

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 28 July 2022 in Committee Room 1 - City Hall, Bradford

Commenced 1.40 pm
Concluded 3.00 pm

Present – Members

<p><u>Bradford Members</u> Councillors: Salam Thornton Winnard</p>	<p><u>Calderdale Members</u> Councillors: Hutchinson Lynn</p>
<p><u>Kirklees Members</u> Councillors: Crook Ramsay</p>	<p><u>Leeds Members</u> Councillors: Scopes</p>
<p><u>Wakefield Members</u> Councillors: Mitchell Swift</p>	<p><u>Trades Union Members</u> Tristan Chard (GMB) Andrew Goring (Unison) Liz Bailey (Unison)</p>
<p><u>Scheme Members</u> Mark Morris</p>	

Apologies: Councillors Pillai, Firth, Shemilt and Nicholls

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 2022/2023.

Action: Interim 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 2022/2023.

Action: Interim 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: Interim City Solicitor

4. MINUTES

Resolved –

That the minutes of the meeting held on 27 January 2022 be signed as a correct record.

Action: Interim City Solicitor

5. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

6. RISK MANAGEMENT REPORT

The report of the Director, West Yorkshire Pension Fund (**Document “A”**) was presented to provide Members with details relating to the identified risks which had been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks.

The risk matrix measured each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

Members expressed concern regarding the risk identified with recruitment and retention of experienced staff. It was suggested that the structure of pay scales was an inhibitor to recruitment and retention and felt there was a disparity between the fund and private sector organisations. It was suggested that the Council be put on notice that Members were deeply concerned about the risk and if something was not done quickly to rectify the issue they would take action. It was expected that the Council should provide a thorough action plan including steps required to meet the challenges before the next meeting.

In response to questions about the likely consequences of the risk in the short

term it was explained that the fund had struggled to recruit to a number of posts despite advertising two or three times. Risks included that Key Performance Indicators may not be met. The fund provided shared services to 23 fire authorities and three Local Government Pension Funds and must report to those services on a regular basis. If performance was not met those contracts could be lost.

A risk to members through processes not completed on time or benefits paid was also a concern. Additional pressure fell on existing employees during periods of holiday or staff sickness. A lot of KPIs continued to be met but there were some that were not and shared partners focus on those indicators.

A Member questioned changes the changes to inflation rates could have on the triannual valuation of the fund which had taken place. It was explained that the valuation was taking place currently and positive results were expected. There would be no need for a revaluation but Inflation rate increases were recognised as an issue going forward. The fund was currently 100% funded and there was a need to maintain stable contributions for employers so there would be no reductions in employer contributions made.

It was questioned how much the job market and how much host authority requirements impacted on recruitment and retention issues. It was explained that there was a significant host authority issue. External consultants had reviewed pay grades and that review been accepted by Bradford Council. Issues had arisen as the Council had stated that WYPF personnel could not be paid on different grades to other Council employees. The fund was feeling the repercussions of that decision.

Comparisons had been reviewed between private and public sector organisations in the review undertaken. The Local Government Association had also compared regional pay and the results were currently being analysed. Recruitment and retention issues were faced across the whole pensions sector and it was felt that this was because there were some many issues in the pension arena currently. All funds were competing for expertise to deal with the McCloud remedy; Good Governance; Pensions Dashboard and other requirements.

Resolved –

That the 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 Group to provide details of activities relating to the administration of the fund in the preceding 6 months.

In addition to providing pensions administration for WYPF scheme members, WYPF provided a full administration service to Lincolnshire Pension Fund, the

London Borough of Hounslow and more recently the London Borough of Barnet and to 23 Fire Authorities. This included pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

The report contained a number of appendices that broke activities down into categories.

Officers stated that most KPI's were being met despite ongoing staffing shortages which was a credit to the staff in post. Some targets, however, had been affected and a narrative was provided in relation to these. The investment in process automation would contribute to reductions in output deficit, but due to the increased number of members, the work load would be sustained.

Some hi-lights from the report were shared with Members including the member survey, employer training to ensure good quality and timely submitted data. Disputes which were low in comparison with the size of the fund, hybrid working, which had been fully implemented with a 2/3 day split between working from home and attendance in the office.

A letter that had been written to Prudential was also shared regarding the ongoing issues around service delivery, which was a national one, not just a problem for WYPF members. Two more fire authorities had come on board and annual benefit statements (ABS) had been sent out with 96.2% of active members and 99.2% of deferred members statements being dispatched on time.

Arising from a Bradford Council internal audit, the 5 recommendations made had all been implemented.

Members were then given the opportunity to ask questions or to comment. The details of which and the responses given are as below.

- From the ABS sent electronically, was there any tracking done to see if they had been accessed by members? Officers advised that a software solution to address this had been sought from Civica. There was no indication as to what data could be provided, but in the interim, Members would be encouraged to access the portal
- The improvements required from Prudential had taken a long time, what actions or recourse was available to get them on track? Officers advised that the Fund could switch providers, which was already being investigated and a report would be submitted at the next meeting.
- The number of unfilled vacancies was raised as was the rising level of sickness absence. Was this an indicator that staff were starting to succumb to the extra pressure? Officers advised that some figures related to long term absence with 1 retirement due to ill health but sickness levels still compared favourably to the Council. Vacancy information would be added onto the report at the next meeting.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

8. WYPF FINANCE REPORT

The Director, West Yorkshire Pension Fund submitted a report (**Document “C”**) which presented the WYPF 2021/22 financial outturn, financial and service performance and the draft 2021/22 annual report and accounts (WYPF accounts). The report revealed that the Local Government Pension Scheme Regulations 2013 (LGPS Reg 2013), Regulation 57 specified that:

1. An annual report must be prepared each year ending 31 March.
2. The annual report must be published by 1st December following the year end.
3. In preparing and publishing the annual report, WYPF must have regard to guidance from the Secretary of State and use best practice.

Members referred to the recurring issue of recruitment and retention. It was noted that there was a continued underspend on staffing budgets and concern was expressed about the pressure on staff whilst work was expanding.

A Member questioned the number of employers quoted in the report as an increase of 40 since March 2021 contradicting previous information. It was confirmed that numbers do change but that figure was correct.

Members felt that the information in the report was only relevant when compared to liabilities and questioned if an interim funding update at 31 March 2022 was to be provided. It was confirmed that the update would be provided shortly.

Resolved –

That the content of the annual report, including the financial and service performance, be noted.

Action: Director, West Yorkshire Pension Fund

9. BUSINESS PLAN 2022-2027

The report of the Director, West Yorkshire Pension Fund (**Document “D”**) was submitted to the Group to provide Members with details of the 5-year Business Plan including its objectives and priorities and how these would be achieved.

The plan would be formally reviewed and approved annually in addition to ongoing monitoring and updates as necessary throughout each year.

The 5 key objectives, as set out in the plan came under the following categories:

- Governance
- Funding
- Investments
- Administration

- Communications

The report included details of developments and changes that would impact WYPF which were focused on by the Fund to put WYPF in a strong position to meet future challenges.

There were a number of key focus points included in the business plan with a detailed account of these in the business plan document (Appendix A).

Officers stated that it was the first comprehensive 5-year business plan and would be brought to JAG each year. It would be a working document that would reflect response to ongoing issues and developments. The most recent being updates to McCloud, the pensions dashboard, online member self-service, the Pension Regulator's single Modular Code, good governance review and compliance with the TCDF (Task Force on Climate-related Financial Disclosures). The plan placed everything that the Fund wished to achieve in one place.

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

- Officers were commended that the business plan document was easy to understand, well set out and could be understood by anyone to see what WYPF were doing
- Were employers who were experiencing issues submitting data correctly or on time presenting a problem as there were numerous member of the organisation? Officers advised that employer training was key to ensure that data was of good quality and submitted in a timely manner. Employees responsible for the submission of data appeared to change frequently so there was a task to keep current member employers trained. WYPF had recently employed employer engagement officers and had another 2 vacancies to fill to strengthen the team. They further stated that training was being delivered online and via webinars with continued and improving engagement. Issues still prevailed with some smaller employers but engagement would continue.

Process automation for data submission was included in investments planned and phase 3 of this would see data errors having to be resolved at the employer end before submission to WYPF.

- Officers were asked to explain employer flexibilities and were advised that there were 3 elements:

Change of rate between validations

Employers who exit the fund with a surplus – lump sum payments

Deferred agreement option (debt spreading agreement)

These were explained more fully in the funding strategy statement document.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

10. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

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

Changes to contribution bands were questioned and Members were concerned that some people who had received pay increases were being left worse off because those increases had moved them into higher contribution bands. It was questioned if the fund had any influence on those bands and felt that they should also be progressively increased.

An anomaly occurring with the timing of pay awards was discussed and it was acknowledged that a 12 month arrears payment had caused that issue. It was acknowledged that the fund had no authority in the matter. It was agreed that it would be beneficial for the contribution bands to be organised as tax bands where lower contribution payments were required on amounts of pay up to a certain level and higher contributions were only required on the actual amount of pay above the higher threshold.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

11. 2022 ACTUARIAL VALUATION

The report of the Director, West Yorkshire Pension Fund (**Document “F”**) was submitted to the Joint Advisory Group to provide Members with an update on the work undertaken for the scheduled Actuarial valuation. The valuation carried out by the appointed actuary was intended to assess the financial position of the fund as at 31 March 2022, determine employer contributions and to ensure compliance with regulations in relation to the actuarial valuation.

Officers advised that the Terms of Reference had been agreed with the actuary and indicated that there was a slowdown in improvements since the last valuation. All data had been sent to the Actuary and was being processed with data validation work to follow. It was anticipated to have preliminary results by September or October 2022. Final assumptions would be agreed in October with new employer rates effective from April 2023.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

12. REGISTER OF BREACHES OF LAW

The report of the Director, West Yorkshire Pension Fund (**Document “G”**) was presented to provide Members with the details of the register of breaches in accordance with West Yorkshire Pension Fund (WYPF) Breaches procedure.

In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of The Pensions Regulator.

Section 70 of the Pensions Act 2004 imposed a requirement to report a matter to The Pensions Regulator, as soon as is reasonably practicable where that person has 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.

The entries on the Register of Breaches for 2021/22, related to:

- the late payment of employee’s pension contributions by employers,
- delay in making a transfer out payment to a new pension provider,
- the non-issue of Annual Benefit Statements by the 31 August 2021 to a small number of active members.
- delays in settlement amounts paid to the Fund by Prudential when members had retired. (details of that breaches and copy of the submission to the Pension Regulator reporting that breach were supplied to the July 2021 JAG meeting).

A Member referred to delays to payments by Prudential and questioned if the situation had improved since it had been reported in July 2021. He was advised that the situation had improved significantly since that time. Annual Benefit Statements (ABS) had been issued for the previous year and it would be monitored when ABS were provided for the current year.

He referred to people who he had seen take early retirement through necessity over the previous two years and was concerned that payment delays beyond a 13-week period had caused additional pressure in their lives. In response he was assured that Key Performance Indicators stipulated that payments should be made within three days. If Additional Voluntary Contribution payments from the Prudential had been delayed members would still have received their lump sums. The reasons that benefits were not paid by the fund and AVC provider separately was to avoid a much higher rate of tax which was required on a second payment.

Resolved –

That the entries on the Register of Breaches of Law 2021/22 be noted.

ACTION: *Director, West Yorkshire Pension Fund*

13. POOLING OF ACADEMIES

The report of the Director, West Yorkshire Pension Fund (**Document “H”**) was submitted to inform Members in relation to the Fund’s proposal to introduce pooling to all academies for funding purposes.

The proposal was in response to the rising number of academies and the variations in contribution rates for individuals and those in Multi Academy Trusts (MATs) and the subsequent amount of work involved for WYPF staff. The benefit for employers would be that risk would be shared, with no notional assets being allocated to any one single academy or MAT, reductions in the fluctuations of contribution rates and a saving on administration and valuation costs.

Consultation was due to be carried out with employers in September 2022, the Funding Strategy Statement would be updated to include the proposal (if agreed) and the changes arising from the 2022 valuation.

A Member asked how many employers would need to be in agreement in order for pooling to be implemented and was advised that an analysis of responses would be carried out and would be dependent on the response.

A Member asked whether individual academies would have an adequate understanding of the financial implications and was advised that all information would be provided and would be for non-teaching staff only.

Resolved –

- 1. That the principle to move towards pooling all academies for funding purposes be noted.**
- 2. That the outcome of the consultation exercise with all employers and updates to the Funding Strategy Statement will be considered in January 2023.**

Action: *Director, West Yorkshire Pension Fund*

14. MAZARS EXTERNAL AUDIT REPORT TO JAG

The report of the external auditors (Mazars) (**Document “I”**) was presented to provide Members with the Draft Audit Strategy Memorandum (ASM) which set out the plan for the external audit of the West Yorkshire Pension Fund for the year ended 31 March 2022.

The Draft Audit Strategy Memorandum was appended to the report. As this was a lengthy document salient points were highlighted and Members provided with

an opportunity to raise any questions on the document.

It was explained that fieldwork on the ASM was ongoing.

Significant risks identified included management of override of controls and valuation of investments within level 3 of the fair value hierarchy.

An enhanced risk was reported as valuation of investments within level 2 of the fair value hierarchy.

Members were assured that further testing would be carried out on those risks.

Audit fees were to be confirmed as it was preferred to consider the additional work required before those fees were stated.

Materiality levels were those identified at the planning stage and the percentage to be used was consistent with the sector in prior years.

The draft statement had been received and amendments were reported.

Resolved –

That the report 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 remind Members that new guidance resulting from the Good Governance Report (yet to be introduced) would require key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

Members would be provided with individual training needs analysis questionnaire in order to assist WYPF Officers and Hymans, a bespoke training provider for LGPS to deliver appropriate training.

Monthly reports were provided to WYPF with training activities undertaken which indicated that there was an outstanding programme of training still not completed, some of which was mandatory so needed to be addressed. A report would be submitted either via the Annual Report or the Governance Compliance Statement to show what training was undertaken in the previous 12 months.

Members were advised that if they had attended any training externally, to provide details in order that it could be added to their training record.

Resolved –

That members complete the online training as soon as possible and give consideration to attendance at the events as provided.

Action: Members and the 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