

# Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 29 July 2021 in the Council Chamber, City Hall, Bradford

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Commenced 1.30 pm  
 Concluded 3.25 pm

## Present - Members of the Committee

<b><u>Bradford Members</u></b> Councillors: Thornton Salam Winnard	<b><u>Calderdale Members</u></b> Councillors: Hutchinson Lynn
<b><u>Kirklees Members</u></b> Councillors: Firth Ramsay Uppal	<b><u>Wakefield Members</u></b> Councillor Swift
<b><u>Scheme Members</u></b> Mark Morris	<b><u>Trades Union Members</u></b> Ms L Bailey (UNISON)

Apologies: Councillors Baines, Scopes, Shemilt, Collins, Mitchell, T Chard and A Goring

### 1. APPOINTMENT OF CHAIR (Standing Order 35)

Resolved –

That Councillor Thornton be appointed Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2021/2022.

*Action: City Solicitor*

### 2. APPOINTMENT OF DEPUTY CHAIR (Standing Order 35)

Resolved –

That Councillor Winnard be appointed Deputy Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2021/2022.

*Action: City Solicitor*

### 3. 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*

### 4. MINUTES

**Recommended –**

**That the minutes of the meeting held on 28 January 2021 be signed as a correct record.**

### 5. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

### 6. WEST YORKSHIRE PENSION FUND RISK MANAGEMENT REPORT

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

Members attention was drawn to two additional risks identified since the issue was last discussed and those were Local Government Pension Scheme (LGPS) regulation changes as a result of the McCloud ruling and the potential loss of shared service contracts. A brief explanation of the McCloud ruling was provided and advised members that this was due to a challenge made by trade unions that age discrimination had occurred following changes from final salary pensions to Career Average Revalued Earnings (CARE). The Government had lost that challenge and a massive piece of work was required to look at memberships and recalculate benefits. The fund had engaged with software providers to process those calculations and receive historical data from employers. Government guidance was awaited.

Concerns were raised that beneficiaries could be overpaid and it was questioned what measures were in place to address that issue. It was explained that legislation was awaited, however, assurances were provided that members would not lose out and they would receive the better of the CARE or Final Salary schemes. It was queried if the McCloud ruling would have any impact on survivors’ pensions and it was confirmed that was the case.

A Member representing Kirklees explained the majority of concerns she heard from constituents were wanting an end to investment in fossil fuels and that there was an increased appetite for renewable energy. She questioned why the risk register did not contain reference to that topic. In response she was advised that the risks being considered were for the administration of the fund and it was the

Investment Advisory Panel which would consider risks to investments.

The economic impact of the COVID pandemic was questioned and it was explained that home working or some hybrid version of that would continue and would minimise the need for additional office space. Investment had been made in technology to allow people to work from home and had tested the funds' resilience to continue to operate with minimum impact. A positive effect of working from home had been reductions in energy use. The Risk Register was reviewed every two to three months and whilst it did not currently contain any reference to climate change that could be added in the future.

The impact of increased deaths due to the pandemic was questioned and Members were advised that the staffing structure was continually reviewed. The teams dealing with those issues had been given additional resources in recognition of the additional work required.

Retention and recruitment was discussed and arrangements for in-house training and career progression queried. It was explained that many pension funds had issues with recruitment and retention due to the governance required. A report being considered later in the meeting would cover those issues. Staff turnover was recorded as 4.2% and was due to the fund encouraging and providing training opportunities; the fund paid for staff to further their qualifications; time off was granted and training was embedded in career grade schemes. The fund scored well in those areas against CIPFA benchmarks.

**Resolved –**

**That WYPF's latest risk management report be noted.**

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

## **7. PENSIONS ADMINISTRATION**

The report of the Director, West Yorkshire Pension Fund (**Document "B"**) was submitted to the Committee to provide an update on the West Yorkshire Pension Fund's (WYPF) pensions administration activities over the previous six months.

The report was broken down into sections which reported on a variety of activities as well as providing data on performance against key areas of work and an explanation in areas of underperformance.

Officers advised Members in relation to work which was underway and pending indicating that there was a considerable amount of activity taking place.

The report also included details of the most recent Membership details for all schemes and a breakdown of complaints and praise from a random survey that was carried out.

Information on the schemes' Internal Disputes Resolution procedure (IDRP) with some statistics for appeals, the nature of these and the outcomes was also included in the report. The nature and outcome of recent audits was reported on and an update on new scheme Members. The number of members who were

registered online was updated from the report from 29,000 up to 35,000. --

An update on staffing was also provided giving staffing numbers, recruitment positions and absence figures.

WYPF had been shortlisted for some awards but was not successful on this occasion.

Members commented on the fantastic job done by WYPF staff in providing service throughout the pandemic and that sickness absence was well managed. Members were also advised on the average age of employees and were assured that succession planning was already in place as the profile showed a mature workforce with many long standing employees who could retire at the same time. Training was in place and development was encouraged. Officers stated that senior positions were filled through staff progression indicating that they were a good employer with happy staff.

A Member asked whether there were any plans to upgrade the user experience of the online portal and whether the activity of new members of the scheme was monitored. Officers advised that a meeting was due to take place with Civica as there was a need for development and refinement of an 'off the shelf' product. Development and improvement work were planned with additional information to be added and the aim to increase activity.

Members also asked how much the portal is used in place of hard copy documents and was there an intermediate option to email when providing information to Members. Officers advised that Google analytics showed what was being accessed and it was possible to see what had been opened, whereas if information was sent by post there was no way of knowing whether it was opened and read. There would also be the issue of security as email is not absolutely secure.

#### **Resolved –**

**(1) That Members wished to pass on their thanks to Pensions staff members who continued to work and deliver an excellent service throughout the pandemic.**

**(2) That the report be noted.**

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

#### **8. ADMINISTRATION OUTTURN 31 MARCH 2021**

The report of the Director, West Yorkshire Pension Fund (**Document "C"**) summarised WYPF total costs of administering pensions and investments for 2020/21.

The report revealed low costs per member and reduced financial transactions. It was known that there would be pressure on costs per member in the coming year and it was questioned how that would be expressed without causing alarm to members. The Director explained that a new structure had been approved last

year but would take some time to fully implement. Investment had been made in administration and support services and as more shared services were gained posts would be reviewed. The impact of COVID had made it difficult for all funds to recruit and competition was faced. The implementation of working from home had allowed for recruitment from further afield.

A Member queried a figure of 20 to 25 vacancies and was advised that the pandemic had meant that the new structure had taken a while to implement. Some process had been automated and staff not replaced. It was anticipated that all new employees could be fully trained and in place before the McCloud legislation was announced.

It was questioned if custodial arrangements were a work in progress and it was reported that those arrangements had been completed one year ago. That work had been a major risk although all had gone well and audit had provided a clean bill of health.

Assurances were provided that the Fund was in a good place compared to other LGPS to deliver high quality services at a good price and costs would not rise significantly. Members were advised that there were a couple of typographical errors in the draft report and these would be amended shortly.

**Resolved –**

**That the report be noted.**

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

## **9. UNAUDITED REPORT AND ACCOUNTS 2020/2021**

The report of the Director, West Yorkshire Pension Fund (**Document “D”**) was submitted to the Committee to provide the details of financial activities and financial performance for the year 2020/21 in the form of an unaudited report. Deadlines for publication of WYPF audited accounts were included as these had been subject to statutory changes. Despite the impact of home working and the COVID pandemic, officers were still confident that the deadlines would be met. The report also indicated that the value of the fund had recovered what had been wiped off as a result of the COVID pandemic.

The report included details of member and employer numbers, and the performance against KPI's plus the breakdown of costs per member which placed WYPF favourably when compared with other similar schemes.

Members were then given the opportunity to comment and ask questions, the details of which and the responses given are as below:

A Member wished to congratulate the fund managers on the healthy valuation of the fund and asked about whether pressure was yielding positive results in relation to the Paris agreement as oil, gas and airline companies were poor at producing a strategy and if there was an illustration of the positive impact.

Officers responded that there were a number of positive results but airlines stated

that they were in a difficult position. First steps had been taken and investment in renewable energy was envisaged. There was progress being made but with work still to do.

Officers were asked whether any resolutions had been co-signed with these types of companies and were advised that several had already been signed and not solely in the gas and oil industry.

Members raised the issue again around setting aside funds to investigate divesting in fossil fuels and were advised that the ESG Manager reviewed how this was being done on an ongoing basis as well as reviewing investment strategies. There were some issues around the accuracy of data which would be addressed. There were also some Members who were unclear about the role on JAG and the Investment Panel and an undertaking was made to deliver clearer documentation going forward.

**Resolved –**

**That the unaudited report and accounts for 2020/21 be considered and noted.**

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

#### **10. LOCAL GOVERNMENT PENSION SCHEME REGULATION UPDATE**

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

Members requested further clarity on the McCloud remedy contained in the report and it was explained that the greatest impact would be on pension workloads. It was anticipated that guidance would be received before the end of the year and that the regulations would come into effect on 1 April 2022.

It was explained that the 2014 Pension Scheme had changed from a final salary scheme to CARE. Anyone who had left the scheme or died will have their pensions recalculated to ensure they receive the better of the CARE or final salary scheme. Costs will be incurred due to administration costs to recalculate and software needed to undertake those calculations.

The valuation of the fund was due at 31 March 2022 and the actuary is aware of the change and will take account when calculating liabilities.

**Resolved –**

**That the report be noted.**

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

#### **11. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS**

The report of the Director, West Yorkshire Pension Fund (**Document “F”**) was submitted to provide Members with an update in relation to the ongoing issues with Prudential as a result of the implementation of a new system.

The report focussed on the administration and distribution of AVC's and how the allocation of these was affected by the system change and the knock on effect to WYPF payments. Prudential cited the system change and changes in work practices as a result of the pandemic which affected their productivity as the main causes of disruption to service.

The report provided the latest information on the recovery plan from Prudential and the actions being taken by WYPF in view of the situation which was still not completely resolved.

It was noted that contributions were not allocated and therefore not invested potentially losing investment income. Members were assured that allocation would be made from the date that funds were received so that pension members did not miss out.

WYPF was in regular contact with Prudential for settlement information and compensation would be paid to members. Most of the backlog was clear but Prudential had been reported to the Pensions Regulator as the situation was not satisfactory.

Prudential have been reported to FCO also and WYPF were waiting to see what the consequences would be and what would be imposed as members' best interests were the priority.

Officers confirmed that 19 members were affected.

**Resolved –**

**That the report be noted.**

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

## **12. 2022 ACTUARIAL VALUATION**

The report of the Director, West Yorkshire Pension Fund (**Document “G”**) provided Members with information relating to the next triennial actuarial valuation of the Fund which was due at 31 March 2022. This would determine the funding position and employer contribution rates from April 2023 onwards.

Members were advised that an initial meeting with the Fund's Actuary would be arranged in the autumn, when issues relating to the valuation and investment markets would be explored in some depth.

**Resolved –**

**That the report be noted.**

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

**13. REGISTER OF BREACHES OF LAW**

The report of the Director, West Yorkshire Pension Fund (**Document “H”**) was submitted to provide Members with details of breaches of law as per its procedures and to demonstrate compliance with regulations in relation to reporting of breaches. The report gave an overview of the background to the register of breaches and what was included.

The report also included 3 appendices which contained the registers for 20/21 and 21/22 and a copy of the report which was submitted to the Pensions regulator.

Officers provided a verbal summary of the report and signposted Members to the appendix relating to Prudential in light of the ongoing issues.

**Resolved –**

**That the Joint Advisory Group noted the 2020/21 and 2021/22 Register of Breaches.**

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

**14. MAZARS REPORT TO JAG**

The Director, West Yorkshire Pension Fund submitted the report of City of Bradford Metropolitan District Council’s auditor Mazars (**Document “I”**). The auditors were in attendance and presented their audit strategy memorandum for the WYPF annual reports and accounts for the year ended 31 March 2021.

**Resolved –**

**That the audit strategy memorandum from Mazars for their work on the accounts year ended 31 March 2021 be noted.**

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

**15. TRAINING, CONFERENCES AND SEMINARS**

The report of the Director, West Yorkshire Pension Fund (**Document “J”**) was submitted to inform Members of training made available in order that they understood their responsibilities and the issues they would be dealing with.

Training of Members continued to be a high priority and Officers encouraged them to take advantage of the training offered.

**Resolved –**

**That Members were requested to give consideration to attending the training courses, conferences and seminars set out in Document “J”.**

**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