

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board on Wednesday 16 March 2016 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1040
Concluded 1130

PRESENT

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

19. 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*

20. MINUTES

Resolved –

That the minutes of the meeting held on 19 November 2015 be signed as a correct record (previously circulated).

21. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

22. REVOKING AND REPLACING THE LOCAL GOVERNMENT PENSION SCHEME (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 explained that the new regulations broadly simplified what was already in place with the addition of powers allowing the Secretary of State to intervene in some circumstances. Currently the fund adhered to a long list of limits which had been in place in their current

form for a number of years. Pension Funds, at each review, had recommended that those limits should be eliminated and funds allowed to make their own decisions. That was the way in which all private sector trust schemes were allowed to operate and it had been argued that rules should be applied on a similar basis to Local Government schemes.

Members were advised that the WYPF's response to the consultation, appended to Document "N", had shown that although generally happy with the changes to the basic regulations there was concern that introducing a power of direction for the Secretary of State was completely contrary to the principle behind the changes to the regulations, increasing local discretion and accountability. It was explained that from discussions with civil servants it appeared that the Secretary of State's intention was quite narrow; however, that power could be used by subsequent ministers for different purposes. It was understood that those powers were being taken to enforce the pooling arrangements and, therefore, the regulations were unlikely to be withdrawn.

Members questioned if there were limits on particular investment classes and were advised that, although there were limits, the WYPF had a range of values within each investment class and had been operating on that basis since the 1990s. It was reiterated that the fund were quite happy with the basic regulations but not comfortable with the Secretary of State's powers to dictate how pension funds invest their money.

It was questioned if there had been any response to the fund's response to the consultation. Members were advised that there had been a vague promise that there may be some announcement in the budget taking place later in the day. A written response was expected later to both the individual response and joint response which had been made with Tameside Metropolitan Borough Council, Wirral Metropolitan Borough Council and Greater Manchester Pension Fund.

Members questioned the implications of individual funds performing badly in future pooled arrangements. It was clarified that although assets would be compiled in a pool each individual fund would own their own assets within that pool. Assets would not increase or decrease because they were pooled. Investment decisions would be taken by investment professionals. The reality would be that there would be very little difference with the new arrangements. One advantage to under performing funds would be that they would have access to a greater degree of technical expertise within the pool. In smaller pools, without the benefit of internal investment professionals, reliance was placed on paid consultants. Some funds had over 20 separate external managers and that could be very costly.

Potential increases in costs following the pooling arrangements were discussed and it was explained that as the lowest cost provider of service at the moment anything done differently would accrue costs. Working with other funds would add to expenditure. It was not felt that a pool would provide any initial benefits on a day to day basis, however, there was some potential for savings on alternative investments as better deals could be negotiated. The savings would be seen in a few years time when the cost of setting up the pool and governance arrangements had been met. It was intended that people would be nominated to serve on a pool management committee. WYPF's representative would be decided by the WYPF Investment Advisory Panel. Assurances were provided that WYPF would decide how its own funds were invested within the pool unless it made a different decision which said the pool should invest in best manner according to mandate from West Yorkshire.

Resolved –

That the West Yorkshire Pension Fund’s responses to:-

- **Consultation to revoke and replace the regulations that currently govern the management of investment of funds in the Local Government Pension Scheme.**
- **Government criteria and guidance for investment reform (Pooling).**

be noted.

ACTION: Director, West Yorkshire Pension Fund

**23. WEST YORKSHIRE PENSION FUND JOINT ADVISORY GROUP MINUTES
28 JANUARY 2016**

Members were aware that the role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was 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 were appended to the report of the Director, West Yorkshire Pension Fund, (**Document “O”**) 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.

Members were reminded that the actuarial valuation, a three yearly exercise, had to be completed by 31 March 2017. Meetings had been held with the actuary to discuss the exercise and Terms of Reference and details of the timetable to achieve that completion date had been received. It was clarified that it was planned to submit the required data to the Actuary by the end of June 2016, two months earlier than previous processes. It was anticipated that WYPF would therefore be in a position to start to notify employers of employer rates between November 2016 and January 2017.

Lincolnshire Pension Fund (LPF) valuation exercise had been timetabled so that data would be completed for WYPF first. It was believed that WYPF data preparations would run more easily and that had been the rationale for the timetable chosen.

The increase in employers was increasing the size of WYPF and, in response to questions, it was confirmed that there were currently 227 employers and 90,000 members in the LPF and when added to the size of the WYPF there were over 300,000 members and a total of 627 employers. If fire authorities were added membership would increase to 400,000 and increases from schools attaining academy status were expected. It was confirmed that two additional fire authorities were joining the fund from April 2016 bringing the total to seven and it was acknowledged that the quality of WYPF processes had been demonstrated by the outcome of that competitive tender processes. In anticipation of increase workloads all unfilled vacancies had been retained in the staffing structure.

Resolved –

That the minutes of the WYPF Joint Advisory Group on 28 January 2016 be noted.

ACTION: Director, West Yorkshire Pension Fund

24. GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION EXERCISE

The report of the Director, West Yorkshire Pension Fund, (**Document “P”**) informed Members of an exercise being undertaken to wind up the contracted out element link between the LGPS (Local Government Pension Scheme) and the SERPS (State Earnings Related Pension Scheme) which affected members with service between 6 April 1978 and 5 April 1997.

Members were reminded that in April 1978, a state pension was introduced which provided for:

- A flat rate state pension available for everyone regardless of their employment history – PLUS
- An additional amount of pension - the state earnings related pension scheme (SERPS) – based on a members national insurance contributions.

When a member joined the LGPS, they were ‘contracted out’ of the SERPS part of the state scheme and as a consequence, paid a lower rate of national insurance contributions. This part, or portion, of the state pension was therefore included within their LGPS benefits, as opposed to being paid with their state pension. This portion was called the Guaranteed Minimum Pension (GMP). Only members with service from 6 April 1978 to 5 April 1997 will have accrued a GMP.

A condition imposed on the LGPS regarding the contracted out portion, was that it must pay the member an equal or greater amount of pension than they would have received in the SERPS scheme had they not contracted out. Hence the name, Guaranteed Minimum Pension.

Her Majesty’s Revenue and Customs (HMRC) notified all schemes of each member’s individual GMP entitlement based on their own records of the member’s national insurance contributions. In the vast majority of cases, the pension paid by the LGPS was higher than the additional element that the member would have earned in the SERPS scheme, and as such, their GMP had already been incorporated within their LGPS pension.

The reconciliation exercise was designed to allocate all GMP liabilities to the correct fund before the deadline in 2018, after which, the relevant fund that held the record would be liable for pension inflation increases. The amount of the GMP would contribute towards the calculation of the members’ benefits in the new state pension system which would begin on 6 April 2016.

It was confirmed that strict attention had always been paid to records and officers were confident that WYPF would be able to identify its own liabilities. At end of the exercise people would be allocated a pot of money in the state pension scheme to cover the period they have been ‘contracted out’. Once the first exercise to liabilities had been completed GMP rectification would begin. That would identify any under or over payments of pension.

The information being communicated to WYPF scheme members was questioned and assurances were provided that members with a guaranteed pension had been informed.

Various working parties were discussing different elements of the reconciliation exercise and were looking at under and over payments with a view that if the amounts were significant members would be contacted. The intention was that HMRC would write to members. The reconciliation exercise would run until 2018 and there was to be consultation about updating GMP for people reaching pension age. Members in a contracted out scheme would incur a deduction to their state pension.

A newsletter was being despatched within the next couple of weeks to members and would include a letter to explain why WYPF were no longer a contracted out scheme and include information for frequently asked questions.

Resolved –

- (1) That the report be noted and the potential additional workloads anticipated from the exercise be acknowledged.**
- (2) That the Director, West Yorkshire Pension Fund be requested to provide an update report on progress on the reconciliation exercise at the next meeting.**

ACTION: Director, West Yorkshire Pension Fund

25. WEST YORKSHIRE PENSION FUND FIVE YEAR INTERNAL AUDIT PLAN 2015 TO 2020

The Director, West Yorkshire Pension Fund (WYPF), provided a report (**Document “Q”**) which presented the five year internal audit plan 2015 to 2020. The internal audit plan was updated annually using a five year planning horizon.

It was explained that regular meetings with the Internal Audit team were held to plan each audit, review and agree internal audit recommendations, and provide updates on implementation of recommendations.

The forthcoming pooling arrangements were discussed and it was questioned if it would be beneficial for the Internal Audit team to consider those arrangements. It was explained that until the pooling arrangements were finalised it could not be decided how the audit would be conducted.

Resolved –

That the five year internal audit plan be noted.

ACTION: Director, West Yorkshire Pension Fund

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

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

The fund's Technical and Development Manager confirmed that a conference attended regularly by the Joint Advisor Group was the Annual Trustees Conference which was a two day course being held in Manchester. A venue and short programme was appended to Document "R" and members were requested to make contact if they wished to attend. It was confirmed that officers would also be in attendance to provide support and it was believed that the conference would be helpful for members.

It was also confirmed that, in an attempt to identify any gaps in knowledge, within the next couple of months, a training needs analysis would be forward to members of the Pension Board. The analysis would include topics it was believed would be helpful to members and would allow them the opportunity to consider if they were fully briefed on those issues or if additional support would be required. Training could be planned to address any knowledge gaps and could be provided individually or collectively. Members would be asked to complete the analysis and return to the fund's Technical and Development Manager or to visit Aldermanbury House to discuss and complete that document with officers. The training needs analysis would facilitate the development of formal training plans.

Members requested that training on the investment reform (pooling) arrangements be provided and it was agreed that support for members to understand the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 would be provided.

The report also informed Members of the scheduled dates of the next two WYPF Pension Board meetings. Members were also asked to identify, in their role as scrutinisers, any topics they would like to be considered at future meetings. It was agreed that training could also be provided around any such themes if required.

Resolved –

- (1) **That the Training Analysis be noted and attendance at the events set out in Document "R" including the Valuation Training Event on 28 January 2016 be considered.**
- (2) **That the dates of the WYPF Pension Board meeting on 9 November 2016 and 19 April 2017 be noted.**

ACTION: Director, West Yorkshire Pension Fund

27. EXCLUSION OF THE PUBLIC

The Committee was asked to consider if the item relating to the minutes of the West Yorkshire Pension Fund Investment Advisory Panel and the Alternative Investments Working Group 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 the consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 5 November 2015 and 28 January 2016 and the Alternative Investments Working Group on 2-3 September 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.

ACTION: Interim City Solicitor

28. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL 5 NOVEMBER 2015 AND 28 JANUARY 2016 AND THE ALTERNATIVE INVESTMENTS WORKING GROUP ON 2-3 SEPTEMBER 2015

The Director, West Yorkshire Pension Fund, submitted **Not for Publication Document “S”**, which provided the minutes of the meetings of the West Yorkshire Pension Fund Investment Advisory Panel held on 5 November 2015 and 28 January 2016 and the minutes of the Alternative Investments Working Group on 2-3 September 2015.

Resolved –

That the resolution contained in Not for Publication Document “S” 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.

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