

West Yorkshire Pension Fund (WYPF)

Response to the Draft Regulations on Scheme Governance

1. Introduction

1.1 WYPF Governance Arrangements

WYPF has a long history of effective and inclusive governance, which has made a significant contribution to the success of the Fund. The City of Bradford Metropolitan District Council as Administering Authority (AA) established two bodies to assist in the governance of the Fund, both with the full participation of the appropriate interested parties, the Joint Advisory Group and the Investment Advisory Panel.

1.2 Joint Advisory Group

The Joint Advisory Group (JAG) comprises twenty representatives, three councillor representatives from each of the five West Yorkshire District Councils, three Trades Union representatives, and two Scheme members. All representatives on the Group have equal voting rights. The Chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members. The JAG has overall responsibility for overseeing and monitoring the WYPF's Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group approves the budget estimates for the Pensions Administration and Investment Management functions of WYPF, and receives the WYPF's Annual Report and Accounts.

1.2 Investment Advisory Panel

The Investment Advisory Panel (the Panel) comprises nineteen representatives. Each of the five West Yorkshire District Councils has two councillor representatives on the Panel. In addition there are three Trade Union representatives, two scheme members, two external investment advisers, the Director – West Yorkshire Pension Fund, and a Chief Finance Officer from the West Yorkshire District Councils on a two year rotational basis. In the event that one of the three largest political groups in West Yorkshire is not represented on the Panel through the ten councillors nominated by the five District Councils an additional Bradford councillor from that group will be co-opted. The Chair of the Panel is nominated by the Bradford Council councillor representatives on the Panel, and a Deputy Chair is elected from other

members on the Panel. The Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity, including formulating the broad future policy for investment.

1.3 Effective Governance

All members upon appointment to JAG or Panel are expected to attend the three day Trustee Training Fundamentals programme delivered by the Local Government Pensions Committee, after which they are encouraged to attend training events, seminars and conferences which are appropriate to their role so that they may be effective members of the JAG or Panel. Members are encouraged to serve for a period such that they gain sufficient experience and capacity to contribute effectively in these challenging roles. The result is that WYPF delivers a high standard of service to its members and employers, and has excellent long term investment performance against its bespoke targets, making it one of the best funded LGPS schemes at the last valuation at 96%. WYPF, therefore, is supportive of improved governance for the scheme, and its comments on the proposals are set out below.

2. Establishment of the Local Pension Board (LPB)

2.1 WYPF is of the opinion that the LPB should be established as an additional body which will discharge the functions set out in the regulations, as:

- The Administering Authority has duties under the governing regulations which it will wish to discharge with full control (the LPB may not be controlled by Members of the AA), and
- A separate LPB ensures it has no conflict of interest in discharging its duties under the regulations.

2.2 The LPB should normally be established as a Section 101 Committee to the extent that is practical, as that provides a set of rules, including public accountability, but that the AA, and possibly in due course the LPB, retain powers to vary those rules to ensure the effective operation of the LPB.

2.3 It is not clear, however, how the political balance would be maintained where the majority of members are employer and employee representatives (as suggested in paragraph 3.6 of the consultation document). It would be helpful if guidance on this could be issued if DCLG expect this aspect of Section 101 to apply.

3. Membership

- 3.1 WYPF would expect to see the membership of the LPB include representatives of all participating Districts, in addition to the required majority of employer and employee representatives.
- 3.2 It would be helpful if the Secretary of State could issue guidance as a matter of urgency on how the AA should interpret the pre-condition for membership of 'relevant experience and capacity', so that it can distinguish between that and the requirement to acquire knowledge and understanding under Section 248A of the Pensions Act 2004. It might be helpful if appointments could be made six months in advance of a member taking up an appointment, which would allow any gaps in pre-conditional requirements to be addressed.
- 3.3 WYPF believes that appointments for a term, perhaps of four years, should be the norm, but that terms should be staggered so that all members do not leave simultaneously, and where councillor members are concerned the electoral cycle has to be taken into account.
- 3.4 Members of the LPB should be reimbursed for reasonable expenses incurred in discharging their duties.

4 Conflict of Interest

- 4.1 As the membership of the LPB will by definition have an interest in the LGPS, the application of Sections 5(4) and 5(5) of the Public Service Pensions Act 2013 should ensure all LPBs operate to a common standard.

5 Other Connected Policy Issues

5.1 Funding of the Scheme Advisory Board

WYPF would support a levy to fund the SAB, but would suggest that as the Board has to provide advice to the Secretary of State that there should be matched funding from the Department for Communities and Local Government.

5.2 Joint Pension Boards

Rather than a specific regulation permitting the establishment of a joint LPB, it could be more helpful to Administering Authorities if there were a general power to delegate any functions, relating to the LGPS, in the regulations. This would then allow an AA to make use of a joint LPB arrangement, but it would have to explain why that was the most effective way of discharging its duties, and would

not preclude it from retaining its own LPB to ensure the shared service is indeed delivering as it should.

5.3 Annual General Meetings

WYPF has held separate Annual Meetings for employers and members for many years, and believes this should be part of the governance arrangements for all schemes, and thus should probably be contained in regulation.

5.4 Public Sector Equality Duty

As this is already an overriding duty, it would seem unnecessary to clutter the LGPS regulations.

5.5 Knowledge and Understanding

WYPF operates within the framework, with all new members attending the LGPC Trustee Training Fundamentals programme, followed by a continuing programme of training, seminars and conferences to ensure their knowledge is kept up to date. It would be difficult to demonstrate that the AA is capable of discharging its duties effectively without there being sufficient knowledge and understanding among the members of the relevant bodies, therefore regulation on this would seem to be the right approach, particularly as the Pensions Regulator will have some jurisdiction over the LGPS from 1 April 2015.

15 August 2014