



Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 27 July 2023 in Council Chamber - City Hall, Bradford

Commenced 1.00 pm
Concluded 2.35 pm

Present – Members

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| <u>Bradford Members</u> Councillors: Thornton P Clarke | <u>Calderdale Members</u> Councillors: Lynn Hutchinson |
| <u>Kirklees Members</u> Councillors: Firth Ramsay Crook | <u>Leeds Members</u> Councillors: Scopes |
| <u>Trades Union Members</u> Chard, GMB Goring, UNISON Bailey, UNISON | |
| <u>Scheme Members</u> | |

Apologies: Councillor Emmie Bromley, Councillor Peter Caffrey and Councillor R Stephenson

Councillor Thornton in the Chair

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 2023/2024.

Action: Director of Legal and Governance

2. APPOINTMENT OF DEPUTY CHAIR (Standing Order 35)

Resolved –

That Councillor Clarke be appointed Deputy Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2023/2024.

Action: Director of Legal and Governance

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: Director of Legal and Governance

4. MINUTES

Resolved –

That the minutes of the meeting held on 26 January 2023 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. PENSIONS ADMINISTRATION

The report of the Director, West Yorkshire Pension Fund (**Document “A”**) provided an update on West Yorkshire Pension Fund’s (WYPF) pensions administration activities for the period 1 January 2023 to 30 June 2023.

The report revealed the variety of work undertaken and performance against Key Performance Indicators (KPIs) for the period 1 January to 30 June 2023 was provided. It was revealed that the majority KPIs had been met and often exceeded. The rationale for those KPIs not being met was explained in the report. Work in progress, membership numbers, scheme information; praise and complaints and internal dispute resolution procedures were presented.

The report revealed a number of member engagement events and engagement with the WYPF. Audit information; recruitment and staffing figures were presented. Shared services information revealed that the contract with Lincolnshire was due to expire and that they had decided to keep their administration with the Fund and entered a new nine-year contract with a three-year break. London Borough of Hounslow had also confirmed that they would be extending their contract for a further three years.

It was also reported that WYPF had been shortlisted by the LAPF investment awards under two categories to be announced at a ceremony in London on 14 September 2023.

A Member, whilst thanking officers for a very encouraging report, referred to underspend on recruitment which she felt had been occurring for a number of years and queried how recruitment measures were progressing. She was advised that the pensions sector recruitment market was very challenging as a number of funds were expanding and recruiting. Support had been provided by human resources officer which had allowed the Fund to recruit to four graduates to a graduate programme. It was reported that an apprenticeship programme was also being developed as the need to support young people with opportunities and experience was recognised.

Resolved –

That the report be noted and the fund's good performance and nominations for Local Authorities Pension Fund (LAPF) Investment Awards be recognised.

ACTION: Managing Director, West Yorkshire Pension Fund

7. WEST YORKSHIRE PENSION FUND FINANCE REPORT

The report of the Managing Director, West Yorkshire Pension Fund (WYPF), **Document “B”**, presented the WYPF 2022/23 financial outturn, financial and service performance and the draft 2022/23 annual report and accounts (WYPF accounts).

Members were advised that WYPF accounts were part of the City of Bradford Metropolitan District Council account. It was explained that there had been an issue with the Bradford accounts bundle as the completion of the triennial valuation required auditors to assess the impact of the valuation to be reflected in the pension accounts. That work had now been concluded and it was expected the accounts would be signed shortly.

The report presented the net value of assets; change in net assets during the year; return on investment; net cash flow and investment performance. Service financial performance 2022/23; WYPF budget; cost performance; membership and employer numbers and administration service performance was also presented.

Resolved –

- 1. That the content of the annual report and account be noted.**
- 2. That the financial and service performance be noted.**

ACTION: Managing Director, West Yorkshire Pension Fund

8. WYPF BUSINESS PLAN 2023 - 2028

The Managing Director, West Yorkshire Pension Fund (WYPF) presented a report, **Document “C”** which informed Members of the development of a five-year business plan which highlighted objectives for the Fund and documented the

priorities and improvements to be implemented to help achieve those objectives.

The purpose of this business plan was to explain the objectives for the management of the WYPF; document the priorities and improvements to be implemented by the WYPF team during the next five years to help achieve those objectives; enable progress and performance to be monitored in relation to those priorities; provide staff, partners and customers with a clear vision for the next five years.

It was explained that the business plan key actions and tasks would be brought to JAG to report on progress contained at Appendix A and the main body of the business plan, contained at Appendix B to Document "C", would be published on WYPF's website.

The proportion of members using on line communication methods was queried. It was explained that more detail of those methods were contained in the Pensions Administration report, Document "A". People signing up to on line communications were also able to communicate in other ways and there was still much use of telephone and mail communications. The on line access to Annual Benefit Statements could also be utilised to update personal information and calculate their pensions. Additional transactions were also being developed gradually.

In response to questions about the ownership of the Business Plan it was confirmed that, ultimately, it was the Managing Director, WYPF's, responsibility to ensure all actions were developed.

A Member referred to investment objectives contained in the report which sought to "*set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns and minimise the cost of benefits for an acceptable level of risk*". He requested that this be amended, in line with four other administering authorities, to aim to wind down investment in fossil fuels.

The Chair advised Members that the amendment was not in the remit of the Joint Advisory Group and that issue should be raised at the Investment Advisory Panel. In response that Member reported his belief that investment was a key risk in the business plan and that he would not vote to approve the plan until the risk of investment in fossil fuels was recognised.

The Chair reported that the Joint Advisory Group were asked to approve the Administration objectives of the business plan.

Members noted that over 25% of the workforce were aged over 55 and questioned succession planning. They were advised that this was a continual piece of work particularly as a number of senior managers were approaching retirement age. The Fund had 24 fire service clients and the knowledge of the fire service team had been boosted by the appointment of an additional senior manager with fire service experience bringing the total to three. A Member Service Manager with LGPS experience had also been recruited from Greater Manchester. Efforts were made to ensure that staff could progress their careers and training opportunities and plans were in place.

A Member queried which elements of the business plan they were being asked to approve and it was explained that this was the administration objectives and not the investment strategy of the Fund. The document was a work in progress and would be changed regularly and reported to future meetings.

Whilst referring to a 2% increase in membership year on year a Member if there was sufficient investment in IT. The Managing Director explained that there was a 3% increase in the budget report presented and confirmed that typically the LGPS was growing with members joining then leaving the Fund. It was difficult to predict numbers but 2% seemed to be an appropriate allowance.

Members were assured that the Fund did have the budget to increase IT spend as needed and that the importance of supporting good IT provision was recognised.

A Member reported previous discussions when approving business plans and concern that with JAG and IAP approving separate elements there was not one body with overall management of the plan to ensure that all components worked together. It was requested that those comments be included in the forthcoming Governance Review.

Resolved –

That the Business Plan 2023–2028 be approved and the progress on key objectives be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

9. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The report of the Managing Director, West Yorkshire Pension Fund (WYPF), **Document “D”**, updated Members on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Document “D” revealed that on 30 May 2023 DLUHC published the [‘McCloud’ remedy in the LGPS consultation](#) to make the necessary changes to the LGPS Regulations 2013. That consultation closed on 30 June 2023. Attached at Appendix 1 was a copy of the Fund’s response to that consultation.

A Member queried if work on the McCloud remedy could continue irrespective of the Fire Brigades Union and the British Medical Association being granted permission to judicially review the Government’s decision to include the McCloud remedy cost in the 2016 cost control valuations and was assured that work was continuing.

Resolved –

That Document “D” be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

10. REVIEW OF EMPLOYER EXIT POLICY

Members were advised that the Investment Advisory Panel reviewed WYPF's strategic asset allocation at its meeting on the morning of 27 July 2023. Changes to the strategic asset allocation could have implications for some of the calculations undertaken by the WYPF actuary, as the level and expected volatility of future investment returns were inputs in the model the actuary uses.

It was felt that this may also be an opportune time to review WYPF's Employer Exit Policy and in particular the exit basis for non-tax raising bodies whose liabilities become orphan on exiting the fund. These were last reviewed prior to the significant increases in inflation and interest rates which have taken place over the last couple of years.

The report of the Managing Director, WYPF, **Document "E"** set out a proposal for how a review of the Exit Policy could take place and changes be brought back for approval by the Joint Advisory Group at its January 2024 meeting.

A Member raised his concerns that, at the last meeting of JAG, Members had not approved the Funding Strategy Statement because of investments in fossil fuel and that approval of the report was a "through the back door" attempt to approve investments. He stressed that the JAG wanted the FSS to be clear about fossil fuel investment.

In response it was explained that there was a danger of conflating two separate issues. Investments would be discussed at the Investment Advisory Panel. The report to JAG was to look specifically at the costs of exiting for employers and not the Funding Strategy. It was to consider the approach to the employers exist scheme and then report back and to insert that policy into the Funding Statement Strategy to be approved in January 2024.

In answer to that statement the Member reiterated that the JAG had voted against changes to the FSS in January 2023 and if sign off was required in future changes to fossil fuel investment must be considered. He believed that the sub-committee proposed should take an overriding position on governance of the Fund as he was concerned that JAG makes decisions and the Governance and Audit Committee overrode them.

It was stressed, in response, that the report being discussed was about specific employer exit costs and had no bearing on investments. It was a deliberate intention to involve members. The FSS had been approved at Governance and Audit Committee and if the proposals in Document "E" were not agreed the Fund would have to consider where the proposal was taken.

It was agreed to let the Managing Director, WYPF, of interest to join the sub-group proposed.

Resolved –

- 1. That a sub-group to convene during Autumn 2023 to consider advice received from the Fund Actuary be approved.**
- 2. That any proposed material changes to the Funding Strategy**

Statement to be consulted on with employers and brought to the January 2024 Joint Advisory Group meeting for approval.

ACTION: Managing Director, West Yorkshire Pension Fund

11. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report (**Document “F”**) which informed Members that, 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 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 law was maintained in accordance with West Yorkshire Pension Fund (WYPF) Breaches Procedure and the registers for 2022/2023 and 2023/204 were appended to the report for information.

A Member commented that breaches for late payment of contributions by employer were mainly by schools and academies. He questioned the scale of charges and if that could be taken from school budgets.

It was confirmed that the administration charges imposed were not based on volumes or high. The Fund utilised an automated process with some manual intervention when necessary.

Resolved –

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

ACTION: Managing Director, West Yorkshire Pension Fund

12. RISK MANAGEMENT

The report of the Managing Director, West Yorkshire Pension Fund (WYPF), **Document “G”**, presented the fund’s Risk Policy and Strategy. The purpose of the Policy and Strategy was to effectively mitigate risks which may otherwise impact on WYPF meeting its statutory responsibilities and strategic objectives. This was achieved by the development and maintenance of a comprehensive risk register. For each risk identified its likelihood of occurrence and materiality was considered and actions were identified in order to mitigate the risk.

The Risk Policy and Strategy was subject to regular review by the WYPF

Investment Advisory Panel (IAP) and Joint Advisory Group (JAG) and was appended to Document “G” for information.

The risk profile contained in the report highlighted that there were two risks on the register with a “red” rating indicating that there was a high level of occurrence and the impact be high. Those risks were the recruitment and retention of experienced staff and the provision of IT services and equipment from City of Bradford Metropolitan District Council. Management Action Plans were in place for all risks above an acceptable tolerance line and those plans were presented in the report.

Resolved –

That the Risk Policy and Strategy and the risks set out in the Risk Register be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

13. TRAINING, CONFERENCES AND SEMINARS

Members were aware that there was a growing need for LGPS funds to demonstrate that Members have an adequate level of knowledge to carry out their roles effectively. It was explained that with the introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board’s Good Governance project (England and Wales), and increasing scrutiny from The Pensions Regulator (TPR), the expectation on funds had never been greater.

The training and conferences listed in **Document “H”** would assist Members in meeting their training requirements and they were encouraged to take up those training opportunities.

It was reported that the Hymans Online Learning Academy, detailed in the report, had been refreshed and would be relaunched. All Members were requested to undertake the refreshed training.

Members were advised that currently there were no legal requirements for Members of the JAG to update their knowledge but it was anticipated that, as part of the national governance review, there would need to demonstrate training and knowledge in certain areas.

Resolved –

- 1. That Members undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training be agreed.**
- 2. That it be noted that Members are encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations as detailed in Document “H”.**

ACTION: Managing Director, West Yorkshire Pension Fund

14. EXCLUSION OF THE PUBLIC

Members were asked to consider if the **Not for Publication Document “I”** relating to the West Yorkshire Pension Fund Governance Review should be considered in the absence of the public and, if so, to approve the following recommendation: -

Resolved –

That the public be excluded from the meeting during consideration of the Not for Publication Document “I” relating to the Governance Review of West Yorkshire Pension Fund 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.

15. WEST YORKSHIRE PENSION FUND GOVERNANCE REVIEW

The **Not for Publication** report of the Managing Director, West Yorkshire Pension Fund (WYPF), **Document “I”** informed Members of the WYPF Governance Review.

Resolved –

That the report, and verbal update provided, be noted

ACTION: Managing 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.