume of work associated therein. Extra steps were being taken to ensure members made the right choices, especially in light of the increase risk of pension scams.

The report also included details of training provided to employers the form of which had changed to webinars with new webcasts due to become available from the following month. Details of internal dispute resolutions were provided and broken down by quantity, type, stage and outcomes.

Officers informed the Board that WYPF had passed ISO 9001 re-certification and it had very nearly hit the target of 100% of deferred benefit statements being issued. Staffing numbers equated to 152 full time posts and details were provided in the report on the breakdown of these and recruitment to boost staffing levels.

Members then had the opportunity to ask questions. The details of these and the responses given are as follows:

- The number of online Members who were using the portal was low, were steps being taken to increase the level of usage.
 - Officers stated that it was lower than they wanted but that P60's and annual benefit statements would be available on line and members would be asked to register in order to access them, but would still be available in hard copy format.
- A Member wanted to check that recruitment was underway and also asked about staff sickness absence rates and whether staff been affected by illness due to COVID-19
 - Officers advised that there had been some positive tests and even when self-isolating, employees continued to work and so it was anticipated that it would not have any major impact. Phased recruitment was underway for 12 new Pensions Officers as well as a new Client Relationship Post which reflected the new client base and offered potential for further business.
- A Member noted that the sickness absence rate was half of that for Bradford Council and wanted to know why that was.
 - Officers advised that they had given support to employees (just like Bradford Council) and encouraged employees to share any issues. Work flow was controlled and employees had also been given flexibility on working hours to accommodate home circumstances such as caring for children who would normally be in school.
- Officers were asked if it was easy to find the right candidates for Pension Officer posts from local candidates in view of experience needed.
 - In response, Officers advised that no previous experience was needed for the Pensions Officer posts as internal training would be provided and had a good response to the vacancies advertised. The Customer Relationship Manager roles required experience and so would be remunerated at a higher scale, interest for this post had not been as good.

Resolved –

- 1) **That the Board wishes to thank West Yorkshire Pension Fund Officers for their hard work over the last six months.**
- 2) **That Document “P” be noted.**

Action: Director, West Yorkshire Pension Fund

25. SHARED SERVICE PARTNERSHIP UPDATE

The Director, West Yorkshire Pension Fund presented **Document “Q”** which reported on current administration issues and performance for West Yorkshire Pension Fund’s shared service partnerships.

The report revealed that WYPF provided shared service pension administration to Lincolnshire Pension Fund; London Borough of Hounslow; London Borough of Barnet and nineteen Fire Authorities. An update on each of the services was appended to the report.

It was reported that WYPF provided an efficient and cost effective shared service to both the Local Government and Fire Scheme partners. In particular, the fund 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.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

26. LOCAL GOVERNMENT SCHEME REGULATION UPDATES

The report of the Director, West Yorkshire Pension Fund (**Document “R”**) was presented to the Board to provide an update on changes to the Local Government Pension Scheme 2014 (LGPS) and information on associated matters.

The report gave the latest information on three consultations including an update and link to the McCloud remedy following public sector pension scheme changes in 2015 which were judged as unlawfully discriminatory.

Officers stated that the biggest issue was coming from one area, that being the introduction of exit payments caps which were in conflict with local government pension regulations. Hearings were scheduled for March 2021 in the High Court to hear this review.

The report also included an update on the progress made in relation to the Scheme Advisory Board’s Good Governance Report which consisted of three phases. A link to the reports for phase one and two were included and the main aims from phase three were specified. The final report was due to be presented by the end of February 2021.

A Member asked whether an exit payment example could be provided but were advised by Officers that calculations were complicated and varied, therefore it would not be useful or particularly indicative.

Resolved –

That the report (Document “R”) be noted.

Action: Director, West Yorkshire Pension Fund

27. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report (**Document “S”**), which informed Members that, in accordance with the Public Service Pensions Act 2013, from April 2015, all Public Service Pension Schemes now 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 it 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 was 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.

A register of any breaches of the Pensions Code of Practice was, therefore, maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2020/21 was appended to Document “S” and revealed that the entries on the Register for 2020/21 related to the late payment of employees’ contributions by employers and the non-issue of Annual Benefit Statements by the 31 August to a small number of active members.

Members were made aware that to comply with the target for the ABS 100% of statements must be despatched by the deadline. The figure achieved was 99.74% and it was acknowledged that with constant changes to Member details the target would be very difficult to achieve.

The employers making late payments of contributions were revealed and Members were advised that all breaches had been considered and it had been deemed that they were not of material significance and had, therefore, not been reported to the Pensions Regulator.

Resolved –

That the report and entries on the Register of Breaches of Law, contained in Document “S”, be noted.

ACTION: Director, West Yorkshire Pension Fund

28. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2021/22

The report of the Director, West Yorkshire Pension Fund (**Document “T”**) was presented to the Board in part compliance with LGPS Regulations 2013. The written statement of the authority’s policies included procedures which were considered as being appropriate in relation to liaison and communication with scheme employers and the service levels that employers and WYPF were expected to achieve.

The Joint Advisory Group receives the Pensions Administration Strategy and Communications Policy each year to review and approve, especially in light of

any changes or introduction of new regulations. New employer flexibilities came into force in September 2020 and the Pensions Administration Strategy was updated to reflect these. Members were provided with the latest Pensions Administration Strategy and Communications Policy which was also updated to reflect activities planned for 2021/22.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2021/22 (Document “T”) be noted.

Action: Director, West Yorkshire Pension Fund

29. TRAINING CONFERENCES AND SEMINARS

The report of the Director, West Yorkshire Pension Fund, (**Document “U”**) 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 and Members were asked to contact the fund to arrange their participation. The benefits which would be gained from their attendance was discussed and Members were assured that WYPF would meet all costs.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

30. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

Members were informed that West Yorkshire Pension Fund had three Additional Voluntary Contribution Providers, namely:

- Utmost Life and Pensions (previously Equitable Life),
- Scottish Widows, and
- Prudential.

The contributions paid during the year, fund values and membership information at 31 March 2020 were provided.

Annually the West Yorkshire Pension Fund asked Aon’s AVC Team 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 “V”**) was a follow report to the information provided to the meeting on 30 July 2020.

As Scottish Widows and Utmost Life and Pensions had not provided the necessary information for the July meeting, the report provided an update following completion of the 2020 review by Aon's AVC Team. It also included Aon's views on a replacement of the Prudential International Fund and appointing a new or alternative provider.

It was explained that Aon continued to view Scottish Widows and Prudential as appropriate providers and had no concerns over the suitability of Utmost Life and Pensions as a legacy AVC provider at the current time.

At the meeting in July 2020 it was ascertained that AON's AVC team considered only current providers in the review. At that time Members were advised that due to the complexity of LGPS regulations many providers were reluctant to engage in LGPS business but, at Members' request, it was agreed that contact would be made with the advisors Review Team to ascertain if additional comparisons could be included in the review. It was confirmed that following that request there had been little interest in offering provision in the local government sphere.

A Member, who declared that she had been impacted adversely by an AVC provider many years ago, questioned the liability of WYPF in terms of voluntary contributions. It was explained that those contributions were completely separate to the fund although it did monitor those providers.

Resolved –

- 1. That the removal of the Invesco High Income Fund from the Scottish Widows approved funds be approved and that further advice be obtained from Aon on a replacement fund.**
- 2. That the removal of the ASI Global Absolute Return Strategies Fund from the Scottish Widows approved funds be agreed and that a communication be sent to members regarding the alternative funds available to them.**
- 3. That a full review of the Scottish Widows Lifestyle strategy be approved.**
- 4. That the removal of the Prudential International Fund from the approved funds be agreed.**

ACTION: Director, West Yorkshire Pension Fund

31. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during consideration of Document "W" containing Not for Publication Appendices 1, 2 & 3, relating to the Northern LGPS (NLGPS), 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.

ACTION: City Solicitor

32. NORTHERN LGPS (NLGPS)

The Director, West Yorkshire Pension Fund, presented a report (**Document “W” containing Not for Publication Appendices 1, 2 & 3**) which reminded Members that, in accordance with the guidance from Government, West Yorkshire Pension Fund (WYPF) together with Greater Manchester (GMPF) and Merseyside (MPF) Local Government Pension Funds had established an investment pool, Northern LGPS (NLGPS).

Members were provided with an update on the activities of the Northern LGPS.

Resolved –

That the report, together with Not for Publication Appendices 1, 2 & 3, 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