

## Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday 28 January 2016 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1410

Concluded 1505

**PRESENT – Councillors**

<b><u>Bradford Members</u></b> Thornton (Ch) Lal	<b><u>Calderdale Members</u></b> Baines Lynn Metcalfe
<b><u>Kirklees Members</u></b> Mather Richards Sokal	<b><u>Leeds Members</u></b> Davey Dawson
<b><u>Wakefield Members</u></b> Speight	<b><u>Trade Union Representatives</u></b> L Bailey - Unison C Chard - GMB I Greenwood – Unison
<b><u>Scheme Members</u></b> W Robinson	

Apologies: Councillor Miller (Bradford); Councillor Jones (Wakefield) and Councillor Harrand (Leeds).

**Councillor Thornton in the Chair****17. 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:** *Assistant City Solicitor*



18. **MINUTES****Resolved -**

**That the minutes of the meeting held on 23 July 2015 be signed as a correct record.**

19. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

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

20. **REVISED ESTIMATES 2015/16 AND ESTIMATES 2016/17**

The report of the Director, West Yorkshire Pension Fund (**Document “L”**) presented the revised estimate for 2015/16 and the original estimate for 2016/17 for administration costs of the West Yorkshire Pension Fund (WYPF) and provided explanations for the revisions.

Members were advised that the cost of managing the fund was charged directly to the Pension Fund and not to local authorities' general fund accounts. The budgets proposed in the report were to deliver pension administration services to over 352,000 pension scheme members, 575 employers and investment management services for over £11 billion WYPF investment assets.

A significant increase reported for computer costs was questioned and Members were advised that the increase was as a result of a new accounting guide by Cipfa which had to be observed by all Local Government Pension Schemes. The guidance required those costs, previously recorded as investment expenditure now being classified as 'general management costs'. It was explained that the increase due to that reclassification was actually nearer to £1.4m but efficiencies made elsewhere had reduced the amount to the £1 million now recorded.

The increased employee costs contained in the estimates were questioned and it was explained that resources had been retained for vacancies held in the service should they be required. The increase to £8.2m in the 2016/17 estimate reflected the value of those vacancies and it was reiterated that the costs would be recharged to the organisations supported.

In response to discussions about the charges made for services Members were assured that further economies of scale were being delivered and that the fund will be providing administration for seven fire authorities from 1 April 2016. Following discussions about the number of staff employed it was explained that the staffing structure contained 120 employees and there were approximately 10 vacancies.

**Resolved –**

**It is recommended that the revised estimates for 2015/16 of £8,823,310 and original estimates for 2016/17 of £9,600,110 be approved.**

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

## 21. **2016 ACTUARIAL VALUATION**

The report of the Director, West Yorkshire Pension Fund, (**Document “M”**), informed Members that the triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) would be prepared based on the situation at 31 March 2016 and the valuation would determine the level of employers’ contributions from April 2017 onwards.

The Director, West Yorkshire Pension Fund, explained that a key message being sent to employers was to ensure that accurate and timely returns were provided as the figures in the next quarter would be the figure that was used by the actuary. Members agreed the benefits of ensuring employer contributions remained stable.

**Resolved –**

**That the report be noted.**

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

## 22. **DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT (DCLG) CONSULTATION: REVOKING AND REPLACING THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) (MANAGEMENT AND INVESTMENT OF FUNDS) REGULATIONS 2009**

The report of the Director, West Yorkshire Pension Fund, (**Document “N”**), advised Members of the Department for Communities and Local Government (DCLG) consultation on revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

It was reported that the new regulations, in summary, would make following three changes:-

- The introduction of an Investment Strategy and the removal of the prudential limits.
- The requirement for funds to pool their assets.
- The power for the Secretary of State to intervene where an Investment Strategy was deemed not acceptable; a fund did not make satisfactory pooling arrangements, or did not make suitable arrangements to make investments determined by the Secretary of State. Only infrastructure investments were specifically mentioned in the consultation.

A summary of the draft regulations was appended to Document “N”. In response to discussions about the power for the Secretary of State to intervene where an Investment Strategy was not deemed to be acceptable was discussed. It was explained that the circumstances when the Secretary of State could intervene were not clearly defined in the consultation documents which had been issued. In response to questions about what the intervention could provide which the current control systems could not it was reiterated that the intervention may be used to ensure pooling arrangements were made, and investment in infrastructure assets.

A strong view that the WYPF should be left to make its own decisions about its funds and that intervention by the Secretary of State was not believed to be an improvement to the current regulations was expressed.

Members agreed that intervention to deal with incompetence was good practice; however, it was stressed that the fund did not have a record of irresponsible investments; it invested prudently and did take account of the needs of the local economy. It was felt that the

proposals were too broad; intervention could occur under any circumstances and that other legislation and the National Scheme Advisory Board were already available to deal with unacceptable investment strategies.

Members requested that their strong views, expressed at the meeting, be conveyed in the consultation response. It was further suggested that the WYPF should be used as an exemplar to others.

It was confirmed to Members that similar views about the consultation had been made at the Investment Advisory Panel which had taken place earlier in the day.

**Resolved –**

- (1) That the draft regulations, and a view that those draft regulations do not cause any concerns on the matters pertaining directly to investments, be noted.**
- (2) That the views of Members expressed during the meeting be included in the response to the Department for Communities and Local Government (DCLG) consultation on revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.**

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

**23. INVESTMENT REFORM CRITERIA AND GUIDANCE – INVESTMENT POOLING**

The Director, West Yorkshire Pension Fund, presented a report (**Document “O”**) which advised Members of the Government’s intention to work with Local Government Pension Schemes (LGPS) administering authorities to ensure that they pooled investments to significantly reduce costs while maintaining overall investment performance.

Members were informed that West Yorkshire Pension Fund (WYPF) had held initial discussions with a group of principally Northern based funds, and had publicly indicated that it was working with Greater Manchester, Merseyside and Durham Pension Funds, although other funds may join the group before the 19 February deadline. A more comprehensive proposal must be drawn up for submission to the Government by 15 July 2016. That submission would be assessed against the criteria in the guidance document. The Chancellor had announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which would be able to invest in infrastructure and drive local growth.

A Member suggested that the WYPF submission should state that as the lowest cost fund it should be exempt from the proposals. It was acknowledged, however, that an exemption would be unlikely to be approved.

In response to questions about the effect on future valuations of the fund it was explained that liability would remain with individual funds as only their assets would be pooled.

It was explained that as part of the proposals Local Authorities should explain how they might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments directly through the pool(s), rather than existing fund, or “fund of funds” arrangements. The ability to provide cost savings was questioned, and Members were advised that for many funds cost savings would be straightforward, but problems could arise as WYPF was already the lowest cost

provider. There may be opportunities to negotiate a more favourable fee structure or profit arrangements and assumptions would have to be made about the value pools. It was felt that there should be a national infrastructure arrangement so that funds were not competing with other local authorities. It was believed that the response to the consultation would be common from all authorities in the proposed pool, and that the Local Government Association was assisting with those responses by coordinating meetings with DCLG and Treasury.

Whilst the principle of growing the economy was supported concerns were expressed about powers being made to dictate the investments made by funds. Reassurance was sought that the fund would not be vulnerable and unable to pay its members. It was explained that the vulnerability was the rationale for working with other funds, to ensure the liabilities of the fund could be met.

#### **Resolved –**

**That Members note the content of the reform proposals and approve the continued development of pooling arrangements outlined in Document “O”, which will be subject to further reports to the Investment Advisory Group (IAP) between now and the deadline of 15 July, and which will probably require an additional IAP meeting ahead of the deadline.**

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

#### **24. DEVELOPMENTS WITHIN THE WEST YORKSHIRE PENSION FUND**

The report of the Director, West Yorkshire Pension Fund (**Document “P”**) set out developments within the Fund in the last year covering changes in employers, membership, performance and benchmarking, employer and customer service surveys, internal dispute resolution procedure cases and external business.

Appended to the report were fund statistics including communication initiatives and results from employer and customer service surveys, including a sample of responses. A summary of internal dispute resolution procedures cases, also appended, revealed a reduction in the cases upheld. It was felt that the reduction in upheld cases indicated that employers were improving their procedures.

#### **Resolved -**

**That the report be noted.**

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

#### **25. GOVERNANCE COMPLIANCE STATEMENT**

The Director, West Yorkshire Pension Fund, submitted **Document “Q”** which reported that, in accordance with the requirements of the Local Government Pension Scheme Regulations 2013 (Regulation 55), WYPF was required to produce a Governance Compliance Statement.

The Governance Compliance Statement, appended to Document “Q”, had been updated to include reference to the establishment of West Yorkshire Pension Fund Pension Board in 2015.

The membership of the West Yorkshire Pension Fund Local Pension Board was queried and it was agreed that a list of members would be circulated following the meeting.

**Resolved -**

**That the updated Governance Compliance Statement, contained in Document “Q”, be approved.**

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

## **26. REPORTING BREACHES OF LAW**

The report of the Director, West Yorkshire Pension Fund, (**Document “R”**), informed Members that, in accordance with the Pensions Act, from April 2015, all Public Service Pension Schemes came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) 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.

Document “R” revealed that two entries had been made on the breaches register since April 2015. Details of those breaches were reported at the meeting and contained on the Breaches Register appended to the report. Members were advised that the breaches were not of material significance and steps were in place to mitigate their recurrence.

It was explained that the Register of Breaches (reported or otherwise) would be provided to each Joint Advisory Group meeting and shared with the West Yorkshire Pension Fund Board.

**Resolved –**

- (1) That WYPF’s Breaches Procedure, contained in Appendix 1 to Document “R” be approved.**
- (2) That both entries made on the Breaches Register since April 2015 be noted.**

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

## **27. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) PROVIDER REVIEW**

At the Joint Advisory Group meeting in July 2015 a question was raised in respect of the charges being paid by Prudential AVC contributors.

The report of the Director, West Yorkshire Pension Fund, (**Document “S”**) provided an update on a meeting held with Prudential about their charges, the service provided and performance.

It was explained that at the meeting the current pricing structure and how that compared to private sector schemes was discussed. An explanation as to the pricing structure was provided and a summary of what was included in the pricing for AVC facilities was appended to Document "S". It was reported that the company had taken on board the comments made at the meeting and a revised pricing structure was awaited. An update would be provided at the next meeting.

Progress on the issue was welcomed and the imperative to receive value for money when AVCs were procured for all WYPF members was stressed. Concerns that the company had been complacent were raised and the requirement to ensure value for money was reiterated.

Members were advised of work being undertaken on a framework for national tender arrangements for the provision of AVCs and assured that pressure would be applied on Prudential ahead of the outcome of the national framework arrangements.

**Resolved –**

**That Document "S" be noted and the Director, West Yorkshire Pension Fund, be requested to present a further report to the next meeting as part of the annual AVC review once Prudential have reviewed their pricing structure.**

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

**28. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND**

West Yorkshire Pension Fund's (WYPF) shared service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF) commenced from 1 April 2015.

The report of the Director, West Yorkshire Pension Fund, (**Document "T"**), provided an update on the partnership. Members were reminded that WYPF provided a full administration service to LPF for both the LGPS and Fire Fighters' Pension Scheme. That service included pensioner payroll, all member and scheme level events, reporting to statutory bodies, and provision of data to external bodies such as actuaries, and Lincolnshire County Council (LCC) Resources Directorate for the production of the scheme accounts.

An administration update revealed that by 30 November 2015, the date specified by the Pensions Regulator, WYPF had sent Annual Benefit Statements to 96% of Lincolnshire Pension Fund members. The balance required additional information from employers before the annual benefit statements could be sent out. It was reported that monthly contribution returns were being received from LPF Employers except for one notable absence – LCC. This was causing some concern and was creating a backlog of work. This was being regularly chased up with LPF who were doing all they could to resolve the issue.

It was reported that WYPF had been recruiting to a staff vacancy in the Lincoln office. The post was advertised both in Bradford and Lincoln and after a recruitment exercise the vacancy had been filled by a WYPF staff member who was looking to relocate to Lincoln. She had considerable pensions experience and it was felt would be a good asset to the Lincoln team.

Membership numbers for LPF were provided. It was confirmed that membership continued to grow and costs per member were reducing.

**Resolved –**

**That the report be noted.**

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

**29. PENSION ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2016/17**

The report of the Director, West Yorkshire Pension Fund, (**Document “U”**) advised Members that, as part of the Local Government Pension Scheme (LGPS) Regulations 2013, West Yorkshire Pension Fund (WYPF) prepared a written statement of the authority’s policies in relation to such matters as it considered appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF were expected to achieve.

The Pensions Administration Strategy and Communications Policy were produced last year and approved by the Joint Advisory Group (JAG). It was confirmed that the policies would be brought before JAG each year to review and approve, particularly if there were any new regulations and revisions to working practices following those regulations.

**Resolved –**

**That the Pension Administration Strategy and the Communications Policy 2016/17, contained in Document “U” be approved.**

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

**30. TRAINING, CONFERENCES AND SEMINARS**

Members were assured that the training of Joint Advisory Group Members to understand their responsibilities and the issues they would be dealing with was a high priority.

The Director, West Yorkshire Pension Fund submitted a report, (**Document “V”**), which informed Members of training courses, conferences and seminars which may assist them. Full details of each event were available at the meeting.

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

**No resolution was passed on this item.**

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Chair

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

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