

Agenda

Meeting: Pension Board

**Venue: Brierley Room, County Hall,
Northallerton, DL7 8AD**

Date: Thursday 14 April 2016 at 10 am

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Business

1. **Appointment of Employer Representative** – Introduction by Chairman of Phil MacDonald
2. **Apologies for absence**
- 3a **Minutes** – To agree as an accurate record the Minutes of the meeting held on 14 January 2016
(Pages 5 to 12)
- 3b **Action Record** – To note the progress made on actions agreed at previous meetings
(Pages 13 to 15)
4. **Declarations of any Interests**
5. **Public Questions or Statements.**

Members of the public may ask questions or make statements at this meeting if they have given notice to Steve Loach of Democratic Services (contact details below) by midday Friday 8th April 2016, three working days before the day of the meeting. Each speaker should limit themselves to 3 minutes on any item. Members of the

public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

6. **Internal Audit Reports – Report of Legal and Democratic Services** (Pages 16 to 17)
7. **LGPS Pooling - Update - Report of Legal & Democratic Services** (Pages 18 to 41)
8. **Draft Minutes of the Pension Fund Committee meeting held on 25 February 2016 – Chairman to report** (Pages 42 to 50)
9. **Training - Report of Legal & Democratic Services** (Pages 51 to 56)
10. **Pension Board Work Plan – Report of Legal & Democratic Services** (Pages 57 to 59)
11. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances**

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

April 2016

NOTES:

Emergency Procedures for Meetings

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An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

Accident or Illness

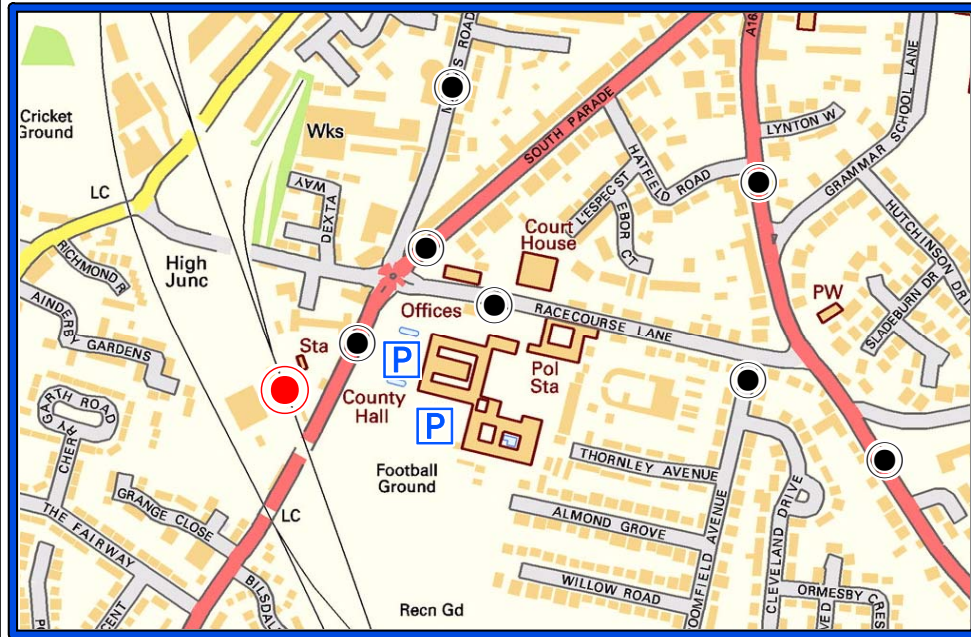
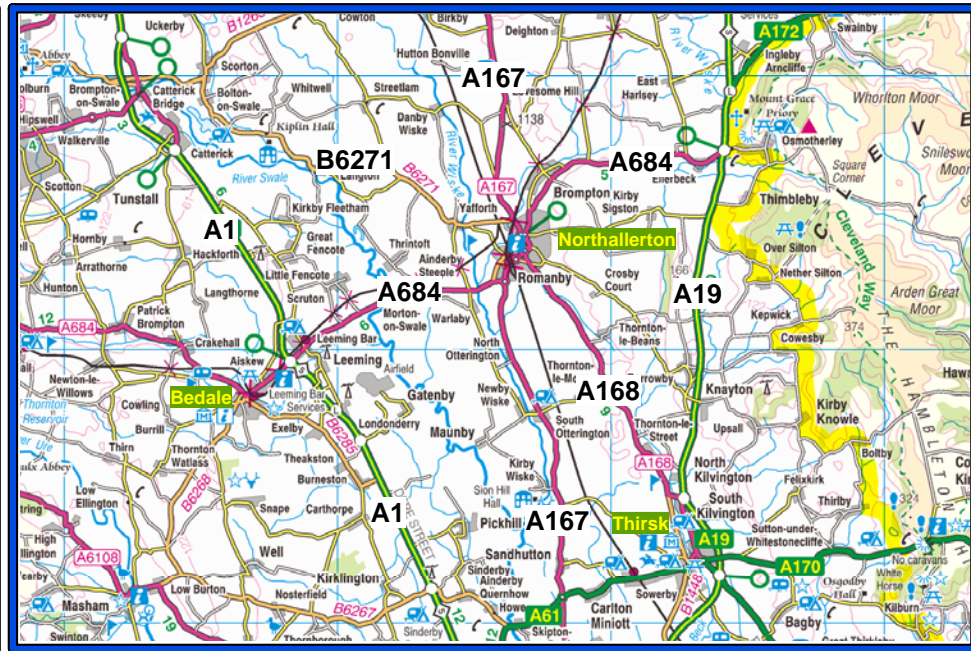
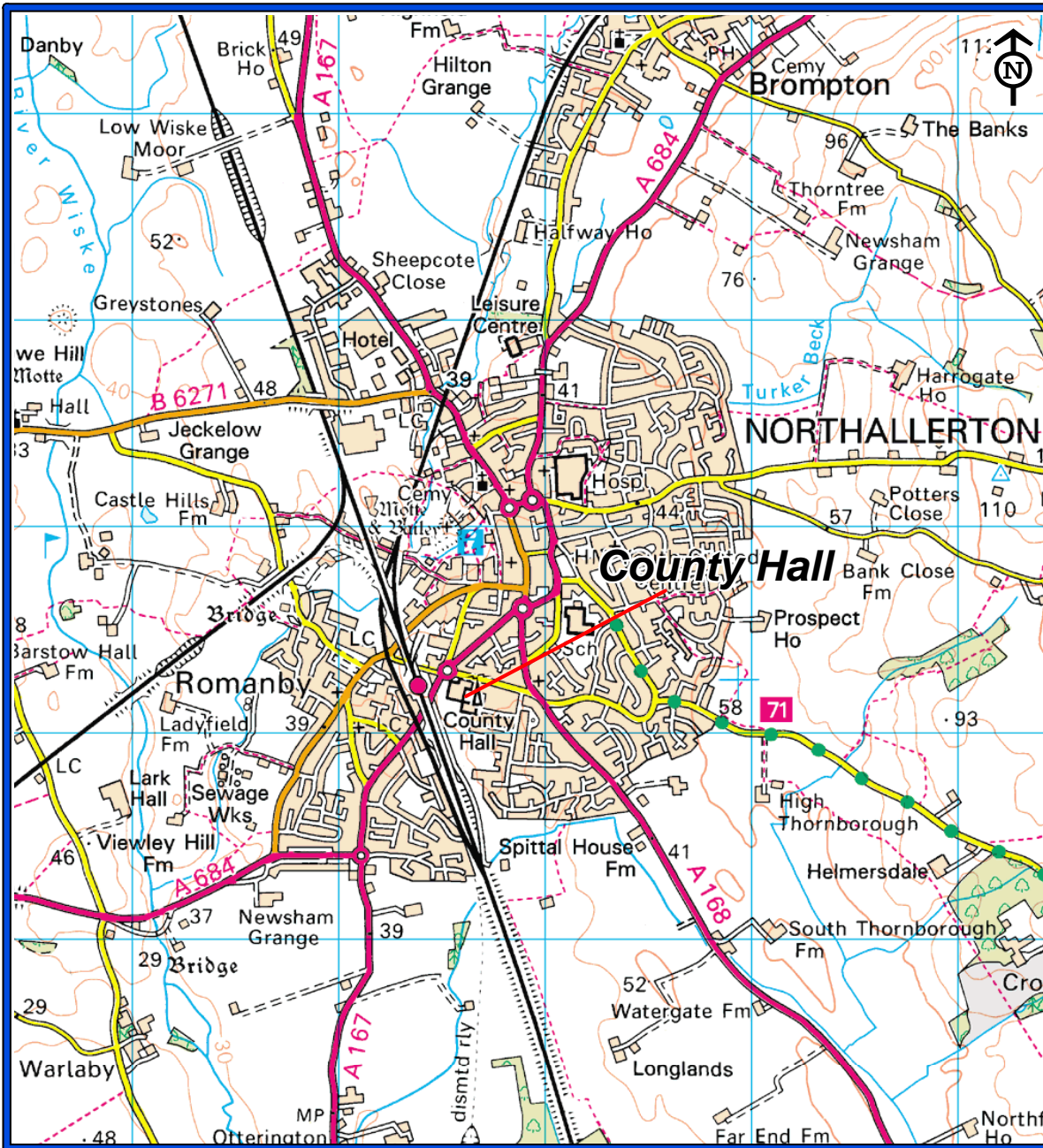
First Aid treatment can be obtained by telephoning Extension 7575.

PENSION BOARD

Membership

(9)		
	<i>Names</i>	
1	PORTLOCK, David	Chairman - Independent Member (Non-voting)
2	JORDAN, Mike (County Councillor)	Employer Representative
3	CUTHBERTSON, Ian (Councillor)	Employer Representative
4	MACDONALD, Phil	Employer Representative
5	BRANFORD-WHITE, Louise	Employer Representative
6	DRAKE, Ben	Scheme Member Representative
7	SMETHURST, Stella	Scheme Member Representative
8	SWINTHENBANK, Mandy	Scheme Member Representative
9	GRESTY, Gordon	Scheme Member Representative

Quorum - The Board shall be quorate if the Chair, one scheme representative and one employer representative are present.



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County Hall

Northallerton
North Yorkshire
DL7 8AD

Tel : 0845 8 72 73 74



North
Yorkshire County Council

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on 14 January 2016 at County Hall, Northallerton commencing at 9.30 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives;

County Councillor Mike Jordan, Councillor Ian Cuthbertson (City of York) and Louise Branford-White (Hambleton District Council).

Scheme Members:-

Ben Drake, (Unison), Gordon Gresty, Stella Smethurst (Unison) and Mandy Swithenbank GMB).

In attendance:-

County Council Officers: Amanda Alderson, Tom Morrison and Josie O'Dowd.

NY Pension Fund Independent Professional Observer: Peter Scales.

Copies of all documents considered are in the Minute Book

21. Declarations of any Interests

There were no interests to declare.

22. Apologies for Absence

There were no apologies for absence.

23. Minutes

Resolved -

That the Minutes of the meeting held on 1 October 2015, having been printed and circulated are taken as read, confirmed and signed by the Chairman as a correct record.

24. Action Record

Considered -

The action record noting the progress made on actions agreed at previous meetings.

The record was updated – as follows:

01/10/15
Minute No. 15 –Governance Issues

Resolution

That, subject to the issues outlined by the Unison representatives in relation to the membership and appointment process being taken into account, with further consideration of this matter, following an appropriate initial bedding in period for the Board, the report be noted, together with the issues raised.

Comment

Members will determine what constitutes a suitable settling in period before further consideration is given to the appointment/election process for the Board

Completed

Members will review this later in the year alongside overall performance. All appointed have a four year term of office barring resignation. A watching brief would be maintained on this issue and the parameters reviewed if the need arises.

01/10/15
Minute No. 18 – Training Programme

Resolution

That a training session with Peter Scales be arranged for the date of the next meeting of the Pension Board on 14 January 2016.

Comment

This has been arranged and Board Members have been submitting their training wishes to enable the session to be developed accordingly.

Completed

Peter Scales will facilitate the training session on 14 January 2016.

01/10/15
Minute No. 19 – Work Plan

Resolution

That the Chairman and appropriate officers develop the work programme, circulate to Members of the Pension Board and re-submit to the next meeting for agreement

Comment

The work plan populated with dates has been circulated to Members of the Pension Board to comment on and will be taken to the next meeting of the Board for agreement.

Completed

This should be should be finalised after Peter Scales' presentation on 14 January 2016.

01/10/15

Minute No. 16 - North Yorkshire Pension Fund Annual Report 2014/15 and the Auditor's Report on the Pension Fund Audit

Issue raised

That Mazars, an accounting firm, was doing some work in relation to the LGPS CARE. Clarification of this matter to be sought with the Treasurer for the Pension Fund and Members be contacted, via e-mail, as to the position in respect of this.

Comment

Mazars are not doing work in relation to the LGPS CARE – Members were contacted accordingly.

Completed

Yes

It was confirmed that following enquiries undertaken since the last meeting no evidence had been identified of Mazars' involvement with the Local Government Pension Scheme however it was noted that they are working with the NHS.

25. Public Questions or Statements

There were no questions or statements from members of the public.

26. Risk Register

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) presenting the North Yorkshire Pension Fund Risk Register for comments.

Introducing the report David Portlock, Independent Chairman, stated that the Board had requested to see the Risk Register at the last meeting, and he was pleased to welcome Tom Morrison, Head of Commercial and Investments, to the meeting to take Board Members through the Risk Register.

By way of introduction, Tom Morrison explained that the Risk Register is produced reflecting the red, amber, green ratings for services across the County Council. He acknowledged that there were some red risks, however he cautioned that this did not

necessarily indicate that the matter was of grave concern - often it was highlighting an issue to be addressed.

He highlighted the criteria set out at pages 24 and 25 which provided the context for the report. He advised that there was reasonable confidence in the investment strategy overall but noted that this did not rule out short term volatility. He advised that key risks had not worsened over recent years, this stability was a reflection of the positive management of assets despite difficult circumstances. He confirmed that the Pension Fund Committee formally consider the Risk Register annually in June or July and this is reviewed the following December or January. Risks of concern may be revisited at any time, but he noted that this had not been necessary in recent years.

Board Members made the following comments:

- ◆ Does the Register relate only to the investment strategy? It was confirmed that it covered broader issues across all aspects of the Fund.
- ◆ In response to a question regarding the solvency of the Pension Fund, Tom Morrison advised that it is difficult to measure the impact of the risk reduction measures to help stabilise solvency. He assured Board Members that action to maintain some control over solvency is regularly monitored. Officers regularly work with advisers to identify and manage solvency risks.
- ◆ The Risk Register was felt to be an essential tool for managing key risks, monitoring risk reduction actions and identifying fall back plans.
- ◆ The use of a consistent format for reviewing risks across the Council appears to work well.
- ◆ The formulaic approach applied to the calculation of risks was queried and the extent to which 'probability' impacts upon strategy. Tom Morrison advised that a model of formulae was used and this determines the ultimate rating.
- ◆ It was also noted that when officers are assessing the risks, this is necessarily a question of judgment. Again it was noted that officers speak regularly with advisers to the Pension Fund Committee to address the issues. There is also a formal review of the position annually, which provides the opportunity to consider any further risks which should be included in future. The Chairman stressed that Pension Board Members would in due course need to satisfy themselves that the process operates satisfactorily.
- ◆ A query was raised regarding the IT systems risk and whether this concerned the national software problem regarding assessing CARE. Tom Morrison advised that this risk was principally about a failure of North Yorkshire's IT systems. He confirmed that the 'rating' reflected the overall situation.
- ◆ Where a risk has been addressed, is there a presumption that the audit trail remains? Tom Morrison confirmed that this was the case, adding that details relating to other issues which do not make it into the headlines of the Risk Register are also retained.
- ◆ The inclusion of the Key Personnel risk was noted and also the absence of any reference to succession planning - this was felt to be an issue. Tom Morrison advised that this issue has been addressed in respect of his own

specialist position and Amanda Alderson was now shadowing him to improve resilience. It was also noted that reciprocal cover between Gary Fielding and Tom Morrison will ensure service continuity. It was noted that these arrangements were not presently formally recorded anywhere. It was suggested that business continuity plans should reflect these arrangements.

Resolved -

That comments and observations made are noted.

27. Internal Audit Reports

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) presenting the Internal Audit reports on the North Yorkshire Pension Fund over the last three years for comments.

Members had the following comments:

- ◆ Concern was expressed at the Overall Audit Opinion of 'limited assurance' in respect of the Special Assignment (pension payments) audit in April 2014. Tom Morrison advised that systems had been put in place to improve the situation and subsequent reports showed increasing levels of assurance. Board Members asked how the Pension Fund Committee would follow this through to ensure there was validation of the improvement. Tom Morrison explained that data from 2013 had previously been tested, and based upon the results recommendations for change had been submitted to management. It was noted that as a result of this, the service had put steps in place to address the problems and Veritau have subsequently reviewed and reported on progress to the Pension Fund Committee. It was suggested that the Pension Fund Committee should be made aware of Unison's concerns regarding the quality of the evidence of improvement. Tom Morrison stated that Veritau will be carrying out another audit in 2016 They will sample data, arrive at an up to date opinion and report their findings to Management and the Pension Fund Committee.
- ◆ The difficulty is that the overpayments are outside the direct control of Pension Fund Officers, which was acknowledged, because prime responsibility lies with Employment Support Services. It is therefore a matter of broader concern not just for the Pension Fund Committee. Tom Morrison assured Members that there had been much closer working over the last year and that improvements were being made. He anticipated that further progress would be shown but there was still a way to go. The Chairman felt it was appropriate that both the Pension Fund Committee and Employment Support Services are made aware of the deep concerns articulated.
- ◆ A Board Member highlighted the information on pages 56 and 57 which detailed the overpayments and wondered if this would be reflected in the accounts. Tom Morrison advised that it was probably not significant enough to appear.
- ◆ A typographical error on page 34 was noted - a misprint in the year.

Resolved -

That comments and observations are noted.

28. LGPS Pooling Arrangements

The Chairman clarified that the Pension Fund Committee papers forwarded to Board Members contained a private and confidential Appendix. This Appendix contained details concerning other Pension Funds. The information was particularly sensitive and could compromise on-going discussions or have an undue influence upon them. It was hoped that the discussion at Pension Fund Committee the next day would clarify North Yorkshire's direction of travel. The Chairman advised that when the issue had originally been put on the agenda for today's meeting it had been envisaged that there would be a general discussion and then feedback provided at the meeting the next day. However in light of the following this was not now felt to be appropriate:

- ◆ The North Yorkshire Pension Fund Committee have to participate in the Pooling Arrangements.
- ◆ The expectation is that the investment strategy will change over time to respond to the requirement to invest in infrastructure.

In view of these circumstances the matter was consequently a *fait accompli* and so there appeared to be little benefit in having a detailed discussion ahead of the meeting the following day. It was noted that the consultation runs into February.

Members' commented as follows:-

- ◆ What is the decision making process for the Pooling Arrangements?
- ◆ The Pension Fund Committee loses quite a lot of control and will need to liaise closely with Government.

Tom Morrison explained that research was underway to look at the embryonic arrangements emerging around the country, all of which were showing a more collaborative approach. For North Yorkshire potential pool partners are East Riding, Cumbria and Surrey, all authorities would all have an equal say regarding decision making. The imperative for North Yorkshire is very much one fund, one vote. It was noted that if North Yorkshire is slow to embrace these proposed arrangements, the Government may decide this for North Yorkshire. Also once the Government sets thresholds for the size of pooled arrangements, it may prove difficult for North Yorkshire to join further down the line, hence the need to indicate by 19 February 2016 who North Yorkshire seeks to collaborate with. This will enable a consolidated response to Government and then the analysis of potential savings can follow. Tom Morrison accepted that whilst North Yorkshire can sign up "in principle", as discussions unfold changes will be inevitable - things will not be set in stone from the outset.

- ◆ A Member felt that the emphasis was all about getting investments right and concern was expressed that once the Government is playing a greater role in this and returns diminish in future, any solvency issues will still rest with North Yorkshire eg the risks around volatility. There was speculation that Pension Funds might ultimately find themselves investing in large infrastructure projects. The question was also raised, would Pension Boards endure under such a regime in the longer term?

- ◆ Conversely it could be argued that the need to monitor pooling arrangements and governance could strengthen the case for Pension Boards.
- ◆ A Member sought assurance that Fund Members' views would still be heard once investment decisions were being influenced by outside forces. Future investments may not be in Fund Members' best interests. What is the right of redress if things go wrong?
- ◆ There was discussion regarding the setting of the mandate for investment. Tom Morrison advised that the details were not known as yet. The Pension Fund Committee will retain responsibility for the investment strategy but he acknowledged it was hard to anticipate the arrangements for asset allocation. On the question of infrastructure investment he noted that this was encouraged but not prescribed.
- ◆ Concern was expressed that there could be compulsion to invest 25-50% in infrastructure in the longer term. Tom Morrison advised that without appropriate provision in legislation 'compulsion' would not be possible. He noted that DCLG state that it is unlikely that this route would be used. If necessary Pension Fund Committee Advisers would work alongside the Secretary of State - intervention would be the absolute last resort and was felt to be unlikely.

29. Observations from the Pension Fund Committee meeting held on 26 November 2015

Considered -

The Chairman provided an oral report in relation to his attendance at the Pension Fund Committee held on 26 November 2015 and shared the following observations:-

- ◆ A lengthy discussion occurred regarding the the procurement arrangements for the Pension Fund adviser and consultant contracts which are due to end in 2016.
- ◆ He had provided an overview of the Pension Board meeting of 1 October.
- ◆ Start of discussions regarding pooling arrangements.
- ◆ A confidential paper was considered regarding the bond strategy review and investment strategy.

It was noted that overall there was little arising from the meeting that the Pension Board will need to address. Tom Morrison noted that it had been agreed to commence the recruitment of the Manager to enable the Pension Fund Committee to continue to review the investment strategy on an on-going basis. It was confirmed that an OJEU notice had been posted the previous week relating to the procurement procedure and therefore due process is being followed.

Resolved -

That the report is noted.

30. Pension Board Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) identifying areas of work to be covered by the Pension Board and requesting Members to agree a work plan.

The Chairman recorded his thanks for the comments received on the draft Plan set out at page 65. It was noted that reviews of Internal Audit reports would be a standing item on every future agenda. Tom Morrison noted that there were a number of blanks left in the Plan and it was hoped that Pension Board Members would be in a position to complete this following the training from Peter Scales which was to be delivered immediately after the meeting.

Members commented as follows:-

- ◆ Access to any cost monitoring information received by the Pension Fund Committee was requested to aid understanding. Tom Morrison advised that the Pension Fund Committee do not receive cost information in real time as the Fund Advisers are remunerated on the basis of a percentage of the net return. He also noted that information was being prepared presently as a result of the current pooling discussions. It was noted that consultants were reluctant to share information regarding manager fees, stating that they are competitively priced, and Tom Morrison advised that they have offered to squeeze out further costs in return for a share of the saving. The Member enquiring had assumed that this information would be available but accepted this could be looked at later.
- ◆ There was interest in item 30, the Review of Training Log, but it was accepted that this may need to be considered later in light of present circumstances.
- ◆ There was a need to understand the contract and governance arrangements between the Pension Fund and the Pool Managers. Summer 2016 might be a good time to do this. Tom Morrison confirmed that as soon as more information was known it would be shared but stressed that this would take time. There was consensus that a watching brief was needed and that an update should be provided on developments at either the April or July meeting. Tom Morrison confirmed that the pooling arrangements need to be in place for investment in 2018.

Resolved -

That the draft Work Plan would be updated following the training session with Peter Scales.

The meeting concluded at 11.30 am.

JO'D

Pension Board

Action Record

01/10/15

Minute No. 15 –Governance Issues

Resolution

That, subject to the issues outlined by the Unison representatives in relation to the membership and appointment process being taken into account, with further consideration of this matter, following an appropriate initial bedding in period for the Board, the report be noted, together with the issues raised.

Comment

Members will determine what constitutes a suitable settling in period before further consideration is given to the appointment/election process for the Board

Complete?

01/10/15

Minute No. 16 - North Yorkshire Pension Fund Annual Report 2014/15 and the Auditor's Report on the Pension Fund Audit

Issues with the software used by the Pensions Administration Team in calculating career average re-valued earnings (CARE) benefits and potential breaches of the Regulations in relation to that.

Resolution

Members considered potential breaches of the Regulations to be within the remit of the Board and agreed to keep a watching brief on this matter.

Complete?

01/10/15

Minute No. 18 – Training Programme

Resolution

That a training session with Peter Scales be arranged for the date of the next meeting of the Pension Board on 14 January 2016.

Comment

This has been arranged and Board Members have been submitting their training wishes to enable the session to be developed accordingly.

Complete?

Training session held following meeting on 14th January 2016.

01/10/15

Minute No. 19 – Work Plan

Resolution

That the Chairman and appropriate officers develop the work programme, circulate to Members of the Pension Board and re-submit to the next meeting for agreement

Comment

The work plan populated with dates has been circulated to Members of the Pension Board to comment on and will be taken to the next meeting of the Board for agreement.

Complete?

01/10/15

Minute No. 16 - North Yorkshire Pension Fund Annual Report 2014/15 and the Auditor's Report on the Pension Fund Audit

Issue raised

That Mazars, an accounting body, was doing some work in relation to the LGPS CARE. and clarification of this matter be sought with the Treasurer for the Pension Fund and Members be contacted, via e-mail, as to the position in respect of this.

Comment

Mazars are not doing work in relation to the LGPS CARE – Members were contacted accordingly.

Complete?

Yes

14/01/16

Minute No. 26 – Risk Register**Issue raised**

Key Pensions' personnel required a robust succession plan and these continuity plans should be formally recorded in service continuity arrangements..

Comment

Succession planning was in place and continuity plans required amendment to reflect this position.

Complete?

North Yorkshire County Council

Pension Board

14 April 2016

Internal Audit Reports

1.0 Purpose of the Report

To provide an update on Internal Audit activity.

2.0 Background

At its last meeting the Pension Board considered 5 Internal Audit Reports covering the calendar years 2014 and 2015. It was noted that one of those reports had received less than substantial assurance, although follow-up work carried out by the Internal Audit team established that a significant improvement in the situation had occurred. It was also noted that a review of the area under scrutiny, pension payments, was due to be undertaken in 2016.

3.0 2016/17 Internal Audit activity

The Council's draft Internal Audit Plan for 2016/17 was presented to the Audit Committee on 3 March 2016. This described 50 days' work allocated to the Pension Fund, spread over systems, income, expenditure and investments. In respect of the Pension Fund, it was suggested that the development of pooling arrangements be factored into the Plan and confirmed that planned audits would include, in their scope, a follow up of the arrangements whereby pension payments cease on the death of a Pension Scheme member, otherwise no comments were received so it is expected that, other than the issues outlined, the allocations will remain unchanged when the Audit Committee is asked to agree the final version of the Plan at its meeting in June 2016

The date of publishing of each internal audit report has not been fixed, however the following approximate timescales have been obtained from the Council's Internal Auditor, Veritau Ltd.

Work Plan	Report Title	Due
2015/16	Investments	Q1 2016/17
2015/16	Expenditure	Q1 2016/17
2015/16	Income	Q1 2016/17
2016/17	Systems	Q2 2016/17
2016/17	Investments	Q1 2017/18
2016/17	Expenditure	Q1 2017/18
2016/17	Income	Q1 2017/18

No audit reports have been issued in the 3 months since the date of the last Pension Board meeting.

4.0 Recommendation

That the contents of the report be noted.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton
SML

Author of Report – Tom Morrison/Steve Loach

April 2016

Background Documents: North Yorkshire Pension Fund - Internal Audit Reports

North Yorkshire County Council

Pension Board

14 April 2016

LGPS Pooling – Update

1.0 Purpose of the Report

To provide an update on LGPS pooling arrangements.

2.0 Background

At the special meeting of the Pension Fund Committee on 15 January 2016 Members decided in principal to join the Border to Coast Pensions Partnership (BCPP). This is a partnership of 13 Funds, most of which are based in the north of England.

In order to meet the Governments consultation deadline of 19 February 2016 it was agreed that a response would be drafted by officers in consultation with the Chair, Vice-Chair and Treasurer of the PFC.

The response by all 13 members of BCPP is attached as Appendix 1. The separate response submitted by NYPF is attached as Appendix 2. In addition, three scheme member representatives of the Pension Board, who are all union representatives, also submitted a response which is attached as Appendix 3.

In reply, the Chair of the PFC received a letter from Marcus Jones MP, Minister for Local Government, on 24 March 2016. This letter is broadly supportive of the BCPP response and makes a number of points which correspond to the direction of travel already undertaken by BCPP members.

3.0 On-going Activity

Before and after the consultation deadline date, officers from all 13 Funds have been discussing options around the governance and investment arrangements necessary to both fulfil the Governments requirements and meet the fiduciary responsibilities of the Local Authorities managing Funds. This is with the aim of having more concrete proposals by the second deadline imposed by Government, 15 July 2016.

The Pension Board will be kept informed of developments, however no concrete proposals have been made at this early stage.

4.0 Recommendation

That the contents of the report be noted.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton
SML

April 2016

Background Documents: Minutes of the PFC Meeting held on 25 February 2016.

**BORDER TO COAST
PENSION PARTNERSHIP
(BCPP)**

**INITIAL PROPOSAL TO POOL
LGPS ASSETS**

19TH FEBRUARY 2016

INTRODUCTION

1. We, the administering authorities for the following Local Government Pension Scheme (LGPS) Funds, are pleased to have the opportunity to submit to the Department for Communities and Local Government (DCLG) a joint pooling proposal: “*Border to Coast Pensions Partnership*” (BCPP) for your consideration:-
 - Bedfordshire Pension Fund
 - Cumbria Pension Fund
 - Durham Pension Fund
 - East Riding Pension Fund
 - Lincolnshire Pension Fund
 - North Yorkshire Pension Fund
 - Northumberland Pension Fund
 - South Yorkshire Pension Fund
 - South Yorkshire Passenger Transport Pension Fund
 - Surrey Pension Fund
 - Teesside Pension Fund
 - Tyne and Wear Pension Fund
 - Warwickshire Pension Fund
2. The BCPP collaboration encompasses 13 Funds with combined assets of £36bn (fund valuations at 31st March 2015).
3. We believe there is an efficiency ceiling for the number of funds within the BCPP pool. The pool needs to be large enough to reach the Government’s target for scale, but larger numbers of participant Funds will inevitably lead to more complex governance arrangements. With these two factors in mind we believe the optimum number of funds to be in the range of ten to fourteen.
4. Whilst the purpose of the BCPP pool is for the collective pooling and subsequent management of all partner Funds’ investment assets, the assets are held to fund the future benefits of a combined LGPS membership of 905,995, representing 2,166 employers (values as at 31st March 2015). In this regard, it can be stated that the partner Funds have a fiduciary duty to their members.
5. This submission represents BCPP’s joint initial response to the request for pooling proposals to address the criteria as set out in DCLG’s “*Local Government Pension Scheme: Investment Reform Criteria and Guidance*”. The intention of this submission is to set out an initial, high level proposal that demonstrates how the BCPP pool proposes to achieve the overarching aims of maintaining investment performance whilst achieving cost savings. The proposal meets the Government’s other specified criteria (scale, governance, and how to build capacity to invest in infrastructure investment).

6. The proposal is for a multi asset pool formed on the basis of “like-minded” ethos and beliefs, which have been outlined in our guiding principles (Appendix 1).
7. We look forward to working more closely with Government in the next phase to expand and enhance our final proposal for submission by 15 July 2016.

HOW BCPP PROPOSE TO MEET THE CRITERIA

- A. Scale
- B. Strong governance and Decision Making
- C. Cost efficiency and value for money
- D. Improved capacity to invest in infrastructure

A. SCALE

8. Whilst there are differences in the partner Funds’ choice of managers, there is a great deal of similarity with regard to asset choice, investment styles and risk appetite.
9. The 13 partner Funds of BCPP have a combined asset base of £36bn (valuations as at 31st March 2015). The intention is that the vast majority of the assets will be managed and monitored from the initial formation by the BCPP pool and that going forward all new investments will be acquired by suitably regulated, professionally qualified and experienced staff within the BCPP pool on behalf of the partner Funds. Costs will be shared equitably between the partner Funds with both a fixed allocation to cover entity/structure running costs and a variable element representing costs relating to the choices of asset class and the investment process used.
10. It should be stated that certain assets will remain outside of the BCPP pool: some on a run off basis such as directly held property and private equity investments and others, such as cash, held for operational/cash flow reasons.

B. STRONG GOVERNANCE AND DECISION MAKING

11. The proposal is for a multi asset pool formed on the basis of “like-minded” beliefs which have been outlined in our guiding principles (Appendix 1). The intention is to refine and expand these over the next phase of the proposal design process.
12. Core to our “like-minded” belief structures are:-
 - One Fund, one vote, regardless of Fund size.
 - Asset allocation strategy remains a decision for each Fund. This is necessary to enable Funds to demonstrate that they are exercising their democratic and

fiduciary duty.

- The BCPP pool's role is to independently and professionally deliver these asset allocation choices. However, all partner Funds accept that if savings are to be achieved, changes will be required through the rationalisation and standardisation of processes and the selection and appointment of external managers.
- There will be a clear segregation of duties between those undertaken by the partner Funds and those performed by employees of the BCPP pool. This will ensure both that the fiduciary duty and democratic responsibility of the partner Funds can be maintained, whilst achieving the cost benefits and expanded professionalisation of the investment functions through scale.
- The BCPP pool should have a strong corporate governance philosophy, focused on the delivery of long term value through active corporate engagement, the rationale being that this aligns directly with ensuring the partner Funds exercise their fiduciary duty in the best interests of their members and employers. BCPP believes that this is most effectively and efficiently achieved through leveraging the scale of the combined LGPS through collaborations such as the Local Authority Pension Fund Forum (LAPFF). BCPP has both elected member and officer representatives on the LAPFF Executive.
- As a public body representing the financial interests of 905,995 members, BCPP will aim for the highest standards of corporate governance. Amongst other objectives, this includes seeking FCA registration for the internally managed operation within the BCPP pool. To confirm our understanding, BCPP pool legal advice is currently being procured that FCA registration will be required for the BCPP pool to invest on behalf of all Funds within the BCPP pool. Additionally, going forward, this will enable BCPP to meet the Government's requirement that internally managed services can be evaluated alongside externally managed operations.
- Effective management of costs and performance requires timely, consistent and accurate data to enable the operation of effective analysis and benchmarking. All the partner Funds are currently in the process of evaluating their data, including the use of the CEM benchmarking services.
 - Internally: all data on costs and performance will be openly available to all partner Funds, thus encouraging best practice.
 - Externally: Tyne and Wear has been one of the leading Funds in total

cost reporting, especially in the alternative asset class space. This experience and expertise will be shared and developed to the benefit of all partner Funds.

- Cost and governance benefits can be most effectively achieved through collaborative working within the BCPP pool, across other LGPS pools, and at a national level. We can demonstrate this through the active engagement of the partner funds in this proposal, through officer engagement in cross fund working to formulate the Project POOL (the Hymans Robertson supported report from the LGPS funds), the jointly procured legal advice currently being undertaken and the representation on the Scheme Advisory Board (SAB) by elected members within the BCPP pool. In addition, several of the partner Funds are actively involved in the LGPS National Frameworks.

13. The broad principles of how the BCPP pool will operate have been agreed by the partners and are outlined below. While the governance structures and associated vehicles have not as yet been finalised, the required tiers of control and governance that will be required have. BCPP intends that it will incorporate the following activities:-

- **Supervisory Entity:** the purpose is to provide overall accountability by the partner Funds and act as the conduit back into the partner Funds' democratic and fiduciary processes. There will be equal representation from each Fund at this level. It will define key strategic objectives and operational governance of the BCPP pool, including any scheme of delegation to the Executive Body. Under the BCPP proposal, it could be either a joint committee or shareholder board. Whichever is finally chosen, it will have strong and well defined links back into the partner Funds, so as to ensure they can perform their fiduciary duty to members and employers and demonstrate a clear democratic link.
- **Executive Body:** in a formal Collective Investment Vehicle (CIV), this is the equivalent of the Operator. This body makes decisions on manager selection and the number and type of sub funds, legal vehicles and structures. Procurement routes as to the best means of acquiring and housing assets will also be decided. It will have to demonstrate due regard to the views of the supervisory entity. It will need to be a legal entity (e.g. a TECKAL company) in order to create a contractual relationship with suppliers and in the Authorised Contractual Scheme (ACS) sub fund model, it is the legal (but not beneficial) owner of some or all of the assets.
- There are currently three Funds who manage their assets internally (£12.2bn or 34% of the total BCPP assets). It is intended that the BCPP pool will consolidate and expand this capability. This will enable those Funds to take

advantage of this well proven, low cost asset management option. As such, it is envisaged that the current teams will transfer into the pooled entity so they can operate independently on behalf of the partner Funds wishing to take advantage of this facility. As they will be undertaking a regulated function, FCA registration will be required. South Yorkshire Pension Fund (SYPF) is already FCA registered and BCPP intends to leverage their experience in this regard to achieve future BCPP pool compliance. BCPP believes that if the pool is to demonstrate the highest levels of governance, risk management and control and thus be able to demonstrate effective controls and independence to all Funds in the BCPP pool, it must achieve regulated status and transfer assets out of the current Fund structures to within the new BCPP pool.

- **Sub funds** – a range of asset class and/or risk based ‘buckets’ which Funds allocate monies to or purchase units from.
- Assets will be held in the most managerially and tax efficient way. To ensure all the asset allocation choices of the partner Funds can be serviced, this will require a range of legal structures (much the same as how most of our partner Funds operate now).
- Some or all of these sub funds may have an ACS wrapper for tax transparency purposes where the operator is the legal owner of the assets.

14. The detailed delivery options to fulfil these aims are currently being evaluated and appropriate legal advice is currently being procured. BCPP wishes to continue the collaborative work that has previously been undertaken across the LGPS and has therefore joined a joint procurement process that is currently underway across three pools. This advice will be used to inform our final detailed proposal to be submitted by 15th July 2016.

C. COST EFFICIENCY AND VALUE FOR MONEY

15. It has not been possible in the time available to determine the total current investment management costs of BCPP on a consistent basis across the partner Funds for this consultation response. However, BCPP is committed to improving the reporting and consistency of cost data and is currently working with CEM Benchmarking to inform its assessment of investment costs and fees to be included in the consultation response of 15th July 2016.

16. Despite this, it has been possible to identify high level potential cost savings as well as additional costs that are expected to be incurred. It is important to note that, whilst BCPP will aim to make material cost savings in investment

management expenses, the overriding objective will be to enhance net investment returns.

17. It should be noted that expected savings in totality from BCPP will be lower than some pools due to the large existing allocation to low cost internal investment management, currently hosted by the East Riding, South Yorkshire and Teesside Funds. **Cost savings are estimates based on a preliminary analysis of costs and are subject to change.**

18. The initial net cost savings, estimated on a prudent basis, expected to be generated by BCPP within ten years can be summarised as follows:

High Level Summarised Cost Savings	Annual cost saving	Timescale
Fee savings on externally managed assets	£12.3 – £12.9m	Within five years
Fee savings on Alternative investments	£18.0 – £36.0m	Within ten years
Less: Costs of BCPP pool	(£10.8m)	Immediate
Net cost savings	£19.5 – £38.1m	

19. The potential costs savings include a reduction in management fees through economies of scale in externally managed assets and fee savings in Alternatives through economies of scale, co-investments, and direct investments. It does not include the potential cost savings from moving externally managed assets (as in the first instance, this is a Fund asset allocation decision) to internal management or the potential savings in performance fees.

20. The costs of the BCPP pool are based on the expected annual cost of operating the pooling arrangements once fully established, and do not include setup costs or transition costs, which are expected to exceed cost savings in the short term.

Potential cost savings

21. The detailed cost analysis of BCPP’s partner Funds’ existing investment management arrangements shown in Appendices 2 – 3 shows that a wide range of investment management fees are being paid across the partner Funds. As a result, BCPP believes that there is significant scope to identify and implement costs savings where they do not have a detrimental impact on net investment returns.

22. It is important to assess the potential cost savings to BCPP on a consistent basis. Therefore, the savings shown in (18) above have been based on the assumption

that partner Funds' asset allocation and their split between active and passive management, and internal and external management, remain unchanged.

23. The main areas where the partner Funds within BCPP are expected to generate cost savings are:

A. *Achieving cost savings on external management of quoted equities and fixed income through increased scale and manager rationalisation:-*

- Based on a review of existing management fee structures and current market intelligence, this could result in a potential cost saving of circa 10bps p.a. for actively managed investments and circa 2 – 3bps p.a. for passively managed investments.
- As at 30th September 2015, BCPP's Funds had circa £11.2bn in active external investments and circa £5.7bn in passive external investments. This would equate to cost savings of circa £11.2m for actively managed assets and circa £1.1m – £1.7m p.a. for passively managed assets.

B. *Achieving cost savings in Alternative investments through the following:-*

- Reduction in management fees on pooled investments: these can be achieved either through greater economies of scale or earlier participation in fund raises. It is estimated that potential cost savings of circa 20 – 30bps p.a. could be achieved.
- Increased use of co-investments: it is intended that BCPP will increase the level of internal investment resources, enabling it to take advantage of co-investment opportunities, which typically have significantly lower or even zero management fees. It is estimated that potential cost savings of circa 50 – 100bps p.a. could be achieved.
- Increased use of direct investments: as with co-investments, the increased resources within BCPP will enable it to take advantage of direct investments where investment management fees would not be payable. It is estimated that potential cost savings of circa 75 – 100bps p.a. could be achieved.
- Reduction in the use of fund-of-funds: although BCPP will continue to use these vehicles where it is considered to be appropriate, it is likely that investment in fund-of-funds will decrease over time. It is estimated that cost savings of circa 25 – 100bps p.a. could be achieved.
- The total cost savings associated with Alternative investments are difficult to estimate with any degree of certainty as it will depend on each Fund's asset

allocation decisions and investment opportunities as and when they arise. However, assuming an average allocation of 20% to Alternatives¹, average investment duration of ten years, and recycling of existing capital into new investments, this would result in new investments of circa £720m p.a. (based on a pool size of £36bn). Assuming a 25 – 50bps p.a. reduction in fees from a combination of the above, this could result in cost savings of circa £1.8m – £3.6m p.a. in the first year, increasing to circa £18.0m - £36.0m within ten years. It has been assumed that there will be no opportunities for cost savings within existing Alternative investments.

C. In addition to the above, further cost savings could be made from the transfer of active externally managed assets to active internal management:-

- BCPP is expected to have a significant internal investment resource from the outset, drawn from existing internally managed funds² and will look to build this resource further over time. It is intended that BCPP will look to offer an internal management option for the majority of asset classes. This could result in a potential cost saving of circa 30bps p.a. for Equities and circa 20bps p.a. for Fixed Income, equating to circa £2m – £3m p.a. for each £1bn of assets transferred. It is envisaged that the balance between externally and internally managed assets will initially be determined at the Fund level, but over time will become a decision at the BCPP pool level.

24. The potential savings noted above should be treated with caution at this stage as further detailed analysis is required. However, initial estimates provide a broad indication of the areas where cost savings may be possible and the potential quantum.

25. It is important to note that these proposals for cost savings will only be implemented where it is believed that they can be achieved without having an adverse impact on investment returns.

Additional costs

26. There will be additional costs associated with the creation and operation of BCPP including:

- Initial setup and ongoing operational costs for the BCPP pool are expected to be significant. The Project POOL report³ noted that the setup costs to date of the London CIV have been circa £2m – £2.5m, with only a limited number of

¹ The WM Local Authority Average allocation to Alternatives (including Property) as at 31 March 2015 was 18.8% – source: State Street Investment Analytics “UK Local Authority Annual Review 2014 – 15”.

² Currently managing c. £12.2bn of internal assets.

³ “Findings of Project POOL”, January 2016.

sub-funds created, and ongoing costs estimated at circa 3bps p.a. Assuming a BCPP pool size of £36bn, this would result in costs to BCPP of circa £10.8m p.a. However, it should be noted that some of these costs could be offset by more favourable tax treatments in certain jurisdictions.

- Transition costs, including transaction costs and taxes, are also expected to be significant. The Project POOL report noted that Government could assist the pooling process by considering ways of mitigating transition costs, a view that BCPP would support but which cannot be assumed. In addition, there is a significant level of execution risk in the transition of assets on this scale which could erode a significant amount of the expected savings if it were done incorrectly.
- There will be additional costs at the outset of this project, including legal, tax, and professional fees in the commissioning of suitable advice. It should be noted that BCPP intends to collaborate with other pools on the commissioning of this advice in order to minimise any costs incurred.
- It is recognised that certain elements of costs currently within partner funds will reduce or disappear (e.g. global custodian fees), but other specific costs will not reduce (e.g. fund actuary fees). With regard to staffing costs incurred with funds predominantly externally managed, there may not be a reduction in staffing at fund level, given the other aspects of fund governance and managing the Pension Fund at individual fund level.

27. The costs noted above should be treated with caution as it has not been possible to accurately quantify them for the first consultation response. It is intended that a more detailed analysis will be presented in the second consultation response by 15th July 2016.

D. IMPROVED CAPACITY TO INVEST IN INFRASTRUCTURE

28. The partner Funds currently hold allocations to infrastructure equating to 3.8%, which is already much higher than the LGPS average figure of 0.3%, as quoted in the Scheme Advisory Board 2013 Annual Report. Therefore, any opportunity to deliver enhanced capability and capacity to generate savings in this area, whilst retaining asset allocation choice at Fund level and investment discretion at the pool level, would be well received by BCPP. Within the partner Funds, the BCPP pool already invests in a wide range of infrastructure assets, both in the UK and Overseas.

29. BCPP also wants to reiterate its broad support for the findings from the Hymans coordinated Project POOL report, in that Infrastructure assets considered most

attractive to LGPS pension funds are the established infrastructure projects delivering steady inflation proof income streams (since pension fund payments increase with CPI inflation). Additionally, any assistance that central Government can give in helping to increase access to such asset pipelines would be welcomed.

30. Due to the scale and complexity involved in infrastructure investing, BCPP believes that collaborative work across pools is probably the most efficient means of achieving the Government's goals in this area. However, we believe that this would form only part of our infrastructure capability.
31. As such, we are currently engaged in discussions with other pools (both individually and as part of a national officer group) to investigate how this might be best delivered.
32. Whilst we recognise and support collaborative work in this area to help build capability and capacity to enable the LGPS to invest directly in infrastructure, this has to be achieved within a strong governance framework, which recognises that asset allocation to infrastructure is an individual Fund decision, while how each investment is delivered is a BCPP pool decision. To demonstrate due diligence and appropriate risk management, BCPP would need to retain investment discretion at all levels throughout the asset selection process.

POTENTIAL TIMETABLE FOR IMPLEMENTATION

33. This timetable represents an early indication of potential key dates. This is likely to be subject to significant change as the pooling proposal is developed

19 th February 2016	Deadline for initial proposal
15 th July 2016	Deadline for detailed proposal
September 2016	Governance structure agreed
October 2016	Agreement on audit and risk considerations
November 2016	Agreement on legal structure
December 2016	Agreement on specifics of vehicle structure
June 2017	Formation of internal investment management operation
December 2017	Full regulatory approval of internal investment management function
December 2017	Asset transition planning complete
April 2018	Commencement of asset transition to BCPP pool
December 2018	Full implementation of listed assets
Within 15 years	Completion of transfer of unlisted assets

SUMMARY

34. The 13 Funds comprising the BCPP (AUM £36bn) are pleased to have this opportunity to submit to Government our initial proposal for asset pooling. BCPP's proposal is for a multi asset, collaborative pooling proposition, based around a set of guiding principles which outline an ethos of "like-minded" investment, governance and risk beliefs where partner Funds retain strategic asset allocation but the BCPP pool manages and acquires all assets on their behalf.
35. We are proactively engaged within the BCPP pool, and engaged with external industry experts and with other pools in gathering the evidence required to enable us to finalise our detailed proposition. To help assist us in this, we look forward to having the opportunity to work more closely with central Government over the next five months to ensure that the final detailed proposal submitted from BCPP in July meets all participants requirements.

LIST OF APPENDICES

Appendix 1: BCPP Guiding Principles

Appendix 2: Investment Management Costs on a Weighted Average Basis

Appendix 3: Range of Investment Management Costs Across Existing Mandates

Bedfordshire Pension Fund	_____ Cllr. Doug McMurdo	 Bedfordshire Pension Fund
Cumbria Pension Fund	_____ Cllr. Melvyn Worth	 Cumbria County Council
Durham Pension Fund	_____ Cllr. Andy Turner	 Durham County Council
East Riding Pension Fund	_____ Cllr. John Holtby	 ERPFF East Riding Pension Fund
Lincolnshire Pension Fund	_____ Cllr. Mark Allan	 Lincolnshire COUNTY COUNCIL <i>Working for a better future</i>
North Yorkshire Pension Fund	_____ Cllr. John Weighell	 North Yorkshire County Council
Northumberland Pension Fund	_____ Cllr. Tony Reid	 NORTHUMBERLAND Northumberland County Council
South Yorkshire Pension Fund	_____ Cllr. Sue Ellis	 SOUTH YORKSHIRE PENSIONS AUTHORITY
South Yorkshire Passenger Transport Pension Fund	_____ Cllr. David Leech	 Sheffield City Region COMBINED AUTHORITY
Surrey Pension Fund	_____ Cllr. Denise Le Gal	
Teesside Pension Fund	_____ Cllr. Steve Bloundele	
Tyne and Wear Pension Fund	_____ Cllr. Eileen Leask	
Warwickshire Pension Fund	_____ Cllr. Izzi Seccombe	

BCPP - GUIDING PRINCIPLES

The key factors that Funds have looked to address in any options presented to Members for their consideration are that:

Asset Strategy

- 1) Asset allocation strategy must be retained at an individual Fund level;
- 2) Partner Funds must have a complementary investment ethos and strategy; and
- 3) Any new structure should be capable of complementing a bespoke investment strategy for scheme employers with common characteristics.

Governance / Vehicle Structure

- 4) Any new structure must be compatible with the Government's aims of ability to achieve scale, improved governance, infrastructure and fee savings;
- 5) The partner Funds should retain a pivotal role in the governance of any pooled structure chosen;
- 6) Any new structures should offer opportunities for savings, while retaining or improving on the Fund's performance net of fees;
- 7) The possibility to expand internal investment management capability and increase resilience for all partner Funds;
- 8) The structure chosen must be sufficiently flexible to ensure assets are only transferred into any vehicle when/if it is cost effective, tax efficient and managerially effective to do so;
- 9) Any new structure must be scalable to ensure it is capable of achieving the Government's stated aims;
- 10) There must be a specific solution to infrastructure investing; and
- 11) The initial assumption should be that any vehicle used would be an ACS due to Government's current preference for this type of vehicle.

Sharing Resource Improving Resilience

- 12) Any solution provides additional resilience and capacity over and above current investment structures;
- 13) The solution will seek to provide internal shared resource to progress more proactive management of liability and cash flows;
- 14) Activities will be distributed across the partner organisations to improve performance through creating centres of excellence and improving resilience through larger teams; and
- 15) The shared investment team will be situated in a location with a consideration to access.

INVESTMENT MANAGEMENT COSTS ON A WEIGHTED AVERAGE BASIS (IN BPS)⁴

ASSET CLASS	INTERNAL		EXTERNAL	
	ACTIVE	PASSIVE	ACTIVE	PASSIVE
EQUITIES	2	2	37	7
UK	3	2	34	3
EUROPE	2	-	22	5
NORTH AMERICA	2	-	21	4
JAPAN	2	-	34	2
PACIFIC EX JAPAN	2	-	28	2
EMERGING MARKETS	2	-	55	18
GLOBAL	-	-	38	10
GLOBAL EX-UK	-	-	-	-
DEVELOPED EX-UK	-	-	-	-
FIXED INCOME	2	-	22	5
UK GOVERNMENT	4	-	19	7
UK INDEX-LINKED	1	-	18	4
UK CORPORATE	3	-	13	7
OVERSEAS GOVERNMENT	2	-	24	12
OVERSEAS CORPORATE	2	-	25	7
HIGH YIELD	1	-	45	-
EMERGING MARKETS	-	-	64	-
ABSOLUTE RETURN	-	-	36	-
ALTERNATIVES				
PROPERTY	22	-	28	-
OTHER ALTERNATIVES	-	-	69	-

⁴ The data analysis is based on the direct costs of investment management for either internal management or where there is an external investment mandate. It does not include the costs of pooled investments.

RANGE OF INVESTMENT MANAGEMENT COSTS ACROSS EXISTING MANDATES (IN BPS)⁵

ASSET CLASS	INTERNAL		EXTERNAL	
	ACTIVE	PASSIVE	ACTIVE	PASSIVE
EQUITIES				
UK	2 – 4	2	19 – 52	2 – 5
EUROPE	2 – 4	-	21 – 22	2 – 9
NORTH AMERICA	2	-	21	2 – 9
JAPAN	2	-	21 – 49	2 – 9
PACIFIC EX-JAPAN	2	-	21 – 45	2 – 9
EMERGING MARKETS	2	-	21 – 30	13 – 25
GLOBAL	-	-	20 – 75	6 – 20
FIXED INCOME				
UK GOVERNMENT	2 – 4	-	18 – 29	7
UK INDEX-LINKED	1 – 2	-	18	3 – 7
UK CORPORATE	2 – 4	-	10 – 30	8
OVERSEAS GOVERNMENT	1 – 4	-	15 – 30	12
OVERSEAS CORPORATE	2	-	19 – 30	7
HIGH YIELD	1	-	45	-
EMERGING MARKETS	-	-	64	13
ABSOLUTE RETURN	-	-	23 – 80	-
ALTERNATIVES				
PROPERTY	22	-	18 – 98	-
OTHER ALTERNATIVES	-	-	45 – 170	-

⁵ The data analysis is based on the direct costs of each fund's investment management arrangements.



NYPF Consultation Response

North Yorkshire County Council is the administering authority for the North Yorkshire Pension Fund. The Pension Fund Committee (PFC) of the Council manages assets worth £2.4bn on behalf of 120 employers and 85,000 members.

On 15 January 2016 the PFC agreed to join the Border to Coast Pensions Partnership (BCPP) which comprises 13 LGPS funds with assets worth £36bn. A separate response has been submitted by the BCPP to which the Council is a signatory. That response addresses the four criteria central to the consultation, being scale, governance, value for money and infrastructure.

While the PFC is fully supportive of the BCPP response and the Government's agenda to improve efficiency and increase capacity to invest in infrastructure, the PFC wishes to raise issues in relation to these four criteria. Although these issues are with the specific circumstances of NYPF in mind they are likely to be faced by many LGPS funds when considering the implementation of pooling arrangements in practice.

A. Asset pools that achieve the benefits of scale

The PFC's strategy for a number of years has been to invest the Fund's assets with external investment managers using active management. This approach, and the PFC's proven ability to implement this strategy very effectively has been a major contributor to impressive performance over a sustained period. The result is that NYPF is the top performing LGPS fund in the UK over the last three years.

The majority of NYPF's assets are invested in large mandate sizes (£250m+) where significant economies of scale have already been achieved. This cost efficiency contributes to the NYPF having a cost per member comparable to the largest LGPS schemes (see Appendix A). Although greater economies of scale may be possible, they may be relatively small which means they may be significantly impacted by the operational costs of the pooling entity. It is therefore not clear at this stage whether cost savings are possible, particularly in the short term. A detailed cost/benefit analysis on this will be one of the pieces of work undertaken over the coming months.

Some external investment managers, particularly those that actively manage funds, may have capacity issues. There will be circumstances where some of the best investment managers are not in a position to take on additional funds from LGPS clients and savings through economies of scale are not available. Although cost savings will be pursued wherever possible the PFC's focus must be on

performance net of fees, in line with their fiduciary responsibilities. This must take precedence over investment manager capacity and their ability to offer discounted fees.

B. Strong governance and decision making

The NYPF already has a strong governance structure to ensure that risks are effectively managed and that the Fund's external investment managers and mandates are appropriate and are focussed on delivering the investment strategy. This is the foundation of good decision making which has been a significant factor in the Fund's performance over recent years as described above.

Through the discussions with BCPP members the PFC will work to ensure that these robust arrangements are extended to its relationship with the pool as far as possible. The PFC will also play its part in establishing robust arrangements within the pool entity itself. However it is hard to see that the introduction of another layer of administration will strengthen governance and decision making.

C. Reduced costs and excellent value for money

The primary responsibility of the PFC is to manage the Fund in the best interests of its employers and scheme members. In relation to the Fund's assets, this requires the focus to be on investment management performance net of fees. Costs are an important part of this, so where possible they will be reduced. However, the PFC will challenge potential compulsion from Government to reduce costs at the expense of performance.

The PFC expects that there will be changes to the managers and mandates utilised by the NYPF when the pooling entity is established and as its arrangements bed in. Changes will be appropriate where better opportunities exist that meet the requirements of the Fund's investment strategy. These opportunities could be through taking advantage of economies of scale, access to managers with improved expectations of net of fees performance, or for other reasons. The timing of any changes should always be significantly influenced by its impact on transition costs. For example, the NYPF holds listed investments in life wrapped funds which cannot be held by Authorised Contractual Scheme (ACS), which is the Government's preferred pooling vehicle. This is an issue for most LGPS funds. Although the PFC supports the principles for pooling, it does not make economic sense to sell assets and reacquire them through the ACS entity, merely for the sake of the ACS owning assets on behalf of the Fund.

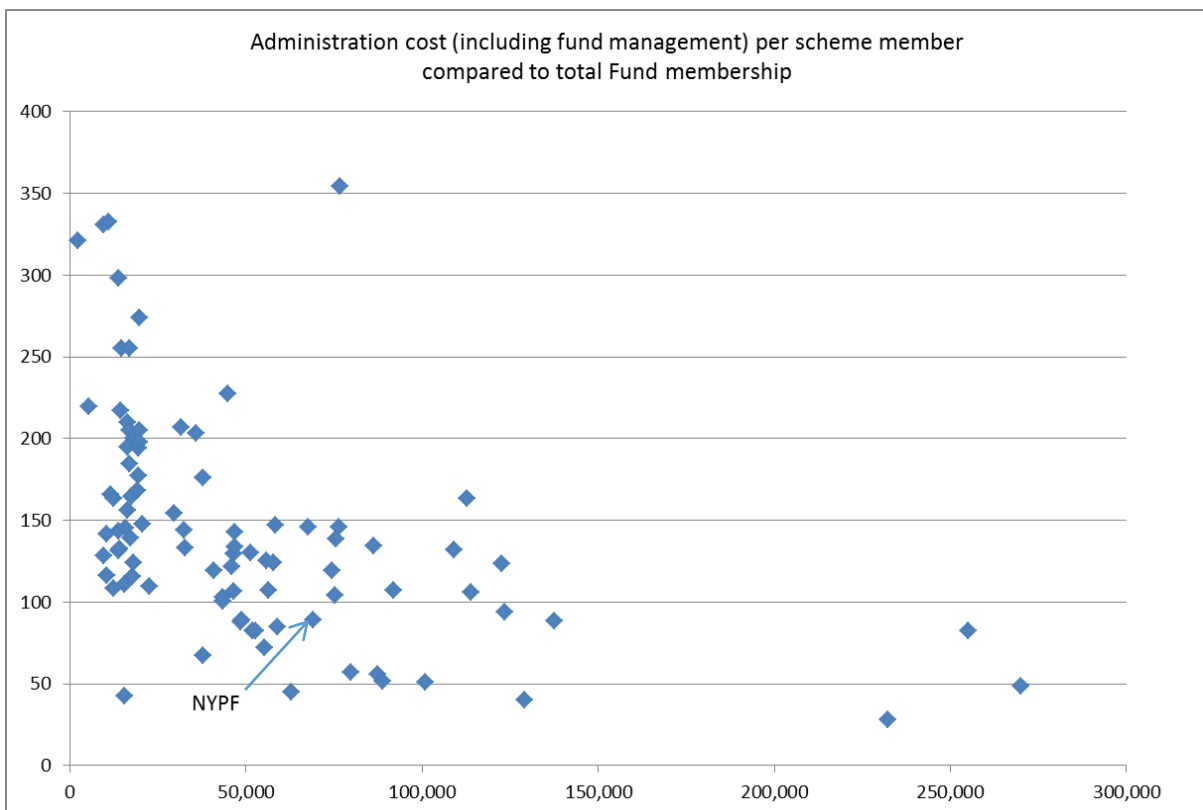
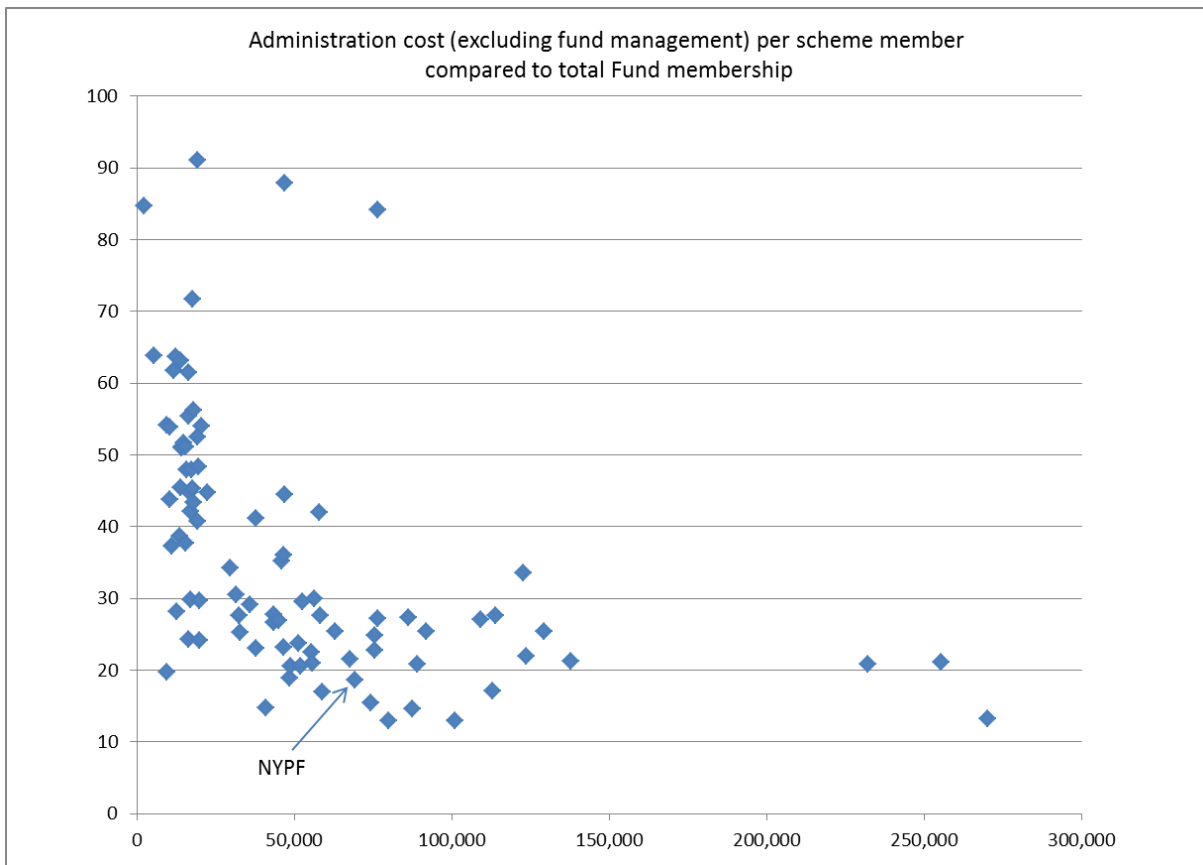
D. An improved capacity to invest in infrastructure

The NYPF does not currently hold any infrastructure investments but does believe that the pooling arrangements will help create the environment for economies of scale to help facilitate this, and therefore is supportive of them for this purpose. However opportunities to invest in infrastructure will be subject to due diligence and will need to provide an appropriate balance of risk and return which meets the strategic requirements of the Fund. In recent years, the PFC has been willing to consider infrastructure as an asset class but no suitable opportunities have been identified. To the extent that pooling arrangements increase the opportunity set there is the possibility that this will change, but only if it can help the Fund meet its financial objectives.

Councillor John Weighell

Chairman of the Pension Fund Committee

North Yorkshire County Council (as administering authority for the North Yorkshire Pension Fund)



Data source: DCLG, SF3 statistics

Department for Communities and Local Government Consultation Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

Dear Sir

As LGPS members' representatives on North Yorkshire Pension Board we have considered the consultation papers.

Summary of our position

- **The government is consulting on a new set of investment regulations to support this pooling initiative. These include unprecedented powers of the Secretary of State into the investment policies of the scheme's funds.**

The LGPS Scheme Advisory Board and the Law Commission have requested that the government apply the Investment Regulations applicable to all other pension funds in the UK and the European Union.

The SAB counsel opinion and the Law Commission believe that the government is in breach of the EU Directive 41/2003 Institutions for Occupational Retirement Provision (IORP). The UK government is denying scheme members their statutory right to have the pension funds invested in their best interests.

Commentary from the Board: *"In terms of article 18 (which details how investments should be made in institutions for occupational retirement provision), Counsel makes some suggestions to strengthen regulations to ensure full compliance but reminds Administering Authorities that they should act in accordance with the Directive regardless of the current state of the regulations. The Board will be working with DCLG to ensure that future changes to investment regulations take on board this opinion to ensure that Article 18 is fully adopted, reflecting the legal views provided by the Law Commission and Michael Furness QC."*

Law Commission Comment on the LGPS Investment Regulations in England and Wales: *"We think two aspects of the LGPS Regulations could usefully be reviewed. First, in practice administering authorities consider themselves to be quasi-trustees, acting in the best interests of their members. We think that the same rules which apply to pension fund trustees in taking account of wider or non-financial factors will also be taken to apply to LGPS administering authorities. There is an argument that the IORP Directive requires this. However, we think that uncertainty on this point is undesirable and that the matter should be put beyond doubt. It would be helpful if the LGPS Investment Regulations made it clear that administering authorities must act in the best interests of pension scheme members"*.

LGPS pension funds are there to pay benefits. It is why all pension funds in the European Union must be run in the interests of those expecting pensions or are being paid pensions.

We have some real concerns at the unprecedented powers of intervention being proposed by the government over investment policy of the LGPS funds. Investment policy should be a matter for the scheme members and their decision makers, not for a government to intervene.

This issue is of even more concern to us now that the government is requiring the pooling of our assets into funds over £25bn in size. There are clearly no plans to demand that those investing these giant funds must do so in the interests of scheme members.

- **The government has instructed the 89 LGPS administering authorities to come up with proposals to create ‘pools’ of assets of no less than £25bn in size. Initial plans must be drawn up by the end of February 2016 and finalised by July 2016.**

We support the pooling process but with significant qualifications, there should be scheme member (trade union nominated) representatives appointed to the pool governance structures. The pools will concentrate even more investment power in the hands of sponsoring employers but without the balance of scheme member representation there is no guarantee that the assets will be invested in their interests.

- **These pools of assets, known as British Wealth funds (or Collective Investment Vehicles) will be expected to be cost transparent, reduce the costs of investing and invest more in infrastructure.**

The requirement for a full cost analysis of all of the LGPS funds is consistent with our board’s statutory obligation to assist our fund to ensure an efficient and effective system.

We are not against pension funds investing in infrastructure. However, there has to be a clear analysis that recognises that investments should be made in the best interests of scheme members and that where there are potential conflicts of interest in the investment they are resolved in the interests of scheme members.

LGPS funds have already been invested into Private Equity infrastructure funds which have mainly purchased existing Private Finance Initiative (PFI) contracts. However in many cases these PFI contracts are not in scheme members’ interest, particularly where they involve the privatisation of their jobs.

Additionally PFI contracts run through Private Equity funds are very expensive, with many funds charging costly management fees of 2% of asset value and take 20% share of profits, with many other hidden transaction costs. That cannot be in the scheme members’ best interests.

Yours sincerely,

Stella Smethurst

Ben Drake

Mandy Swithenbank

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 25 February 2016 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors: John Weighell (Chairman), John Blackie, Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham, Patrick Mulligan and Helen Swiers.

Councillor Jim Clark - Local Government North Yorkshire and York.

Councillor Chris Steward - City of York Council.

David Portlock - Chair of the Pension Board.

There were three members of the public present.

Copies of all documents considered are in the Minute Book

Declarations of Interest

County Councillors Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Patrick Mulligan and John Weighell; together with Councillor Jim Clark declared non-pecuniary interests in respect of them being members of the Pension Scheme.

110. Minutes

Resolved -

That the Minutes of the meeting held on 26 November 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record and the Minutes of the Special Meeting held on 15 January 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the addition of Councillor Chris Steward (City of York Council) being added to the list of those present at that meeting.

111. Public Questions or Statements

There were no questions or statements from members of the public.

112. Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to membership movements, performance and costs of benefits administration as well as related events and activity over the year to date as follows:-

- (a) Admission Agreements.

- (b) Membership analysis.
- (c) Annual Benefits Statement.
- (d) Administration performance.
- (e) Member training.
- (f) Meetings timetable.

In a discussion of the report the following issues and points were raised:-

- ◆ It was noted that the next Baillie Gifford Annual Seminar would be taking place on 26 October 2016 and places were available, but limited, for Members of the Committee to attend. Anyone wishing to attend should contact Tom Morrison.
- ◆ A Member raised concerns that a timetabled meeting of Pension Fund Committee Members, with Investment Managers, had been scheduled to take place in a political group room. In response it was noted that the rooms within the building were now designated as flexible workspace and, despite the naming of the rooms, could be utilised for multi-purpose events, including meetings. The issue was acknowledged, however, it was noted that the meeting referred to was not a formal meeting of the Committee.
- ◆ A Member noted the details relating to the movement in active membership, and, despite this still being on the increase year on year, it had reduced in relation to that reported six months ago and that had been attributed to an on-going data-cleansing exercise which was due to be completed in March 2016. He asked what that exercise was identifying. In response it was noted that a variety of issues had emerged from the data-cleansing exercise which provided a more accurate position in terms of active membership, as the backlog of cases was being cleared through this process. The Member asked, with the figures previously reported having been wrong whether this could have breached regulations in some way. In response it was noted that although the figures previously presented included some inaccuracies, they had been caveated with an appropriate comment and this did not represent a breach of regulations.

The Treasurer noted that this issue had been identified and reported to Members previously and the activity underway to resolve it was expected to be completed successfully.

- ◆ Noting that the target figure for the reduction on reliance on the Customer Helpline had been achieved exactly, a Member asked how that situation had come about. In response it was explained that, on this occasion, it was just coincidence that performance matched the target. The Member asked whether the statistics indicated that on-line contact was decreasing. In response it was stated that contact activity was variable and the reasons for the fall in on-line activity and rise in telephone activity would be investigated. It was noted that, at certain times of the year and in certain circumstances more telephone calls were expected. The Treasurer noted that the annual communications strategy document would address these issues and would be brought to a subsequent meeting.

A Member noted that she had tried to obtain details on-line and had been unable to do so and, therefore, had been required to telephone. In response

it was stated that the on-line system for Council Members was unavailable, therefore, the only access for them was via telephone.

A Member expressed strong support of the Pensions Administration Team, but was disappointed in the push towards on-line only access for Pension Fund information. He stated that he had recently objected to the move towards on-line only facilities at County Council and District Council levels, as he was aware that not everyone could be, or wanted to be, on-line. He emphasised the need for alternative communication systems to remain to ensure that those who wish to communicate in an alternative way were able to do so. In response it was emphasised that the option for telephone communication would remain and that written communication continued to be sent out to Pension Fund members when this was considered necessary. All written communication also provided details of telephone contact numbers. It was stated that the option for on-line access to information provided an out-of-hours service allowing people to access their details as and when they required.

- ◆ Some difficulties in obtaining all information, when someone had requested their personal details with regard to their potential pension benefits, when thinking of retiring, were outlined and it was noted that this could lead to frustration and negative comments filtering through with regards to the service provided. The Treasurer stated that communications were being undertaken with the various employers with a view to improving that situation.
- ◆ Clarification was provided in relation to the details regarding the implementation of Altair, which was the software for the Pensions Administration System. It was noted that the implementation of the new system had brought improved self-service facilities, however all existing users would be required to re-register their details.
- ◆ A Member expressed his concern regarding the length of time it was taking to obtain information for those wishing to obtain details, in respect of their pension benefits, when they were wishing to retire. A representative of Unison noted that this particular issue created a lot of concern for their members and a great deal of angst at what could be already a stressful time. It was asked that the Treasurer look at improving this matter as a matter of urgency.

Resolved -

That the contents of the report be noted and any action identified be undertaken accordingly.

113. Budget/Statistics

Considered -

The report of the Treasurer reporting on the following:-

- (a) The expenditure/income position to date for 2015/16.
- (b) The cash deployment of the Fund.
- (c) The proposed 2016/17 budget.

2015/16 Forecast

The cash surplus for the year to 31 December 2015 was slightly higher than forecast by £1m. Pensions' payroll expenditure was less than forecast by £0.6m which was partially offset by retirement grant expenditure of £19.9m against the forecast of £19.5m. Contributions income of £86.5m represented a £0.8m positive variance to the budget. Early retirement income exceeded the forecast by £0.2m. The bulk of retirement activity had taken place in Quarter 1 with just £113k of the £2.5m income being received in the quarter to 31 December 2015. Transfer income for the period of £6.1m exceeded forecast by £0.8m while transfer expenditure was £0.6m less than the budget at £3.1m. Performance related management fees of £3.7m exceeded the forecast by £1.4m. These were based on an extended period of substantial and awarding winning out-performance. A full year forecast for performance related fees had been increased by £1.5m to £4.5m.

Cash Deployment in 2015/16

Details of the cash deployment and rebalancing carried out during 2015/16 were provided. It was noted that December 2015 had seen equities slightly higher than they were at the moment.

Proposed 2016/17 Budget

Details of the proposed budget were provided in Appendix 1 to the report.

The budget reflected the slightly higher expectations in relation to performance related fees and also the expected increase in active members through auto-enrolment. Cash flow was expected to remain positive for the period but it was acknowledged that this was slowing and strategies were being developed in response.

During discussion of the report the following issues and points were raised:-

- ◆ A Member asked whether a definable number of members were staying in the Pension Scheme following auto-enrolment. In response it was stated there was currently no specific monitoring, per employer, as to whether people opted out following auto-enrolment, therefore trends were difficult to determine. It was noted that these issues may be picked up through the payroll of employers, where those who had been auto-enrolled were requesting refunds following opting out and, therefore, details could be obtained through that method. It was asked whether the auto-enrolment was generating large costs for the Pension Fund Administration or employers. In response it was stated that employers faced an increase in costs through this, however, there had been no significant increase in costs to the Pension Fund Administration in respect of auto-enrolment.
- ◆ Issues relating to the cash flow position of the Fund were discussed and it was noted that more detailed information, in relation to that, would be considered during the forthcoming triennial valuation. Close monitoring would continue to be undertaken in terms of the falling cash flow position going forward. It was emphasised that it was not expected that the cash flow position would become negative during the forthcoming year.
- ◆ A Member noted that the custodian fees had been over budget for 2015/16 and requested a fuller breakdown in relation to those fees. It was stated that those details would be circulated to Members.
- ◆ A Member sought clarification as to the expected returns in relation to the proposed investment expenses of around £6.8m. In response it was noted that the position could fluctuate greatly through the year and details of the

performance from the expenditure were highlighted in later reports. It was noted that the Committee would be provided with regular updates as how investments were progressing, in relation to the fees paid at meetings throughout the year.

Resolved -

- (i) That the 2016/17 budget be approved.
- (ii) That the contents of the report be noted.

114. Pension Board

The Chair of the Pension Board provided a verbal update on the work of the Pension Board, highlighting the following:-

- ◆ A meeting of the Board had been held on 14 January 2016.
- ◆ The Board had considered the Risk Register for the Pension Fund and were provided with details as to how those risks were monitored. This was discussed by the Board as included the aspects of the Fund covered by the Risk Register, the management of solvency risks, the development of fall back plans, the need for the Board to satisfy themselves that the risk management process operated satisfactorily and the development of Business Continuity Plans to reflect developments that had taken place with regard to succession planning. In response to the issues raised the Treasurer noted that there were no immediate concerns. He stated that the Continuity Plans for the Pension Fund linked in with North Yorkshire County Council and their appropriate arrangements. He stated that he would provide further comment in relation to this matter at future meetings of the Committee and the Board.
- ◆ In terms of the risk reduction actions it was noted that these would be reviewed by officers of the Pension Fund and approved by the Pension Fund Committee. It was noted that issues relating to risk were dealt with by the Risk Team within the Council and were not usually referred to Internal Audit.
- ◆ The Board considered some recent Internal Audit reports on the North Yorkshire Pension Fund and it was considered that overall, there were good systems in place for the Pension Fund. It had been noted that the audit opinion of "limited assurance" in respect of one special assignment (pension payments) had caused some concern but that steps had been put in place to address those issues, with a review undertaken by the Internal Audit team and resolved to Internal Audit's satisfaction.
- ◆ The other major issue discussed at the Pension Board meeting had been the potential for LGPS pooling arrangements, and the Chairman noted that the meeting of the Board took place before the special meeting of the Pension Fund Committee to discuss this matter.
- ◆ The latest draft of the Board's Work Plan had been agreed and details would be circulated to Members of the Pension Fund Committee shortly.
- ◆ Following the meeting a training session was undertaken by Peter Scales, the Independent Observer for the North Yorkshire Pension Fund.

A Member of the Committee asked if it would be possible to provide a written report from the Pension Board for future meetings as he considered this would make it easier for the Committee to take account of issues raised by the Pension Board. The Chairman of the Pension Board acknowledged the issue raised but emphasised that he was attempting to ensure that there was no duplication of effort for the officers supporting both Committee and Board, but would consider providing a written summary for future meetings.

Resolved -

That the report be noted.

115. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund and of the individual Fund Managers for the quarter to 31 December 2015.

The report highlighted the following issues:-

- ◆ The performance of the Fund.
- ◆ Individual Fund Managers performance.
- ◆ Risk indicators.
- ◆ Solvency position.
- ◆ Rebalancing.
- ◆ Proxy voting.

The Investment Adviser and Investment Consultants had provided separate reports. Members undertook a detailed discussion with the Investment Adviser, the Investment Consultants, and the Treasurer, in relation to their reports, with the following issues been highlighted:-

- ◆ There had been an excellent performance by Fund Managers over the previous 12 months which have resulted in substantial returns, resulting in savings for the council tax payer.
- ◆ Global markets were causing concern at the current time.
- ◆ There is a period of uncertainty in respect of the forthcoming referendum on the UK remaining part of the EU and the possible knock-on effect of an exit.
- ◆ Details were provided as to the use of "tracking errors" in terms of Fund Managers actual returns.
- ◆ Although the solvency position shown in the report had indicated a 5% increase on the previous figure it was noted that recent market fluctuations would have seen solvency reduce.

- ◆ It was noted that there was unlikely to be a detrimental effect on stocks and shares in respect of the merger between the London and German Stock Exchanges.
- ◆ A detailed discussion took place in relation to the performance of Standard Life in contrast to that of Baillie Gifford. There was a full and frank discussion on this matter and on the conflicting positions of the Investment Adviser and Investment Consultants in respect of the performance of Standard Life. Comparisons were made to the performance of other Fund Managers and performances against the various benchmarks. Members warned against taking a short term view in terms of investment strategies but noted the issues raised and considered it appropriate that further detailed consideration, taking account of investments over a number of years, be undertaken at later meetings to determine how best to move forward.
- ◆ Members noted that pooling arrangements would be a factor going forward in terms of the investment strategy, however, it was emphasised that decisions on the investment strategy should not be delayed due to this.
- ◆ The Treasurer stated that he, Pensions Officers and Investment Advisers would consider issues relating to the investment strategy and would advise Members accordingly prior to the next meeting of the Pension Fund Committee.

Resolved -

- (i) That the report be noted.
- (ii) That arrangements be made for an investment strategy workshop to be held in the near future.

116. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on the consultation on pooling arrangements for the LGPS.

The report updated Members on the work that had been carried out since the special Pension Fund Committee meeting on 15 January 2016 where a decision was made to join the Border to Coast Pension Partnership (BCPP). In line with Members' views, a response to the consultation was drafted from the North Yorkshire Pension Fund together with a response from the Pool. Responses were discussed and agreed by officers, the Treasurer, the Chairman and Vice-Chairman on 12 February 2016 and were circulated ahead of the meeting.

The responses demonstrated a commitment to pooling and a description of progress towards formalising arrangements, however, no formal decisions had been made at this stage. A more detailed response would be required by the second deadline of 15 July 2016.

Baillie Gifford will be providing Members with an update on national pooling arrangements on Friday 26 February 2016.

A detailed discussion of the issue was undertaken between Members, the Treasurer, the Investment Adviser and the Investment Consultants and the following issues and points were raised:-

- ◆ The size and details of the pools and Funds were starting to come together, with every Fund having made a decision on which pool it wished to be associated with, but it was emphasised that this could change.
- ◆ Clarification was provided as to the partners in the BCPP arrangement.
- ◆ Decisions would have to be made in due course as to the administrative arrangements for the pool.
- ◆ A Member raised concerns that views at the meeting held on 15 January 2016 had not been considered, as he had not been able to contribute to the final consultation submission, and would like to have made comments in relation to whether the pooling arrangements would create efficiencies for NYPF and did not believe a “one size fits all” approach to this matter was satisfactory. He considered that it was inappropriate that the opportunity to make such comments had not been available. The Member also raised concerns regarding there not having been sufficient details regarding the performance of the other Local Government Pension Funds that North Yorkshire was aiming to pool with, and considered that the process had been rushed.

The Chairman acknowledged the issues raised by the Member and stated that there had been a level of pragmatism in the arrangements that had been formed and noted that he too had not been satisfied with the speed of the arrangements that had to be made. However, he emphasised that unless this had happened within the timeframe, North Yorkshire Pension Fund may not have been able to secure its position in a pool. He also emphasised that this had to be done as required by Government. He noted that although the North Yorkshire Pension Fund had been the top performer for the previous five years, this had not always been the case, and prior to that, the NYPF had not been seen as a leading LGPS Fund. He emphasised that the North Yorkshire Pension Fund had been put in a position where it had to accept pooling arrangements and he did not feel in a position to resist that.

The Member accepted that the pooling arrangements had to be made but emphasised that he would like to have seen comments made in the consultation response about the North Yorkshire Pension Fund being a highly successful Fund and on the advantages of maintaining the existing system.

A member of the Pension Board commented that a response had been made to the consultation, from the Unson representatives, challenging the requirement to undertake pooling arrangements and had outlined concerns raised by members of the Pension Scheme that had been submitted to Unison.

The Treasurer stated that he had discussed the pooling matter with the Member who had raised concerns. He noted that the Government’s representatives had been surprised as to how well the LGPS Funds had come together in terms of developing pooling arrangements and considered that this had placed the Funds in a stronger position going forward. He stated that there had been a need to undertake a pragmatic approach and not to be seen as obstructive, to ensure that NYPF was well placed to negotiate its position later on.

- A Member asked whether suitable checks were being carried out to determine whether the other LGPS Funds outlined were appropriate to enter into pooling arrangements with, and what their stance had been in relation to the consultation. The Chairman explained that issues in relation to other

pooling authorities were being considered currently, however, he noted that the process had been undertaken somewhat speedily to ensure that the North Yorkshire Pension Fund was part of a relevant and appropriate pool. The Chairman also noted that every effort would be made to ensure that the North Yorkshire Pension Fund had as much autonomy as possible within the pooling arrangements.

The Fund's Independent Adviser noted that there were various different aspects to the pooling arrangements and not all pooling arrangements would be the same. She considered that the proposals for the pool that North Yorkshire Pension Fund was looking to enter into were balanced and also considered that the way in which the BCPP Funds had co-ordinated to create their pooling arrangement had put them ahead of the game in terms of Government expectations.

The Treasurer noted that the pooling arrangements were not clearly defined at the present time and those that had indicated that they wished to be in certain pools were at liberty to move to other pools if they so wished, before the arrangements were finalised. This would allow opportunity for the various Funds involved to undertake due diligence tests and also to gain reassurance that no single Fund's strategy was not going to have undue influence over the pooling arrangements.

The Treasurer stated that governance arrangements for the pooling arrangements were being drawn up and it was expected that those arrangements would allow each Pension Fund one vote in determining issues going forward. It was emphasised that the exact details of those governance arrangements were yet to be determined.

Resolved -

That the concerns and issues raised be acknowledged and the contents of the report be noted.

The meeting concluded at 12.45 pm.

SL/JR

North Yorkshire County Council

Pension Board

14 April 2016

Training

1.0 Purpose of the Report

To provide an update on Pension Board member training.

2.0 Background

The Training Policy was adopted by the Pension Board at its inaugural meeting on 30 July 2015. This set out the knowledge and understanding requirements of members of the Pension Board, routes to obtaining training, and training review arrangements.

It states that the suitability of training events and activities should be based on a self-assessment carried out by each Pension Board member. The regulations place the responsibility for making this assessment, and subsequent action to ensure Pension Board members have an appropriate level of knowledge and understanding, on the individual members. In addition, the Pensions Regulator requires that Pension Board members invest time in learning and development.

3.0 Training Activity

Detailed in Appendix 1 are training events attended and activities undertaken by Pension Board members. Board members are asked to review the training record and advise officers if updates are required.

Pension Board members may wish to discuss the merits of recently undertaken training activity and where appropriate the pros and cons, to inform other Board members of its usefulness.

4.0 Training Opportunities

As well as being described as a requirement in the Training Policy, it is good practice for all Pension Board members to have completed a formal self-assessment document. It is also good practice to review this document annually. Pension Board members are therefore asked to complete or update their self-assessment document as appropriate.

The Pensions Regulator described the modules on its website as “essential to achieve the required level of trustee knowledge and understanding” and “essential learning for those working with or running public service schemes”. The Pension Board agreed at its meeting on 30 July 2015 that these modules would be completed by all members. It is therefore recommended that any remaining modules are completed in due course.

Appendix 2 highlights certain training events identified by officers of the Pension Fund. There will of course also be other events not on this schedule that will provide training opportunities. In either case, Pension Board members are asked to discuss their suitability in addressing specific learning and development requirements with officers who will make arrangements if appropriate.

5.0 Recommendation

Members should complete or update their self-assessment document as appropriate and complete the modules on the Pension Regulators website.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton
SML

April 2016

Background Documents: None

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Ben Drake	Gordon Gresty	Louise Branford-White	Cllr Mike Jordan	Cllr Ian Cuthberston	Phil MacDonald
04/06/2015	Training event for Pension Board Members	LGA	Marriott Hotel, Leeds			x		x	x	x		
03/07/2015	Pension Board Member Training	AON	Leeds		x					x		
17/07/2015	Pension Board Member Training	AON	Leeds		x	x				x		
24/07/2015	Pension Board Member Training	AON	Leeds		x	x				x		
21/10/2015	LGPS Trustee Training FundamentalsXIV	LGA			x	x		x				
17/11/2015	LGPS Trustee Training FundamentalsXIV	LGA		x	x	x		x				
08/12/2015	LGPS Trustee Training FundamentalsXIV	LGA		x	x	x	x	x		x	x	

x = completed

PENSION BOARD MEMBERS – TRAINING, MEETINGS AND EVENTS

Training session with Peter Scales (AllenbridgeEpic) – Independent Observer of the North Yorkshire Pension Fund – Governance for the North Yorkshire Pension Board – 14 January 2016

Attendees: –

David Portlock (Independent Chairman), County Councillor Mike Jordan, Councillor Ian Cuthbertson (City of York), Louise Branford-White (Hambleton District Council), Ben Drake, (Unison), Gordon Gresty, Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

Pension Regulator Modules

Could members please update the Clerk as to any of the Regulator Modules that they have completed that are not identified below.

David Portlock (Independent Chairman) – Completed and passed 2 modules (Conflicts of interest and Managing risks and internal controls)

County Councillor Mike Jordan

Councillor Ian Cuthbertson (City of York)

Louise Branford-White (Hambleton District Council)

Ben Drake, (Unison)

Gordon Gresty – Completed and passed 6 modules

Stella Smethurst (Unison)

Mandy Swithenbank (GMB). - Completed and passed 2 modules (Introducing Pension Schemes and the Trustee's role)

North Yorkshire Pension Fund Committee Meetings :-

17 September 2015

Attendees: –

David Portlock (Independent Chairman)

26 November 2015

Attendees: –

David Portlock (Independent Chairman), Ben Drake, (Unison), Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

15 January 2016

Attendees: –

David Portlock (Independent Chairman), Ben Drake, (Unison), Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

25th February 2016

Attendees: –

David Portlock (Independent Chairman), Ben Drake, (Unison) and Stella Smethurst (Unison)

North Yorkshire Pension Fund Manager Meetings

Could Members please advise the Clerk as to their attendance at any of these meetings that they have attended.

Any other relevant training events or meetings

David Portlock (Independent Chairman) – Audit Committee training sessions including on 3 March 2016 - Counter Fraud

County Councillor Mike Jordan - Audit Committee training sessions including on 3 March 2016 - Counter Fraud

Could Members please advise the Clerk as to their attendance at any other relevant training events or meetings that they would like to include on their training record.

TRAINING EVENTS

<i>Provider</i>	<i>Course / Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Theme / Subjects Covered</i>
PLSA	Local Authority Conference	16-18 May 2016	Gloucestershire	Efficiency, Transparency and Collaboration: the Major Themes Shaping the Modern LGPS
LGA	LGPS Trustees' Conference	23-24 June 2016	Manchester	Pooling, Costs, Brexit, Valuation, Investments
LGC	Investment Summit	08-09 September 2016	Newport	TBA
PLSA	Annual Conference and Exhibition	19-21 October 2016	Liverpool	TBA
LAPFF	Annual Conference	7-9 December 2016	Bournemouth	TBA

North Yorkshire County Council

Pension Board

14 April 2016

Work Programme

1.0 Purpose of the Report

To detail the areas of planned work by the Pension Board

2.0 Background

The Pension Board approved the Work Plan, attached as Appendix 1, at its meeting on 14 January 2016.

The Plan identifies the expected reporting dates for a limited number of activities, being those where regular reports such as internal audit reports are anticipated.

There are a number of activities with no expected reporting dates. These are all activities where, as agreed by the Pension Board at its meeting on 1 October 2015, they could be undertaken by following a defined process. This would be as follows.

1. A member of the Pension Board identifies an area of work they would like to be undertaken as a project;
2. A member of the Pension Board is nominated as the lead for that project;
3. The lead defines the scope, aims, objectives, outputs and timescale, following consultation with Board members and support from officers as required. This is to be encapsulated in a project summary plan-on-a-page document;
4. The lead drives the project forward, with support from other Pension Board members, officers of Legal & Democratic Services and officers of the Pension Fund as required;
5. A report is brought to a Pension Board meeting, co-authored by Legal and Democratic Services and the lead, and may include one or more observations, conclusions and/or recommendations.

Pension Board members may wish to confirm they are comfortable with this approach before initiating the first project. Each stage except the last need not take place at a Pension Board meeting.

A review of these arrangements will be undertaken once one or more projects have been completed.

3.0 Future Activity

To remind Pension Board members, they were asked to identify items on the Work Plan they considered appropriate to prioritise. Each of these items is listed below, together with comments from officers of the Pension Fund.

1. **Review the outcome of actuarial reporting and valuations.** Comment: The Triennial Valuation as at 31 March 2016 is underway with the final report expected by 31 March 2017. If the Pension Board wishes to review the arrangements it would make sense to do this after that date.
2. **Assist with the development of improved customer service.** Comment: Customer service is subject to on-going monitoring and actions are taken

periodically to improve it. There is no particular timeframe which would suit a review more than any other.

3. **Monitor performance of administration, governance and investments.** Comment: Administration performance is reported to the Pension Fund Committee every quarter. A review of governance arrangements is undertaken each year by the Independent Professional Observer who typically reports to the PFC each June/July. Investment performance is reported to the PFC every quarter.
4. **Monitor investment costs.** Comment: Officers monitor costs on an on-going basis. It is worth noting that the Border to Coast Pensions Partnership, which is the group NYPF has joined in response to the Government's requirement that LGPS funds pool assets, is undertaking a detailed analysis of investment costs. This analysis will form part of the response to Government, required by 15 July 2016.
5. **Review the Risk Register.** Comment: A review of the Risk Register was carried out by the Pension Board at its meeting on 14 January 2016, and subsequent reviews are scheduled every six months.
6. **Assist with asset voting and engagement process.** Comment: NYPF has policies and arrangements on voting and engagement. It is possible that these will change. For example, depending upon the detailed pooling arrangements, the beneficial ownership of assets may move from NYPF to the pool entity.

The training and guidance provided by the Pension Fund's Independent Professional Observer, Peter Scales after the Board's last meeting on 14 January 2016 identified a number of issues that the Pension board may wish to consider. These included examining policy statements and documentation, referring to guidance from the Pensions Regulator, reviewing compliance with investment regulations and performance monitoring. It also identified some key areas to address.

In light of the above, the Pension Board may wish to discuss the scheduling for each of the items on the Work Plan, and for those to be addressed as a priority, how they will be taken forward. Pension Board members may also wish to consider adding to or removing items from the Plan.

4.0 Recommendation:

That members review and agree updates to the Work Plan and agree which Work Plan activities should be addressed as a priority and how they will be taken forward.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton
SML

April 2016

Background Papers - None

PENSION BOARD WORK PLAN

APPENDIX 1

		14-Apr-16	14-Jul-16	06-Oct-16	Jan 2017	Apr 2017	2017	2018
<u>Business planning</u>								
1	Agree plan for the year				✓			✓
2	Review performance against the plan				✓			✓
3	Report to the PFC / NYCC				✓			✓
4	Report to Scheme Advisory Board / DCLG					✓		✓
<u>Compliance checks</u>								
5	Review regular compliance monitoring reports		✓				✓	✓
6	Review the compliance of scheme employers							
7	Review such documentation as is required by the Regulations						✓	✓
8	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓	✓
9	Review the outcome of external audit reports			✓			✓	✓
10	Review annual report			✓			✓	✓
11	Review the compliance of particular issues on request of the PFC							
12	Review the outcome of actuarial reporting and valuations						✓	
13	Assist with compliance with the UK Stewardship Code							
<u>Administration procedures and performance</u>								
14	Review management, administrative and governance processes and procedures							
15	Monitor complaints and performance							
16	Review the Internal Dispute Resolution Process							
17	Review cases referred to the Pensions Ombudsman							
18	Review the implementation of revised policies and procedures							
19	Review the exercise of employer and administering authority discretions							
20	Assist with the development of improved customer services							
21	Monitor performance of administration, governance and investments							
22	Review processes for the appointment of advisors and suppliers							
23	Monitor investment costs							
24	Review the risk register		✓		✓		✓	✓
25	Assist with the development of improved structures and policies							
26	Assist in assessing process improvements on request of PFC							
27	Assist with asset voting and engagement processes							
<u>Communications</u>								
28	Review scheme member and employer communications							
<u>Training</u>								
29	Review Pension Board knowledge and skills self assessment	✓				✓		✓
30	Review training log	✓				✓		✓
31	Review training arrangements for the Board and other groups	✓				✓		✓

Notes

- 3 arrangements to be determined by the Council.
- 4 arrangements to be determined by SAB/DCLG.