

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 26 January 2023 at 1.30 pm in Council Chamber - City Hall, Bradford

Commenced 1.30 pm
Concluded 3.10 pm

Present – Members

<p><u>Bradford Members</u> Councillors: Salam Winnard</p>	<p><u>Calderdale Members</u> Councillor: Hutchinson</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>

Councillor Winnard in the Chair

Apologies: Councillor Andrew Thornton and Councillor Deb Nicholls

16. 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: Director of Legal and Governance

17. MINUTES

Resolved –

That the minutes of the meeting held on 28 July 2022 be signed as a correct record.

ACTION: Director of Legal & Governance

18. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

19. FINANCE REPORT

The report of the Director, West Yorkshire Pension Fund (**Document “K”**) presented the latest financial update for 2022/23, budget proposal for 2023/24 and an update on the 2021/22 annual report and accounts (WYPF accounts).

The report provided a summary of West Yorkshire Pension Fund’s financial position, and key financial activities during the year ended 31 March 2022.

Members were advised that the accounts have been prepared in accordance with the regulations outlined below and complied with all relevant regulations and best practice.

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
- Latest Pensions Statement of Recommended Practice
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

It was reported that there were delays in finalising audit opinions due to legislative provisions which came into force on 25 December 2022 and it was explained that discussions were ongoing as to when Bradford Council accounts bundle, including WYPF accounts would be signed. A representative from the audit firm Mazars attended and provided comment on the report.

The latest WYPF Draft Report and Accounts as at 31 March 2022 were attached as Appendix 1 to Document “K” and Members were advised that whilst the audit work for WYPF had been completed the current version would remain as a draft account and was subject to further reviews until it was signed by auditors. It was explained that JAG would receive an update in July 2023 and that due to late receipt of a number of private asset valuations the value of asset had increased and as a result investment performance also improved.

Resolved –

- 1. That the projected outturn of £6,264k against budget of £6,254k for 2022/23, projected overspend of £9k be noted.**
- 2. That the proposed budget of £7,302k for 2023/24 be approved.**
- 3. That the WYPF total cost per member of £34.06 for 2021/22 as the lowest LGPS cost per member be noted and that both Cipfa and CEM benchmark for 2021/22 confirmation that WYPF delivers high level of**

pension services at below average cost, be noted.

- 4. That the WYPF team of officers be congratulated for their efficient management throughout the year.**

Action: Managing Director, West Yorkshire Pension Fund

20. 2022 ACTUARIAL VALUATION

The Report of the Managing Director, West Yorkshire Pension Fund (WYPF) (**Document “L”**) was presented as the triennial actuarial valuation of the fund was being prepared based on the position at 31 March 2022, and would determine the level of employers’ contributions for the period 1 April 2023 to 31 March 2026.

Members were advised that if the draft Funding Strategy Statement was approved, which was being discussed later in the meeting, the indications were that WYPF would be 108.5% funded. This was compared to the situation at 31 March 2019 when it was 106% funded.

It was confirmed that training had been provided to Members on 10 January 2023 and a Member reiterated comments he had made at that time.

He was concerned about the process which had been undertaken as assumptions had been agreed by the working group and details of future service rates had been presented to employers before being seen by Members. He acknowledged the need for caution but believed that the surplus at 31 March 2023 would be greater than the previous year. He believed that there had been a high level of contribution stability and felt that a conversation regarding that surplus and discussions about the process in future years were required.

The Managing Director, WYPF, acknowledged those comments and agreed that it was difficult to keep Members updated when the group only met twice per year. He suggested that going forwards, in valuation years the group could potentially meet more often.

It was explained that prudence was applied to reflect the unusual market conditions which had been seen and whilst it would be good help employers by reducing rates further, the Fund needed to be cautious when lowering rates in case the market conditions changed significantly. The Investment Strategy Review following completion of the valuation process would take into account any surplus and consider risk management strategies and the desire of reducing rates in future if appropriate. The Managing Director stated he looked forward to those discussions.

Resolved –

That the report, and the issues raised by Members, be noted.

Action: Managing Director, West Yorkshire Pension Fund

21. EXCLUSION OF THE PUBLIC

No resolution was passed on this item.

22. CONSULTATION ON UPDATES TO WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT (FSS)

The report of the Managing Director, West Yorkshire Pension Fund (**Document “M”**) informed Members that the Administering Authority had undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflected the principles and approaches it intends to take as part of the 2022 valuation exercise.

The updates to the Funding Strategy Statement that were consulted on were outlined in the report and a copy of the draft Funding Strategy Statement with the changes tracked to aid reference was appended to the report. The consultation exercise closed on 31 December 2022 and the comments received were provided in the report.

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

A Member noted the approach to funding overall and quoted that it needed to be both ‘cohesive and comprehensive’ and in the ‘long-term interests of the fund’. In light of these comments, the Member then requested amendments to the document in relation to divestment from fossil fuels with a specified timeline. Whilst some other Members who were present supported the idea, Officers advised that the document had already been out for consultation with stakeholders and had been drafted based on comments received. It would not be appropriate to make changes to the policy without further consultation from employer Members who may not agree as the Member’s proposal represented a significant material change. Members wanted discussion regarding divestment to take place and their concerns to be noted but were advised that this was not the body responsible to do so. Officers further advised that the FSS was a policy document and needed to be consistent with other WYPF policies which were matters considered by the Investment Advisory Panel rather than the Joint Advisory Group.

Resolved –

That the changes to the Funding Strategy Statement, outlined in Document “M”, be noted.

Action: Managing Director, West Yorkshire Pension Fund

23. PENSIONS ADMINISTRATION

The Report of the Director, WYPF (**Document “N”**) provided an update on West Yorkshire Pension Fund’s (WYPF) pensions administration activities for the period 1 July 2022 to 31 December 2022.

The report detailed performance and benchmarking; total work in progress

divided into categories; scheme information; praise and complaints, details of the internal dispute resolution procedures; an administration update; staffing figures and member portal details.

Members were advised that the fund had won the Good Governance Award at the LAPF Investment Awards in December 2022 and had been shortlisted by Pensions Age under the categories of DB Pension Scheme of the Year, Pension Scheme Communication Award and Pensions Administration Award.

Following a detailed presentation and whilst congratulating officers on a fantastic performance, a Member questioned if succession plans were in place to ensure that the progress reported could continue.

In response it was acknowledged that the fund had a mature workforce with a number of senior managers being in that age bracket. Assurances were provided that a number of key posts had been filled; succession plans were in place and training was provided to ensure that knowledge was gained and the necessary expertise passed on.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

24. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2023

The Report of the Managing Director, WYPF (**Document “O”**) was submitted to the Joint Advisory Group in compliance with the 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 are expected to achieve.

Officers presented the report on an annual basis as an update, more specifically for communications as it was an annual plan. Some highlights from the report were shared as a summary and indicated that there was an increase in use of the online pension portal. The Administration strategy was considered to be a key document as it defined the relationship between WYPF and employers – the document presented was a refresher as there were not significant changes.

There were no questions or comments in relation to this item.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2023 be noted.

Action: Managing Director, West Yorkshire Pension Fund

25. REGISTER OF BREACHES OF LAW

The Report of the Managing Director of WYPF (**Document “P”**) was submitted in accordance with the Public Service Pensions Act 2013.

Members were advised that Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as reasonably practicable where a 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.

Appended to the report at Appendix A was the Register of Breaches 2022/2023 and that detailed whether each Breach had been deemed to be of material significance and as a result been reported to the Pensions Regulator in accordance with Section 70 of the Pensions Act 2004.

The entries on the Register of Breaches for 2022/23 related to:

- Contributions being paid late by employers and therefore not being received by the fund until after the Pension Regulator’s deadline of the twenty first day of the following month
- The non-issue of Annual Benefit Statements by 31st August 2022 for a small number of active members

The actions taken to recover late payments was reported and it was confirmed that should payments not be received by the end of the month the breaches would be reported to The Pensions Regulator.

In response to questions it about the non-payments it was explained that the monitoring process had been amended and officers would be informed of the breaches much earlier.

Resolved –

That entries and action taken on the Register of Breaches of Law be noted.

Action: Managing Director, West Yorkshire Pension Fund

26. CEM - PENSIONS ADMINISTRATION BENCHMARKING SURVEY (PABS)

The Report of the Managing Director, WYPF (**Document “Q”**) advised Members of the comparison of WYPF’s pension administration costs and member service with a peer group of other schemes, from both public and private sector, for the year to 31 March 2022.

Officers advised that WYPF was a part of a benchmarking group run by CEM and

details of the peer group that WYPF was part of was included in the document appended to the main report for information. CEM was tasked with comparing cost and performance with peer pension schemes and showed that WYPF were below average for costs per member whilst still comparing favourably for the service provided. The results indicated that the service provided was better than the peer group and had gone up from last year. Officers further advised that the service score should increase the following year as there was now an online pension calculator on the member portal and in person meetings had restarted following the restrictions imposed by Covid. Online functionality for AVC's was at a lower score level as the information was accessed via provider portals.

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

A Member queried the amounts in the report relating to the low governance costs and was advised that governance costs were difficult to compare systematically because the issues faced by each scheme were so different.

Officers stated that there were few flags to identify vulnerable members and were asked by Members if there were any plans to address the situation. Officers stated that members were flagged when identified but more could be done. Lessons could be learnt from the private sector and from their best practice.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

27. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The Report of the Managing Director, WYPF (**Document “R”**) was presented to provide Members with an update on changes to the Local Government Pension Scheme (LGPS) 2014 and information on associated matters.

The Chair questioned if work on the McCloud remedy would be a large administration burden and he was advised that the process would require a very large exercise to look at records for all members including those who had retired, transferred out or were deceased. Work had already begun and although data had been requested from employers for eight years very little response had been received. As a result, assumptions would be required but Officers were confident this would not be an issue as, unlike many Funds, records were maintained and kept up to date. The issue was a risk on the Risk Register. It was hoped that software released from providers would allow automated calculations to be made. Additional staff and training was planned dependent on what was released from the software providers.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

28. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE - ANNUAL AVC REVIEW

The Report of the Managing Director of the WYPF, (**Document “S”**) presented details of Aon’s AVC Team review of the performance of Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration annually.

The fund was required to offer AVC facilities and was working with Prudential, Scottish Widows and Utmost Life and Pensions as a legacy provider (formerly Equitable Life).

AVC services were historically reviewed annually by the actuary to highlight any potential issues. However, no reviews were carried out in 2021 of AVC providers so the last review was in 2020. There were no concerns with any of the providers and whilst the number of members making AVC’s had decreased, their value had increased over the intervening period. Officers summarised the key findings of Aon’s review which did not recommend any change of the fund providers but recommended a change to the Scottish Widows Lifestyle strategy.

Officers advised that in relation to ‘Lifestyling’, members decided which AVC Fund they wanted to be in based on information provided by the providers and their own personal circumstances. On taking payment of their AVC members could choose to take them as a lump sum or additional pension payments.

Resolved –

That Scottish Widows be instructed to replace WYPF’s bespoke LifeStyle strategy with its Adventurous Pension Approach Strategy Targeting Lump Sum.

Action: Managing Director, West Yorkshire Pension Fund

29. WYPF GOVERNANCE REVIEW

The Managing Director, West Yorkshire Pension Fund, presented a report (**Document “T”**) which set out at a high level, a proposed process for undertaking a WYPF governance review. Initial feedback was sought from Joint Advisory Group members.

A Member requested that the review include consideration of holding the Investment Advisory Panel in a more public setting and for the papers to be released on the Bradford Council website. The Bradford Council Governance and Audit Committee’s powers to overrule the Panel and Joint Advisory Groups decisions if it felt they were not in the best interests of WYPF was also raised.

Resolved –

That the proposed governance review be welcomed and the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

30. BUSINESS PLAN 2022 - 2027

The Report of the Managing Director, WYPF (**Document “U”**) was submitted to inform members regarding the five-year business plan which highlighted objectives for the Fund and documented the priorities and improvement to be implemented to help achieve those objectives.

Officers provided a summary update on the progress made against the areas identified as a priority. Officers stated that the fund was signed up to the Pension Scam pledge and urged JAG Members to ensure they had completed the required online training. They also confirmed that the Pensions Regulator would be observing the next meeting of the Local Pensions Board scheduled for March 2023.

Some developments highlighted included succession planning for staff, monthly updates online for employers' self-service function and the frozen refund clearance exercise to ensure that information was up to date in preparation for use via the online portal.

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

A Member stated that as the 5 local authorities were the largest employer Members they would like the opportunity to engage with the progress made on divestment from fossil fuels and to be included in the Business Plan.

Resolved –

That the West Yorkshire Pension Fund Business Plan 2022-2027 and the comments received from Members be noted.

Action: Managing Director, West Yorkshire Pension Fund

31. TRAINING

The Report of the Managing Director, WYPF (**Document “V”**) was submitted and informed Members of the growing need for LGPS funds to demonstrate that Members had an adequate level of knowledge to carry out their roles effectively. The report contained details on the available training and conferences to assist members to meet the requirement. The Chair emphasised the need for all Members to undertake the training suggested.

Resolved –

- 1. That it be agreed that members would undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.**

2. **That all members be encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.**

Action: Managing Director, West Yorkshire Pension Fund

32. CHAIR'S NOTE - THE RETIREMENT OF THE DIRECTOR, WEST YORKSHIRE PENSION FUND

The Chair and all Members were advised of the retirement of Rodney Barton, Director, West Yorkshire Pension Fund.

Rodney was thanked for his hard work and it was agreed that the funds effective, efficient, low cost and high service provision was due to his leadership.

The Joint Advisory Group wished to record their appreciation of his efforts and he was wished well for his retirement.

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.

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER