

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board on Thursday 19 November 2015 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1000
 Adjourned 1125
 Reconvened 1135
 Concluded 1200

PRESENT

<u>Employer Representatives</u>	<u>Member Representatives</u>
Councillor M Slater (Chair) Mr J Morrison - Employer	Mr G Nesbitt - GMB Mr M Binks – Unison Mr C Sykes – Unison Mr M Morris – Unite

9. 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 business under consideration.

Action: *City Solicitor/Director, West Yorkshire Pension Fund*

10. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

11. MANAGING UNQUOTED INVESTMENTS

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) provided summary information on the management of unquoted investments.

It was explained that unquoted investments was a generic term for alternative investments not quoted on the stock exchange such as hedge funds and private equity.



Document “G” detailed the management of those investments; the approval, in principle, by the Investment Advisory Panel of every area of investment and investment administration and control. Details of the unquoted investment valuation; taxation compliance, legal contract review and verification of asset values were also provided.

It was explained that unquoted investments provided good returns but did contain more risk. The valuation of unquoted investments was reviewed by external and internal audit every year, and the fund had always received excellent audit reports. However, as the audit confirmation work took place several weeks after the figures had been entered in the accounts and the value of assets had often appreciated in value, there was often a difference between the figure in the accounts and the later valuation by the auditors, which was then described by them as a miss-statement. It was normal practice not to adjust those figures and this was known as the Prudence Principal. It was after reviewing those different figures that the Governance & Audit Committee requested that the Local Pension Board should consider the issue.

Members were assured that each year unquoted investments were valued and verified by the external auditors and throughout the year the internal audit team would check the process and valuation. Quarterly statements were provided. It was acknowledged that the term “miss-statement” was alarming but in a fund valued at £11 billion the value of the two items ‘misstated’ of £22m was not material.

In response to questions assurances were provided that if the auditors reported that an investment had been overvalued the figures would be adjusted down, however, under valuations would not be increased. This was to ensure the accounts always contained the lower value.

It was queried how unquoted investments were selected and it was explained that the Fund’s Alternatives Investment Manager undertook that role. The Manager would monitor the market and ensure that those markets were still appropriate before making their recommendations to the Investment Panel.

The report revealed that the investment in unquoted securities had grown steadily over the past years. The Investment Advisory Panel (IAP) had set a strategy of increasing total unquoted investments to 10% of total investment which meant that the year end share of 7.63% would increase by 2.37% to achieve the 10% strategy. It was queried how that investment compared to that of other funds and it was explained that it was similar to other large funds.

Members recognised that the balance sheet was produced on a particular day (31 March) and the ‘misstatement’ actually arose due to the movement of values. It was also acknowledged that the quarterly statements provided an indication of the way the fund was moving.

Resolved –

That Document “G”, and the use of the Prudent Principle to ensure that the lower value of the fund was recorded, was noted.

ACTION: Director, West Yorkshire Pension Fund

12. **AUDITED ANNUAL REPORT AND ACCOUNTS 2014/15**

The Director, West Yorkshire Pension Fund (WYPF), provided a report (**Document “H”**) which presented the audited annual report and accounts and the audit completion report for 2014/15. The unaudited version of the report was presented to the WYPF Joint Advisory Group in July 2015.

The increase in membership during the 2014/15 financial year was questioned. It was explained that the fund supported a number of district Councils in West Yorkshire and across the UK. Following auto enrolment some members had opted out but there had been an increase in membership and a slight take up in contribution.

Members questioned if the positive net cash flow during 2014/15 of £53.96m was standard for a fund of its size and how that figure compared to other funds. In response it was explained that the cash flow figure recorded was dependant on the time it was documented. The figure six months later was significant lower compared to 2013/14 as the result of a transfer of £171m cash for Probation Services - Ministry of Justice pensions - to Greater Manchester Pension Fund. To ensure that all pension payments could be made the figure would never fall below 19%.

Document “H” revealed the performance on 14 of the fund’s key work areas. The performance reflected the commitment of officers, managers and service partners in delivering services to all clients. Members particularly commended that 97% of telephone calls were answered within 20 seconds.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

13. **REVIEW OF INTERNAL AND EXTERNAL AUDIT REPORTS 2014/15**

The report of the Director, West Yorkshire Pension Fund, (**Document “I” containing Not For Publication Appendices**) provided a summary of work carried out by the Internal Audit Team and external auditor Mazars LLP, and contained a list of key recommendations made by the Internal Audit Team.

The report revealed that there were no internal or external audit failures to report. The final audit was completed ahead of audit deadline, resulting in an unqualified audit opinion. The internal and external audit teams worked together and all internal audit reports were reviewed by the external auditor.

In the 2014/15 financial year internal audit carried out a planned audit review of 10 key operational and investment activities, in summary, two areas were satisfactory; four areas were good and four areas were excellent. There were six recommendations and eight suggested improvements, all were accepted and were being implemented by managers. There were no recommendations for improvement from the external auditor.

A Member questioned why the representative of the External Auditors had not attended two of the Investment Panel meetings. It was confirmed that the representative had attended all of the meetings when the company had first taken over the account. As the

understanding of the fund and the relationship with the Council had developed the company were better equipped to assess risks. The Audit Manager was always provided with all the Investment Panel documentation and would contact the fund for any support required.

The length of the contract with the External Auditors was queried. It was explained that the Audit Commission obligation to appoint the auditors would be reviewed every five years. Members were advised that the price charged by the auditors had not increased.

In response to questions it was confirmed that the approval of the audit reports was the responsibility of the Governance and Audit Committee. The Internal Audit report was presented every three years and following the suggestion of Members it was agreed that a summary of that plan would be considered by the Pension Board and that the item would be added to the work programme.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

14. WEST YORKSHIRE PENSION FUND JOINT ADVISORY GROUP MINUTES 23 JULY 2015

The role of The Pension Board, was defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 as to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The minutes of the WYPF Joint Advisory Group (JAG) were appended to the report of the Director, West Yorkshire Pension Fund, (**Document “J”**) and were required to be submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

The minutes referred to the Joint Advisory Group’s discussions about the Actuarial Valuation 2016 and it was questioned how preparations were progressing. It was explained that meetings had been organised to assess the information required. It was hoped to bring the meetings forward to provide more time for employers to work with the fund. Each actuarial firm had previously used different data but the introduction of national data specifications should make the process easier. Training had been arranged for the Pension Board, Joint Advisory Group and Investment Panel members in January 2016.

The responsibility of the Additional Voluntary Contribution (AVC) providers to inform the fund of changes around tax was questioned. In response Members were informed that there were proposals to extend freedom and choice provisions to AVC funds in draft regulations but until those regulations were provided to the funds it was difficult to say what they would be.

It was questioned if the choice of property purchases was based on the return available or location and it was explained that those purchases were made for investment purposes.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

15. WEST YORKSHIRE PENSION FUND PENSION BOARD WORK PROGRAMME

The Director, West Yorkshire Pension Fund, provided a report, (**Document “K”**) which presented a work programme for the West Yorkshire Pension Fund Board. Members were advised that additional areas of work may be added during the year as agreed by the Board.

Appended to the report was a suggestion for an additional area of work on Guaranteed Minimum Pension (GMP) which it was thought Members may wish to consider before the abolition of GMP's in April 2016.

The suggestion referred to in Minute 13 that the Internal Audit Plan be presented on a regular basis was reiterated.

Resolved –

- (1) That, with the addition of the Internal Audit Plan consideration, the work programme contained at Appendix A to Document “K” be approved.**
- (2) That the ‘Other Areas of Work for the Board 2016’ contained at Appendix B to Document “K” be noted and that the Director, West Yorkshire Pension Fund, be requested to produce a report detailing the position of West Yorkshire Pension Fund in respect of the reconciliation of Guaranteed Minimum Pensions for consideration at the meeting of the WYPF Pension Board in March 2016.**

ACTION: Director, West Yorkshire Pension Fund

16. TRAINING, CONFERENCES, SEMINARS AND FUTURE PENSION BOARD MEETINGS

Members were reminded that their training to understand their responsibilities and the issues they would be dealing with was a very high priority. The report of the Director, West Yorkshire Pension Fund, (**Document “L”**) provided details of training courses, conferences and seminars which it was thought may assist Board Members. Full details about each event were available at the meeting for anyone interested.

Members were requested to prioritise the Actuarial Valuation training which was organised for 28 January 2016. It was also suggested that the Pension's Regulatory web based training would be useful for Members and the Standard Life Learning Gateway was recommended as a useful resource.

It was agreed that the next meeting of the Pension Board would be held on 16 March 2015.

Resolved –

- (1) That the events set out in Document “L” including the Valuation Training Event on 28 January 2016 be noted.**
- (2) That the date of the WYPF Pension Board meeting on 16 March 2016 be agreed.**

ACTION: Director, West Yorkshire Pension Fund

17. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during the consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 30 April and 23 July 2015 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

18. WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL MINUTES 30 APRIL 2015 AND 23 JULY 2015

The Director, West Yorkshire Pension Fund, submitted **Not for Publication Document “M”**, which provided the minutes of the meetings of the West Yorkshire Pension Fund Investment Advisory Panel held on 30 April 2015 and 23 July 2015.

Resolved –

That the recommendations contained in Not for Publication Document “M” be approved.

ACTION: Director, West Yorkshire Pension Fund

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

minutes\WYPFjag19Nov15

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER