

Agenda

Meeting: Pension Board

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

Date: Thursday 20 July 2017 at 10am

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Business

1. **Apologies for absence**
- 2a **Minutes** – To agree as an accurate record the Minutes of the meeting held on 20 April 2017
(Pages 5 to 14)
- 2b **Progress on Issues Raised by the Board** – To note the progress made on issues discussed at previous meetings
(Pages 15 to 16)
3. **Declarations of any Interests**

4. Public Questions or Statements.

Members of the public may ask questions or make statements at this meeting if they have given notice and submitted the text to Steve Loach of Democratic Services (contact details below) by midday Thursday 13 July 2017. 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.

- 5. Draft Annual Report - Report of Legal & Democratic Services** (Pages 17 to 35)
- 6. Minutes of the Pension Fund Committee meeting held on 25 May 2017 and a verbal update on the Meeting held on 6 July 2017 - Chairman to report** (Pages 36 to 42)
- 7. Internal Audit Reports – Report of Internal Audit** (Pages 43 to 44)
- 8. Review of Risk Register - Report of Legal & Democratic Services** (Pages 45 to 58)
- 9. Investment Strategy Statement - Report of Legal & Democratic Services** (Pages 59 to 68)
- 10. Training - Report of Legal and Democratic Services** (Pages 69 to 72)
- 11. Training Events – Feedback – Reports of Pension Board Members** (Pages 73 to 78)
- Local Pension Boards – Two Years On (CIPFA Conference)
 - “Brave New World” (LGPS Conference)
- 12. Work Plan – Report of Legal & Democratic Services** (Pages 79 to 81)
- 13. 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

July 2017

NOTES:

Emergency Procedures for Meetings

Fire

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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	(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.		

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 20 April 2017 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 Brandford-White (Hambleton District Council).

Scheme Members:

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

In attendance:-

County Council Officers: Amanda Alderson, Anna Binks, Suzanne Berry, Tom Morrison, Josie O'Dowd and Jo Wade.

Copies of all documents considered are in the Minute Book

77. Apologies

Apologies for absence were received from Ben Drake and Phil MacDonald.

78(a) Minutes

An omission at Minute 74 was highlighted regarding training modules and it was suggested that that table be included, other training information had also been omitted.

Resolved -

That the Minutes of the meeting held on 26 January 2017, having been printed and circulated, were taken as read and confirmed and signed by the Chairman as a correct record – noting the above omissions.

78(b) Action Record

Tom Morrison suggested that certain actions could be removed now that they were clearly complete, for example Item 15. He also observed regarding the membership of the Pension Board an appropriate period for review would be four years to enable full reflection after a suitable bedding in period.

It was suggested that the question of how to recruit and appoint Pension Board Members also be reviewed at the same time. It was noted that David Portlock and Josie O'Dowd would look at the issue in terms of process to make such future changes and reflect these in the Constitution, including the role of the Constitution Working Group and County Council.

Item 26 - the Risk Register was queried and it was confirmed that this is updated in December and June each year and it goes to the Pension Fund Committee each July along with other key documents. It was suggested that the Pension Board could also look at the Risk Register following consideration at Pension Fund Committee. Tom Morrison commented upon the practice of other Pension Boards some of whom consider a particular risk at each Pension Board meeting, therefore avoiding any particular agenda being dominated by the Risk Register. Members supported this suggestion which they felt would enable the Pension Board to explore areas of concern in more detail.

Resolved -

That the report, and issues raised, are noted.

79. Declarations of Interest

There were no declarations of interest. Ian Cuthbertson queried a potential conflict of interest regarding a role he occupies for the City of York Council regarding museums.

80. Exclusions of the Public

Resolved –

That the public be excluded from the meeting during consideration of each of the items of business listed in column 1 of the following table on the grounds that each involves the likely disclosure of exempt information as defined in the paragraph(s) of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local government (Access to Information)(Variation) Order 2006 as defined in column 2.

Item on the Agenda	Paragraph No
9 - Appendix 2	3

81. Public Questions or Statements

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

82. Review of Terms of Reference

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing the Board with an opportunity to review the Board's Terms of Reference.

Tom Morrison advised that the Terms of Reference had been established two years ago on the basis of information from the Scheme Advisory Board, he noted that these tended to be common across all Pension Boards at the time of inception. He suggested that it might be timely to now compare the North Yorkshire Pension Board Terms of Reference with those of other local authorities and decide whether there is any merit in a formal review. He advised that he was not aware of any concerns but

noted others may wish to see changes - perhaps around the recruitment provisions for Board members, for instance. He also added that trainer Peter Scales had not raised any concerns during the workshop held with Members.

Stella Smethurst wished to know if there are any significant differences between Authorities' Terms of Reference and Tom Morrison advised that they were all very similar. Where there are differences, these generally relate to the question of composition of the Pension Board.

Ian Cuthbertson suggested that the Terms of Reference could be used to clarify relationships between Pension Fund Committee and Pension Board. He acknowledged the parallel course of the two bodies, with the Minutes of Pension Fund Committee appearing on the Pension Board agenda and vice versa. It was agreed to maintain the status quo for the present time and review if any issues arise later in the year.

Resolved -

That the Terms of Reference as detailed in Appendix 1 to the report are re-affirmed.

83. Preparation of an Annual Report

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) asking the Board to consider the preparation of an Annual Report of the Pension Board and determine to where this will be reported.

The Chairman wished to start the process to consider what should be included in the Annual Report and he hoped that one report would suffice for the following recipients: Pension Fund Committee, the Executive and the Scheme Advisory Board. He suggested that the Executive Summary for the report could perhaps be included in the Pension Fund Annual Report. Members were keen to see the draft report come back to Pension Board prior to submission and the Chairman advised of the intention to have a draft available for discussion at the next meeting. It was reiterated that an Annual Report must be completed now that the Pension Board is in its second year of operation. The July meeting will consider the draft.

Tom Morrison advised that the Annual Report usually goes to the Pension Fund Committee in September and the formal deadline for submission has historically been December, and he stated this may be needed sooner in future. He explained that the timetable for accounts is changing, therefore there may need to be a consequential review of the timing of committee reports.

Resolved -

- (a) That the content of the Annual Report based on the advice provided is determined, with a draft to be submitted to the next meeting on 20 July 2017.
- (b) That the Annual Report should be submitted and the same report be reported to the various different bodies determined.

Item 9 was taken next to enable Ian Morton to attend another meeting.

Appendix 2 to the following report was considered in private and the public have no right of access. This is a public summary of business conducted in private.

84. Internal Audit Reports

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on internal audit activity.

Ian Morton advised that the report provided an overview of three audit reports undertaken in 2015/16 the detail of which was set out in the Appendices to the report. He stressed that the income report is different as a consequence of the 2014 scheme and the impact of this. He advised that this reflects the challenge of getting information back from employers. He explained Audit's role in seeking to identify good practice among the Employers. He stated that the audit for 2016/17 was presently being concluded, advising that it will be ready for the July meeting of Pension Board. He also confirmed that the plan for 2017/18 is to be agreed with officers and then it will be reported to Pension Board. Ian Morton stated that he is due to attend the CIPFA Audit and Assurance Course at the beginning of May which he felt should prove to be a source of good ideas.

The absence of assurance regarding the income report was queried and Ian Morton advised that this was due to the different formats and the variance in results reported - with some schemes performing very well and others less so. He stressed that this had still been a very useful fact finding exercise. At this point in proceedings the Chairman David Portlock acknowledged the position of Louise Branford-White as the 151 Officer for Hambleton District Council, this was noted for the record. She confirmed that she had had no involvement in the preparation of the Hambleton return reflected in the report and therefore she did not have a conflict of interest. The Chairman wished to know if an assurance would be given the next time the report was compiled and Ian Morton advised that this would be the case for 2016/17. He noted that the process had been inefficient previously involving much unnecessary duplication as a result of data not being provided in the correct format. He felt that such data should have been sense checked before it reached the Pension Fund Committee. He noted some of the trivial issues which had been identified such as not completing returns to two decimal places and local authorities reformatting data themselves. Assurances were sought that all employers have been informed of these learning points and Anna Binks confirmed that explicit advice and checklists have now been introduced to clarify and reiterate the requirement. This includes a tick list which must be signed off. On this basis Ian Morton advised that more assurance should be available for the present year, noting that the checklist provides more grounds upon which to challenge discrepancies.

Tom Morrison also advised that in accordance with the new Regulations, paperwork to back-up the income returns is being sought, in particular clarifying whether this is employer or employee status. He noted that costs may now be recharged as a result of having to chase-up information, billing for time wasted, and so on. Tom Morrison confirmed that no recharges had as yet been imposed however employers have been advised that this is to be introduced and repeat offenders will definitely be billed in future. It was confirmed that although the checklist itself does not make specific

reference to this, the change has been advised under the admin arrangements. Members were pleased to hear of these changes and felt it was only appropriate that the Fund should not bear the cost of such issues. Tom Morrison advised that eventually self-service portals will be available which will further encourage compliance. A member said that it would be interesting to know the impact of such fees and penalties on employers. Another noted that the new regime will necessarily highlight errors and therefore create embarrassment for the relevant employers. Tom Morrison acknowledged this, hoping that in doing so it will compel employers to get their returns right. The Chairman wished to ensure that once the charges start, that the value of the recharges is flagged up to the Pension Fund Committee.

Regarding Appendix 2(???) the rating of reasonable assurance was noted and Ian Morton advised that operating two systems has caused additional work but stated this was not a major issue. It was confirmed that completion by 31 May 2017 deadline appeared to be on track. Concern was expressed about consequent problems for the Pension Fund and the member asked if the checklist could be used as a means to flag this particularly around the annual reconciliation - also noting that monthly would be preferable to annual. Anna Binks advised that whilst some employers achieved the monthly return for example for new starter information, this was not always so for continuation/multiple employment/leaver information. She advised that this type of work is the most time consuming. For NYCC record keeping this has been done but she noted records do not always match. Manual interventions for new starters are on track but there are problems elsewhere. She noted that other employers do not have as many multiple employment scenarios and that this is an issue for larger employers.

Regarding Appendix 3 the level of high assurance was noted along with the minor action points. Regarding the 2016/17 audit regarding TPR requirements, Anna Binks advised that North Yorkshire is compliant. Ian Morton advised that Internal Audit had not checked this previously but this may be done in future. Tom Morrison commented that to a degree it is a question of perspective - when anything goes wrong this could be deemed to be an instance of non-compliance with the regulations. He added that assessment seeks to identify a systematic failure, evidence of endemic issues within a Fund. Internal Audit look for evidence of procedures being in place to promote compliance and it was noted that this is a key part of the Section 151 Officer role. Regarding the forthcoming quarterly report, Ian Morton confirmed that the emphasis on compliance pervades the investment, income and expenditure reports, and he confirmed that other employers are responding better this time.

Resolved –

The covering report and the attached Internal Audit Reports are noted.

85. Draft Minutes of the Pension Fund Committee meeting held on 23 February 2017 and the Special Meeting held on 31 March 2017

A member commented regarding Item 166 Income and Expenditure, that surpluses are declining year on year, being down to £8m in 16/17. It was suggested that the £40m plusage is distorting the position and without this a deficit would be reported. Comment was also passed regarding the cost of pooling, the member stating that stating that £350,000 is not the full figure - given the ongoing costs as a result of the new arrangements. Assurance was sought that the true position is being noted. Tom Morrison advised that the £350,000 is the set-up fee, 1/12th of the full sum split between the relevant authorities, to establish pooling arrangement: systems, property and so on. He advised that the transition of assets costs will follow but then the

savings accruing as a result of the pooling should offset some of those costs. He confirmed that the submission regarding the pooling arrangements suggested that costs should be recouped between five and seven years. For some bodies will this will be longer and for others sooner. He assured Members that all the relevant factors were reflected in the calculation and the benefits of economies of scale were also included. On the cashflow question he noted that the position was slightly worse than suggested in the report, he commented upon the ability to generate income due to the bonds which are held provides a ready source of income to be used as needed. He noted that there is £150m of buying and selling each year representing a very significant sum, and if tapped into there would not be a requirement for disinvestment. He felt that this will provide more than enough income to fill the gaps in years three to six. The member sought further assurance that contributions are covering expenditure and Tom Morrison confirmed that this was the case, and this will be reviewed by the Pension Fund Committee - who will maintain a watching brief on income generation activities. He reiterated that there is no need to disinvest to pay pensions. The member also commented upon the growing emphasis on the markets and stated that pooling heightens this. He felt the present representation of the position was misleading and he wished to see on-going costs documented more clearly. Tom Morrison commented that transition costs result in a variance in the figures of £12m to £40m. He accepted that this is a huge variance and he said that it is hard to say exactly how the position will look in years two, three and four. He re-emphasised the need to establish the entity and recover the costs between five to seven years. It was noted that transition costs will come in from 2018/19. Tom Morrison stated that transition costs will not affect the cash flow value of the Pension Fund but will just reduce the asset value. The member urged that the arrangements are transparent so that the position can be understood. Tom Morrison assured members that transition costs are at the top of the Pension Fund Committee agenda.

Resolved -

That the draft Minutes of the Pension Fund Committee meeting held on 23 February 2017 and the Special Meeting held on 31 March 2017 are noted.

86. Review of employer and Administering Authority Discretions - Update

This item was deferred for consideration at a future meeting.

87. Investment Strategy Statement

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing Pension Board Members with an opportunity to formally confirm that the ISS has been prepared in accordance with the Regulations and allowing the Board to raise anything that they would like to see in future versions of the document.

Tom Morrison advised that the strategy would be published by the due deadline and will reflect comments received from the Chairman. He explained that this was the first attempt to produce the document as required by the Regulations - this draft has now been compared to those of those of other Funds and an updated version will come to Pension Board in July. A request was made for the revised Statement to be circulated to Pension Board members before the Chairman attends the next Pension Fund Committee. A member apologised for not providing comments before now and asked that paragraph 7 on page 172 be amended to spell out that the Pension Fund Committee and the Pension Board were consulted on the issue. Tom Morrison pledged to circulate the revised draft of the document in mid May.

Resolved -

- (a) That the ISS has been prepared in accordance with the Regulations is confirmed.
- (b) That the topics raised for future versions of the document is noted.

88. Triennial Valuation

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting confirmation that the 2016 Valuation process has been carried out in accordance with the Regulations and providing an opportunity for Pension Board Members to raise any areas of improvement for future Valuations.

The Chairman and Tom Morrison confirmed that there were no conflicts for members of the Pension Board. Tom Morrison spoke of the intensive process and huge effort made by Anna Binks and the team - this being an iterative process following queries. The contribution requirements were set and it was explained that the new actuary approach has had an impact - as a different approach is being adopted which helps mitigates the risk of going out of business upon exit from the Fund.

A member asked when a guarantor is required and Tom Morrison advised of a change of perspective regarding what a guarantee does - it is now a more holistic view and a different form of guarantee which avoids a cost to the Pension Fund. It is a more sustainable approach and an improvement in the valuation is evident as a consequence of this. Another member reiterated the point stating that the employer pays more now, so that the Pension Fund does not lose out in the longer term. It was noted that Mercer have changed their approach and the result is something much closer to the AON approach. Tom Morrison advised that the valuation had increased from 73% to 88%. It was felt that Mercer had been overly prudent and AON expect to achieve results closer to the Government's assessment.

David Portlock noted that as at today's date, 20 April 2017, the assessment had been to the Pension Fund in February - although the valuation had not been signed off then. He noted there had been some changes since that time and delegated authority had been granted for the information to be updated prior to coming to Pension Board. The overall value of £3bn was noted. There was some detailed discussion regarding the disclaimer at the bottom of page 212 and the checking processes employed. Responding Tom Morrison described the thorough verification process which is employed via Annual Benefit Statements, advising that there can be up to seven checks with employers. He noted that this year over and above what North Yorkshire normally do, AON have also undertaken a validation exercise and the outcome of this shows that the data quality is good. There was also discussion of life expectancy and the absence of some data from 2013. After answering these Tom Morrison confirmed that the specific requirements have all been complied with.

Resolved -

- (a) That the 2016 Valuation process has been confirmed out in accordance with Regulations is confirmed.
- (b) That the areas for improvement for future Valuations is noted.

89. LGSP Pooling - Update

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on the progress made towards the LGPS Pooling arrangements.

Tom Morrison advised that the report sets out the process that the Council has been through to establish the pooling arrangements. The other 11 Funds have taken their proposals to their full Councils in draft form and NYCC have asked the Pension Fund Committee to review the final draft - an additional meeting was held in March to undertake this. The process of finalising the proposals has involved senior officers and Members - more so in North Yorkshire than in other Funds. David Portlock advised of the robust discussion which had taken place at the meeting of 31 March and he drew Members' attention to the draft Minutes of that meeting had lasted over two hours. It was also noted that subsequent officer meetings had taken place and Tom Morrison described the three work streams. Governance - the documents are ready for sign-off, People- regarding the recruitment of Board Members and associated property, Investments - procurement exercise to source advice and also related IT requirements. A Joint Steering Group has been created to look at the People work stream involving the seeking of suitable property in Leeds as a central and sustainable location with good public transport, it is also a finance hub for the region. Regarding recruitment of the Board - an advert for the non-Executive Chair and Adviser is going into The Times and consultant Odger Berdston are assisting with this. It was noted that the timescale for this is somewhat problematic. Recruitment for the Central pooling body is ahead of that for North Yorkshire and there is a need to stagger recruitment to avoid any disadvantages to this Fund. It was also noted that six out of 12 authorities have elections forthcoming and a General Election has now been announced, and finally the summer holiday season is then imminent. Interviews for the Chief Executive and Independent Chair are expected to take place in mid June with other appointments following on. There was some discussion of the likely salary level and Tom Morrison confirmed that these had been discussed for senior posts and agreed by all the local authorities involved. He stressed that these were not publicised but they are commensurate salaries. It was noted that these are a flat salary level, it is not performance related pay. A member stressed that Pension Board Members must be kept informed regarding the structural matters. He was keen to understand how the positions will relate to the Pension Fund Committee, the Pension Board and he asked for a graphic representation of this.

Tom Morrison advised that the inter-authority agreement has been confirmed the role of the Pension Fund Committee is to advise and guide the pooling company. He explained that the shareholder agreement for the entity and the company itself will deal with hiring and firing. The local authority has control via the Teckal agreement which gives more control than for normal company for shareholders. The question of potential conflict was raised and the role of the joint committee discussed. A member commented that Unison feel strongly that at least one member should be involved. She accepted that the Pension Fund Committee position is known but she still wished to press the point regarding representation. David Portlock recalled the facility to appoint co-opted members and suggested that this might assist. Commenting upon the Member Steering Group Tom Morrison stated that he felt the joint committee needs to be the 12 Funds however he accepted that they could have non-voting co-optees. He suggested that the issue be revisited subject to Scheme Advisory Board guidance. David Portlock hoped to see this argument advanced and Tom Morrison stated that other authorities have expressed this view also.

There was discussion on the role of the host authority and procurement lead and the need to closely to monitor the costs incurred. Tom Morrison confirmed that the governance support is to be provided by Leeds City Council and he confirmed that all partners are keen to closely monitor the costs.

Resolved -

That the report is noted.

90. Training

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Service) providing an update on Pension Board Member training.

It was agreed that the clerk should update the training record.

The Chairman David Portlock is to attend a forthcoming 'Pension Boards – 2 years on' event and he noted that further LGPS events would also be coming up.

A member suggested that training regarding cyber security would be beneficial for Pension Board members – advising that Mazars had recently organised this for City of York Council. Tom Morrison agreed to explore this and the member offered to help facilitate this at York if this was of assistance.

Resolved -

- (a) That the update regarding any Pensions Regulator modules still to be completed and likely timescales for this, and details of which of the modules Members consider to be of most use is noted.
- (b) That Members continue to identify any appropriate training needs, including any training events suggested by the NYPF Independent Observer.

91. Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) detailing areas of planned work by the Pension Board.

The Chairman advised that he would review this in detail with the Clerk following his return from leave. It was noted that item was completed, 2 and 3 are already on the work plan, and the timeliness of 4 was considered. Tom Morrison suggested that the Pension Board may wish to review how investment costs are changing – but noted that it is difficult to acquire comparative data at present as this is an evolving issue. It was accepted that the original work plan has been overtaken by events given the advent of Pooling. The Chairman urged caution regarding over ambitious targets, given members have 'day jobs' too. He stressed the need to achieve an appropriate balance of what's achievable in a reasonable timescale. Tom Morrison confirmed that officers of the Fund will respond to comments and queries, and he encouraged members to devise their own lines of enquiry. Concluding the Chairman stated that he would seek volunteers to take different work streams forward at the July meeting.

Resolved -

- (a) That the updates to the Work Plan as set out in Appendix 1 to the report were reviewed and agreed.
- (b) That the timetable for taking topics forward was considered.
- (c) That issues that individual Board Members would consider leading on and provide a short scoping report on, are to be determined at the July meeting.
- (d) That the clerk is notified of any requests for supporting resources which may be required to take the reviews forward.

92. Any other Urgent Business

The Chairman expressed concern regarding succession planning following Tom Morrison's departure. Tom Morrison responded advising that Amanda Alderson will take on governance and investment including support to the Pension Board. He stated he was not clear if his role is to be directly replaced and the Chairman agreed to take this matter up with the Corporate Director of Strategic Resources Gary Fielding. Finally the Chairman recorded thanks on behalf of the Pension Board to both Tom Morrison and Anna Binks who were both leaving the Authority after many years' service.

The meeting concluded at 12.30

JO'D

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

20 July 2017

PROGRESS ON ISSUES RAISED BY THE COMMITTEE

Report of the Assistant Chief Executive (Legal and Democratic Services)

1.0 Purpose of the report

1.1 To advise Members of:-

- Progress on issues raised at previous meetings;
- Issues that may have arisen, relating to the work of the Board, since the previous meeting

2.0 Background

2.1 This report is submitted to each meeting listing the Board's previous Resolutions where further information is to be submitted to future meetings. The table below represents the list of issues which were identified at previous Pension Board meetings and which have not yet been resolved.

Date	Minute No and subject	Resolution	Comment/completed
20 April 2017	Minute no. 83 – Production of Annual Report	That the content of the Annual Report, based on the advice provided, is determined, with a draft submitted to the meeting on 20 July 2017; That the Annual Report be reported to the various different bodies determined.	This is an agenda item for the meeting on 20 July 2017
20 April 2017	Minute no. 89 – LGPS Pooling update – Scheme Member representation on the Joint Committee	To consider the appointment of Scheme Member representation, through a co-option process, to the Joint Committee.	Updates on this issue to be reported to subsequent Pension Board meetings.

20 April 2017	Minute no. 87 – Investment Strategy Statement	An updated Investment Strategy Statement was circulated to Pension Board members with comments requested by 22 June 2017. This would be further discussed at Pension Fund Committee on 6 July 2017.	Consideration of the Pension Fund Committee’s comments on the Investment Strategy Statement will be undertaken at 20 July 2017 Pension Board meeting.
20 April 2017	Minute No 91 – Work Plan	Development by Members of the Pension Board of areas of work set out in the work programme.	Further consideration of potential issues on which Members could lead to be discussed at 20 July Meeting.

3.0 Recommendation

3.1 That consideration be given as to whether any further action is required.

BARRY KHAN

Assistant Chief Executive (Legal and Democratic Services)

County Hall

Northallerton

Background Documents: None

**NORTH
YORKSHIRE
PENSION BOARD
ANNUAL REPORT
FOR PERIOD TO
MARCH 2017**

NORTH YORKSHIRE PENSION BOARD

FIRST ANNUAL REPORT FOR PERIOD TO 31 MARCH 2017

Introduction

In June 2014 the Government published a consultation “The Local Government Pension Scheme (Amendment) Regulations 2014: draft Regulations on scheme governance”. These Regulations were essentially a crystallisation of the governance arrangements framework set out in the Public Service Pensions Act 2013.

The Regulations required Administering Authorities to each establish a Local Pension Board by 1 April 2015, being a formal body constituted by North Yorkshire County Council (the Administering Authority for the North Yorkshire Pension Fund), and the Board to be operational by 1 August 2015.

The Terms of Reference for the Pension Board were drafted in February 2015 to comply with the draft Regulations and guidance, in consultation with the Chair and Vice-Chair of the Pension Fund Committee and the Assistant Chief Executive (Legal and Democratic Services). The document was approved by the Council on 18 February 2015.

The Pension Board was established and its membership developed, and it held its first meeting on 30th July 2015.

In April 2016, the LGPS Scheme Advisory Board (SAB) was established as a statutory body encouraging best practice, increasing transparency and co-ordinating technical and statutory issues at a national level. Alongside this the role of the Pensions’ Regulator had been extended to cover public sector schemes, and guidance has been introduced in the form of the Regulator’s Code of Practice 14, which includes the reporting of statutory and regulatory breaches, for example the late payment of contributions and the issue of Annual Benefit Statements after the statutory deadline.

It was considered essential for the Pension Board to have an adequate period of activity and ‘settling in’ before producing its first report.

Role

The role of the local Pension Board is defined by sections 5(1) and 5(2) of the Public Service Pensions Act 2013 as follows:

1. To assist the Council as Administering Authority in its role as Scheme Manager to:
 - secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
 - secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator;
 - secure the effective and efficient governance and administration of the LGPS for the Pension Fund
 - assist in such other matters as the LGPS regulations may specify

2. To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

It is not the role of the Pension Board to be involved in the day to day running of the Pension Fund.

The operation of the Pension Board is open and transparent, its meetings are open to the public and all required details relating to the Pension Board, including minutes of meetings, are on the North Yorkshire County Council website.

Membership of the Board

The Board consists of 9 members, 4 scheme member representatives, 4 employer representatives and an independent chair, and in the period to 31 March 2017 Membership was as follows:-

PORTLOCK, David	Chairman - Independent Member (Non-voting)
JORDAN, Mike (County Councillor)	Employer Representative – North Yorkshire County Council
CUTHBERTSON, Ian (Councillor)	Employer Representative – City of York Council
MACDONALD, Phil	Employer Representative – University of Hull
BRANFORD-WHITE, Louise	Employer Representative – Hambleton District Council
DRAKE, Ben	Scheme Member Representative - UNISON
SMETHURST, Stella	Scheme Member Representative - UNISON
SWINTHENBANK, Mandy	Scheme Member Representative - GMB
GRESTY, Gordon	Scheme Member Representative – Retired Members

There had been an initial Employer Representative vacancy, following the establishment of the Board, which was filled by Phil MacDonald (University of Hull) on 14th April 2016.

Terms of Reference

A copy of the Board's Terms of Reference is attached at **Appendix 1**. The Terms of Reference, agreed by the Administering Authority in February 2015, were reviewed at the Meeting of the Board held on 20th April 2017 and were re-affirmed as being fit for purpose.

Attendance at Meetings

Meetings of the Board currently take place 4 times a year and are well attended.

Attendance at meetings was as follows:-

30th July 2015 – All Members in attendance
1st October 2015 – All Members in attendance
14th January 2016 – All Members in attendance
14th April 2016 – (Phil MacDonald appointed) – All Members in attendance
14th July 2016 – All Members in attendance
6th October 2016 – Louise Branford-White absent, all other Members in attendance.
26th January 2017 – Stella Smethurst and Gordon Gresty absent, all other Members in attendance
20th April 2017 – Ben Drake and Phil MacDonald absent, all other Members in attendance

Attendance at Pension Fund Committee

The Chair of the Board is an ex-officio, non-voting, Member of the Pension Fund Committee. Each ordinary Meeting of the Pension Fund Committee has an agenda item that provides an opportunity for the Chair of the Board to present feedback and the minutes of the previous meeting of the Board are submitted for information. The minutes of the Pension Fund Committee are also submitted to the Pension Board and, again, the Chairman provides feedback.

Members of the Pension Board regularly attend meetings of the Pension Fund Committee to observe proceedings.

Issues Considered

The following have been considered by the Pension Board since its establishment:-

- North Yorkshire Pension Fund Annual Report for the year ended 31 March 2016
- External Audit Report on the North Yorkshire Pension Fund for the year ended 31 March 2016
- Risk Register
- Internal Audit reports
- LGPS Pooling arrangements
- CIPFA Seminar – “Local Pension Boards – one year on”
- External Audit report – “Maintaining an effective control framework”
- Review of Employer and Administering Authority Discretions (ongoing)
- Compliance with Publicity Regulations
- Pensions Regulator – letter re accuracy of records
- Annual Benefits Statements
- 2016 Triennial Valuation

Details in relation to the discussions on these issues can be found in the minutes for the meetings which are available on the North Yorkshire County Council website.

Conflicts of Interest

The Board adopted a Conflicts of Interest Policy, attached as **Appendix 2**, at its inaugural meeting on 30th July 2015. The requirement to declare Conflicts of Interest is an item on every agenda for Board meetings. No conflicts were identified nor disclosed in the period to 31 March 2017.

Skills and Development Activities

Board Members have undertaken a comprehensive range of training and development opportunities, as required by the Pension Regulator's Code of Practice. A skills audit was also undertaken to identify possible training requirements and areas where skills and knowledge needed development.

Details of the training and development undertaken by Board Members are provided in **Appendix 3**.

Programme of Work

The Board has developed a programme of work which is reviewed and updated at every meeting of the Board. Details of the programme of work are provided in **Appendix 4**.

Pension Board Costs and Budget for 2017/18

The Board's costs for 2016/17 were as follows:

	£
Chair's Allowance	2,316
Travel	601
Skills development	300
Total	3,217

The budget for 2017/18 is:

	£
Chair's allowance	2,500
Travel	1,000
Skills development	5,000
Total	8,500

The above costs are borne by the Pension Fund.

In addition to the expenditure detailed above, the Board receives assistance and support from the Council's Legal & Democratic Services and Pension Fund Officers. An estimate of the cost and value of this assistance and support has not been calculated.

Furthermore, the travel costs of Board members have been borne by their employers.

Pension Board self-assessment

The Board's terms of reference and guidance from the Pension Regulator's Code of Practice 14 require that the Board undertakes a review of its effectiveness and the knowledge and skills of Board members.

However, in view of the focus on Pooling over the last year or so, the consequential pressure on Scheme Manager and Pension Fund Officers and the departure of senior Officers, a review of Board effectiveness has been delayed. It is intended to undertake a review over the next few months.

Equality Impact Review

An Equality Impact Review is not required as there are no relevant decisions to be taken.

David Portlock
Independent Chair of the Pension Board
July 2017

DRAFT

Pension Board of the North Yorkshire Pension Fund

Terms of Reference and Delegated Authorities

1) Role of the Local Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is

- to assist North Yorkshire County Council (NYCC) as Administering Authority in its role as Scheme Manager
- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
- to secure the effective and efficient governance and administration of the LGPS for the North Yorkshire Pension Fund (NYPF, or the Fund)
- in such other matters as the LGPS regulations may specify
- to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

The terms “Administering Authority” and “Scheme Manager” are used interchangeably in the Regulations but are separately defined in this document (see section 18). NYCC as the Administering Authority has ultimate responsibility for the Fund and has delegated powers to manage the Fund to the Pension Fund Committee (PFC).

These Regulations provide that the Pension Board has the general power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the NYPF is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator, with due regard to guidance issued by Government, the Pensions Regulator and the National Scheme Advisory Board.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year. The Pension Board will determine the precise timing of its own meetings, which will take place at suitable intervals between PFC meetings so that PFC activity relevant to the Board can be considered and responses to recommendations reviewed prior to the next meeting of the PFC.

2) Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- i) 4 scheme member representatives, of whom
 - a. 2 shall represent and be drawn from active members of the Fund
 - b. 1 shall represent and be drawn from pensioner and deferred pensioner members of the Fund
 - c. 1 shall represent and be drawn from either the active or deferred/pensioner members of the Fund
- ii) 4 employer representatives, of whom
 - a. 1 shall be nominated by NYCC who shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority
 - b. 1 shall be nominated by the City, Borough and District Councils, the Police and Fire bodies and the National Parks which are employers within the Fund
 - c. 1 shall be nominated by all other employers within the Fund
 - d. 1 shall be nominated by any employer other than NYCC
- iii) 1 independent member, who shall be appointed as Chair of the Pension Board

Elected Members and officers involved in the management and administration of the Fund are not permitted to become Pension Board members.

The Administering Authority will contact employers and members of the Fund to inform them of the Pension Board arrangements and to canvass interest whenever appointments to the Pension Board are required. Active, pensioner and deferred pensioner members will be eligible to nominate themselves as "scheme member representatives". Individuals put forward by the Fund's employers, whether or not those individuals are members of the Fund, will be eligible to stand as "employer representatives".

The position of independent member will be advertised publically. The Administering Authority will seek an independently minded individual with a track record of dealing with governance issues. Following receipt of nominations/applications the Administering Authority will arrange an independent as possible appointment process. This process will include assessing information supplied by candidates in support of their nomination/application and may be supplemented by interviews as appropriate.

Members in all categories will only be appointed to the Pension Board by the Administering Authority if they either meet the knowledge and skills requirements set out in the relevant regulations and guidance (see Section 7) or commit to do so within 3 months of the appointment date.

Members of the Pension Board will serve for a term of 4 years following which they may either retire from the Board or seek nomination for an additional term. The term of office may otherwise come to an end

- for scheme member representatives if they cease to be a member of the relevant group
- for employer representatives who are councillors if they cease to hold office as a councillor

- for employer representatives who are not councillors when they cease to be employed by their nominating employer
- for a councillor member who is appointed to the PFC
- for a scheme member or employer representative who is appointed to a role with responsibility for the management or administration of the Fund
- where there is a conflict of interest which cannot be managed in accordance with the Pension Board's Conflicts of Interest Policy
- where a member fails to attend meetings, undertake training or otherwise comply with the requirements of being a Pension Board member

Each Pension Board member should endeavour to attend all Board meetings during the year and is expected to attend at least 3 meetings each year. The chair of the Board is also expected to attend the quarterly meetings of the PFC.

Given the nature of the Pension Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest, substitute members are not permitted. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Administering Authority.

Other than by ceasing to be eligible as set out above, a Board member may also be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Administering Authority.

3) Conflicts of Interest

The policy for identifying, monitoring and managing conflicts of interest is set out in a separate policy document, which should be regularly reviewed by the Pension Board.

4) Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These are:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

5) Knowledge and Skills

A member of the Pension Board must be conversant with:

1. The legislation and associated guidance of the LGPS
2. Any document recording policy about the administration of the LGPS which is for the time being adopted by the NYPF

A member of the Pension Board must have knowledge and understanding of:

- a. the law relating to pensions, and
- b. any other matters which are prescribed in the regulations

Individual Pension Board members must satisfy themselves that they have the appropriate degree of local knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. This includes being fully aware of all requirements detailed in these terms of reference for example on standards of conduct and conflicts of interest, and being conversant with the investment strategy of the Fund.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development. Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

6) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

7) Accountability

The Pension Board will be collectively and individually accountable to the Administering Authority.

8) Remit of the Board

The Pension Board must assist the Administering Authority with such matters as the scheme regulations may specify. It is for scheme regulations and the Administering Authority to determine precisely what the Pension Board's role entails. Examples of activity include, inter alia:

- reviewing the Fund's governance and policy documents, such as the Governance Compliance Statement and the Communications Policy Statement
- reviewing the Fund's Annual Report
- reviewing the administrative performance of the Fund
- reviewing shareholder voting and engagement arrangements
- reviewing the Fund's Risk Register
- reviewing the NYPF website
- supporting and challenging PFC actions as a critical friend

9) Decision making

Each Pension Board member who is a scheme member or employer representative will have an individual voting right but it is expected that the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not be entitled to vote.

10) Quorum

The Board shall be quorate if the Chair, 1 scheme member representative and 1 employer representative are present.

11) Board Meetings – Notice, Minutes and Reporting

The Administering Authority shall give notice to all Pension Board members of every meeting of the Pension Board and shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all Pension Board members.

The Pension Board is a committee of the Council and as such the Council's rules on notice of meetings, publishing agendas, reports and minutes and that meetings and papers (unless exempt) are open to the public will apply. At the discretion of the Administering Authority items may be edited or excluded on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Pension Board shall annually report to the Administering Authority on its nature and activities. The precise content of this report will be subject to consideration and agreement at a meeting of the Board but as a minimum should include

- a. details of members attendance at meetings of the Pension Board
- b. details of training and development activities made available to Pension Board members and attendance at such activities
- c. details of any recommendations made by the Pension Board to the Scheme Manager and the Scheme Manager's response to those recommendations
- d. details of costs incurred in the operation of the Pension Board
- e. a review of the effectiveness of the Board (see Section 6)

In consideration of items of business at its ordinary meetings the Pension Board shall determine whether it wishes to make recommendations to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

The Pension board shall also report as required by the regulations to the Pensions Regulator and the National Scheme Advisory Board.

12) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the draft code of practice 14 issued by the Pensions Regulator, *Governance and Administration of Public Service Pension Schemes*. 6

13) Publication of Pension Board information

Scheme members and other interested parties will want to know that the NYPF is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, and to carry out its role in relation to the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the NYPF website showing:

- the names of the Pension Board members and other relevant information
- how the scheme members are represented on the Pension Board
- the responsibilities of the Pension Board as a whole
- the full terms of reference and policies of the Pension Board and how they operate
- the Pension Board appointment process
- any specific roles and responsibilities of individual Pension Board members

The Administering Authority will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

14) Advice to the Board

The Board will be supported in its role and responsibilities by the Administering Authority through advice and support as appropriate.

15) Expense Reimbursement, remuneration and allowances

The Administering Authority will determine remuneration and allowances to be paid to Pension Board members based on recommendations made by the Independent Panel on Members Remuneration. These arrangements are reviewed annually.

Expenses in connection with fulfilling Pension Board responsibilities will be met by the Fund based on the Council's Members Scheme of Allowances and officers Travel and Expenses Policy as appropriate. The costs of appropriate training will also be met by the Fund.

16) Insurance

The Council's Public Liability Insurance applies to members of the Pension Board.

17) Updating the Pension Board Terms of Reference

Approval for significant amendments must be pursued through the Council's Constitution Working Group. General updating or housekeeping can be carried out without the need to seek formal approval.

18) Definitions

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"

Means the Pension Board for the Council as the Administering Authority of the NYPF as required under the Public Service Pensions Act 2013

"Administering Authority"

Means the Council

<i>"Scheme Manager"</i>	Means the PFC of the Council
<i>"Chair"</i>	The individual responsible for chairing meetings of the Pension Board and guiding its debates
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Scheme"</i>	Means the Local Government Pension Scheme as defined under "LGPS"

NORTH YORKSHIRE COUNTY COUNCIL**PENSION BOARD****CONFLICTS OF INTEREST POLICY****Introduction**

There is a requirement for Pension Board members not to have a conflict of interest. However, it is important to note that the issue of conflicts of interest must be considered in light of the Pension Board's role, which is to assist the Administering Authority. The Pension Board does not make decisions in relation to the administration and management of the Fund: this rests with the Administering Authority. As a result, it is not anticipated that significant conflicts will arise in the same way as would be the case if the Board were making decisions on a regular basis (compared, for example, to the Pension Fund Committee). Nevertheless, steps need to be taken to identify, monitor and manage conflicts effectively.

The Regulator has a particular role in relation to members of the Pension Board and conflicts of interest. Whilst members of the Pension Board may be subject to other legal requirements when exercising functions as a member of the Pension Board, the Regulator expects the requirements which specifically apply by virtue of the Public Service Pensions Act 2013 to be met and the standards of conduct and practice set out in its Code of Practice to be complied with.

The Code of Practice offers guidance about managing potential conflicts and the identification, monitoring and management of actual conflicts. This Policy is intended to reflect the principles of the Regulator's Code of Practice and apply them in an LGPS context.

Identifying conflicts of interest

For the purposes of a member of the Pension Board, a 'conflict of interest' is defined in section 5(5) of the 2013 Act as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. The 2013 Act also specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS.

Therefore, a conflict of interest may arise when a member of the Pension Board must fulfil their legal duty to assist the Administering Authority and at the same time they have:

- a separate personal interest (financial or otherwise); or
- another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Pension Board member

The Regulations place a duty on the Administering Authority to satisfy itself that those appointed to its Pension Board do not have an actual conflict of interest prior to appointment and "from time to time".

There is a corresponding duty on any person who is proposed to be appointed to the Pension Board, and on an appointed member of the Pension Board, to provide the Administering Authority with such information as the Administering Authority reasonably requires to be satisfied that there are no conflicts of interest. Pension Board members also have a responsibility to anticipate potential conflicts of interest in relation to plans for future Pension Board activity.

Some examples of how a conflict might arise specifically in relation to a member of a Pension Board include:

- a finance officer appointed as a member of the Pension Board may, from time to time, be required to take or scrutinise a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as a member of the Pension Board to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending
- a Pension Board member who works in the Administering Authority's internal audit function may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the Pension Board
- an employer representative from the private sector may also have a conflict of interest as a decision-maker in their own workplace. For example, if an employer representative is drawn from a company to which the Administering Authority has outsourced its pension administration services and the Board are reviewing the standards provided by it.

Conflicts of interest may also arise in respect of advisers to the Pension Board. For example, an adviser may have a conflict of interest if he or she (or the same firm) is also advising the Administering Authority. The risk to the Pension Board is that the adviser does not provide, or is not seen to provide, independent advice. Where there is likely to be a conflict of interest in giving advice, the Board should consider carefully whether it is appropriate to appoint the adviser in the first place. It may also be necessary to consider carefully whether they should take steps to remove an adviser who has already been appointed.

Monitoring and Managing potential conflicts of interest

In order for the Administering Authority to fulfil its obligation to ensure that members of the Pension Board do not have a conflict of interest, the Pension Board must include an item on conflicts of interest at each meeting of the Pension Board and in its annual report to the Administering Authority.

The Pension Board is required to maintain a written register of dual interests and responsibilities which have the potential to become conflicts of interest, which may adversely affect members' or advisers' suitability for the role. Each member of the Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest. Such a conflict could be in relation to a general subject area or to a specific agenda item of a Pension Board meeting.

The Chair of the Pension Board must be satisfied that the Board is acting within:

- the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations, and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest for Pension Board members, and

Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Chair of the Pension Board with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pension Board is required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Pension Board. The Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Pension Board must know how to identify when they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision-making. They also need to appreciate that they have a legal duty under the Regulations to provide information to the Administering Authority in respect of conflicts of interest.

Options for managing an actual conflict of interest, should one arise, include:

- a member withdrawing from the discussion and any decision-making process;
- the Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
- a member resigning from the Board if the conflict is so fundamental that it cannot be managed in any other way

Pension Board Members - Training, Meetings and Events

Appendix 3

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 Cuthbertson	Phil MacDonald
04/06/15	Training Event for Pension Board Members	LGA	Marriott Hotel, Leeds			X		X	X	X		
03/07/15	Pension Board Member Training	AON	Leeds		X					X		
17/07/15	Pension Board Member Training	AON	Leeds		X	X				X		
24/07/15	Pension Board Member Training	AON	Leeds			X				X		
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA			X	X	X	X			X	
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA		X	X	X	X	X			X	
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA		X	X	X	X	X	X	X	X	
14/01/16	Governance for North Yorkshire Pension Board	Peter Scales – Independent Observer for the North Yorkshire pension fund	County Hall	X	X	X	X	X	X	X	X	
29/06/16	Local Pension Board Conference	CIPFA & Barnett Waddingham		X								
01/03/17	LGPS Spring Seminar	CIPFA & Barnett Waddingham		X								X
28/06/17	Local Pension Boards 2 years on	CIPFA & Barnett Waddingham		X								
29/06/17 and 30/06/17	Annual LGPS “Trustees” Conference	LGA		X								X
17/09/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
26/11/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X	X					
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X	X					
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X	X					

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 Cuthbertson	Phil MacDonald
19/05/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
07/07/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
15/09/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
24/11/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
26/01/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X		X		X	X	X	X
23/02/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
31/03/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
25/05/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
25/11/16	North Yorkshire Pension Fund Manager Meeting	NYPF	County Hall	X								
24/02/17	North Yorkshire Pension Fund Manager Meeting	NYPF	County Hall	X								
03/03/16	Audit Committee Training Session - Counter Fraud	NYCC	County Hall	X						X		
03/02/17	Audit Committee Training Session - Cyber Security and General Information Governance	NYCC	County Hall	X						X		

PENSION BOARD WORK PLAN

Appendix 4

	Jan 2017	20-Apr-17	20-Jul-17	12-Oct-17	18-Jan-18	12-Apr-18	
<u>Business planning</u>							
1	Agree plan for the year	✓				✓	
2	Review Terms of Reference		✓			✓	
3	Review performance against the plan	✓	✓	✓	✓	✓	✓
4	Report to the PFC / NYCC		✓	✓			
5	Report to Scheme Advisory Board / DCLG		✓	✓			
<u>Compliance checks</u>							
6	Review regular compliance monitoring reports		✓		✓		✓
7	Review the compliance of scheme employers						
8	Review such documentation as is required by the Regulations						✓
9	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓
10	Review the outcome of external audit reports				✓		
11	Review annual report				✓		
12	Review the compliance of particular issues on request of the PFC						
13	Review the outcome of actuarial reporting and valuations		✓				
14	Assist with compliance with the UK Stewardship Code				✓		
<u>Administration procedures and performance</u>							
15	Review management, administrative and governance processes and procedures						
16	Monitor complaints and performance						
17	Review the Internal Dispute Resolution Process						
18	Review cases referred to the Pensions Ombudsman						
19	Review the implementation of revised policies and procedures						
20	Review the exercise of employer and administering authority discretions			✓			
21	Assist with the development of improved customer services						
22	Monitor performance of administration, governance and investments						
23	Review processes for the appointment of advisors and suppliers						
24	Monitor investment costs						
25	Review the risk register	✓		✓		✓	
26	Assist with the development of improved structures and policies						
27	Assist in assessing process improvements on request of PFC						
28	Assist with asset voting and engagement processes						
29	Pooling arrangements and governance	✓	✓	✓	✓	✓	✓
<u>Communications</u>							
30	Review scheme member and employer communications						
<u>Training</u>							
31	Review Pension Board knowledge and skills self assessment	✓	✓	✓	✓	✓	✓
32	Review training log	✓	✓	✓	✓	✓	✓
33	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.

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 25 May 2017 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors John Blackie, Michael Chambers, MBE, Patrick Mulligan, Andy Sollaway, Helen Swiers, Angus Thompson and John Weighell OBE

Councillor Jim Clark – North Yorkshire District Councils.

David Portlock – Chair of the Pension Board.

Apologies - County Councillor Richard Musgrave and Councillor David Carr, from City of York Council.

There were no members of the public present.

Copies of all documents considered are in the Minute Book

1. Appointment of Chairman

In nominating Councillor Weighell as Chairman, Councillor Blackie said that he had also nominated Councillor Weighell four years ago and he was delighted to nominate him once more for a further four year period.

Councillor Blackie stressed the crucial role played by this Committee in helping to protect the interests of some 90,000 members. He paid tribute to the leadership provided by Councillor Weighell.

On then being seconded, it was

Resolved –

That Councillor John Weighell be appointed Chairman of the Committee until the County Council elections in 2021.

Councillor Weighell in the Chair.

2. Chairman's Announcements

The Chairman said that he wished to place on record his thanks to former Members of the Committee - Margaret Ann De Courcey-Bayley, Bernard Bateman, Roger Harrison-Topham and Chris Steward - for the contribution that they had made to its work.

He also welcomed new Members, Councillors Michael Chambers, MBE, Andy Sollaway and Angus Thompson. The work of this Committee was challenging and he hoped they would enjoy being on the Committee. As part of the welcome to new Members, the Treasurer made a presentation. Please see Minute No. 5, below.

The Chairman advised that this would be the last meeting attended by Tom Morrison, Head of Commercial and Investments, who had obtained a role with South Tyneside Council. On behalf of the Committee, he thanked Tom for his excellent work over the last nine years with the County Council.

3. Minutes

Resolved -

That the Minutes of the meeting held on 23 February 2017 and the Special Meeting held on 31 March 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the Minutes of 23 February being amended to reflect the fact that David Portlock was present.

4. Appointment of Vice-Chairman

On being nominated and seconded, it was

Resolved –

That Councillor Helen Swiers be appointed Vice-Chairman of the Committee until the County Council elections in 2021.

5. Welcome to new Members.

The Chairman and Treasurer delivered a presentation which provided information about the following:-

- Key statistics of the North Yorkshire Pension Fund
- Fund Investments
- The role of the Committee
- Updated Myers Principles and how they apply to Asset Pooling
- Adapting Governance to Investment Pooling arrangements
- Section 151 Officer responsibilities
- Governance overview

The Treasurer advised that a two day Training Seminar for Members had been arranged for 6 and 7 July 2017. This Seminar would include training modules for new Members, provided by Aon Hewitt and also a session to consider the future Investment Strategy.

A Member commented that the Committee would lose the power to appoint Fund Managers when pooling arrangements came into effect. The Treasurer confirmed that this would be the case. However, the Fund would still be responsible for its Investment Strategy and would therefore still be able to determine the asset class in which it wished to invest.

The Chairman commented that the eight week period from the end of the quarter to when information was reported to the Committee seemed quite long. The Treasurer advised that officers were examining whether this could be shortened.

The Chairman also referred to the Schedule of Training available to Members and suggested that new Members discuss the courses available and which ones might be the most beneficial to attend with staff in the Treasurer's Team or other existing Members of the Pension Fund Committee.

A Member requested an update on the transitional arrangements with regard to pooling. When would the transition of funds be and what would happen exactly? The Chairman responded that this was not known as yet, although the timetable for transition had been put back to June 2018.

The Treasurer further advised that the Chairman had previously written to the Minister responsible, Brandon Lewis, to stress that the transition should be managed well and not be governed by an arbitrary date.

He added that there had to be an element of "business as usual" until the transition, to ensure the Fund was doing the right things for the right reasons for its Investment Strategy.

The transfer period could be three to five years, which was too long a period to put things on hold.

In terms of appointments, the Chairman shared with the Committee his understanding that the Chair of the new Company would be in place in June 2017, a Chief Executive by July 2017 and other key officers by September 2017.

A Member referred to the remuneration for the Chief Executive and wondered whether, given the size of the role, this would attract top calibre candidates. The Treasurer advised that this had been based on advice from a recruitment company.

A Member queried whether the Committee would still be able to challenge Fund Managers once the pooled arrangements were in place. The Treasurer advised that the Committee would still see Fund Managers.

Resolved –

That the presentation be noted and that a copy of it be sent to Members of the Committee.

NOTE: At this stage of the meeting (10.53 a.m.) the Chairman adjourned the meeting so that Members and officers could join in the Minute's silence being held at 11.00 a.m. in memory of those who had lost their lives as a result of the bomb attack at the Manchester Arena earlier this week.

6. Declarations of Interest

There were no declarations of interest made.

7. Public Questions or Statements

There were no public questions or statements.

8. Member and Employer Issues

Considered -

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

- (a) Admission Agreements and new Academies.
- (b) Membership Analysis.
- (c) Administration Performance.

- (d) Member Training.
- (e) Meetings Timetable.
- (f) Pensions Manager Recruitment

For the benefit of new Members, the Treasurer advised that this was a standing Item and took the form of exception reporting, primarily around administration.

A Member asked if the fact that the number of active Fund Members had reduced would impact on the cash available. The Treasurer confirmed that it would and this was monitored.

A Member commended the Pensions Team on their work and their low sickness rate which he felt was particularly noteworthy, given the pressure that they work under. He asked that this be passed on to the Team.

The Treasurer's Representative advised that, in addition to the two days training on 6 and 7 July, two days had been arranged on 11 and 12 September in York. There were 120 places available and 70 rooms, for those requiring an overnight stay. She asked Members to let her know if they were interested in attending, as places would be filled on a first come first served basis.

A Member referred to the separate entries for Yorkshire Housing and Craven Housing in the list of employers in the Fund. The Treasurer confirmed that they had merged but they were tracked separately for the purposes of the Fund.

Members also raised issues about the position if Academies got into financial difficulty. The Committee were advised that the situation was currently under review.

A Member queried whether North Yorkshire had a "one call system" and, if so, whether the Pension Fund was part of this. He was aware of a case where an individual had had to provide the same information several times. The Treasurer confirmed that the County Council was part of the one call system, but he would appreciate receiving the detail of this case and he would look into it.

The Treasurer advised that Anna Binks' replacement as Pensions Team Manager, Phillippa Cockerill, was currently having a handover with Anna.

The Chairman commented that the administration was not changing due to LGPS Pooling.

Resolved -

- a) That the contents of the report be noted.
- b) That the positive comments about the Pensions Team be passed on to them.

9. Budget/Statistics

Considered -

The report of the Treasurer concerning:-

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

The Treasurer presented the report, highlighting the following:-

- The value of base fees payable to Fund Managers had increased during 2016/17, primarily due to the increase in value of overseas investments following Brexit.
- Performance related fees had reduced, in that Fund Managers had performed slightly less well than anticipated, relative to their benchmark. By the nature of things, this figure always had to be an estimate.
- The surplus for 2017/18 would increase to £31.4 million. Of this, £25.3 million related to deficit payments paid 3 years in advance. For cash flow purposes, pre-payments relating to future years are included when they are received. However, for accounting purposes, they will be included in the year to which they relate.

In response to questions from Members, the Treasurer confirmed that the transfer into Threadneedle had been due to the ability to access the secondary market. There are more investment opportunities with Threadneedle than with the other Property Managers.

A Member pointed out that the formula in the table on page 35 of the papers was incorrect. This would be corrected by the Finance Team.

The representatives of the Fund's Investment Advisors, AON Hewitt, advised that 90% of the Fund was liquid, which was higher than required. There would be no significant risk to reduce the level of liquidity.

Resolved -

That the contents of the report be noted.

10. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer on the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 31 March 2017.

The Fund Analysis and Performance Report had been produced by BNY Mellon Asset Servicing.

The representatives of the Fund's Investment Advisors, AON Hewitt, made the following points:-

- The reference in the report to a rebalancing having been undertaken was incorrect. There had not been any rebalancing, but there was a proposal to do so. The Treasurer advised Members that the proposal to rebalance down was being brought to Committee as it was felt to be significant.
- A milestone had been passed, in that the Fund was now over 100% funded.
- The twelve month performance had increased the value of the Fund by almost two-thirds of a billion pounds. This was exceptionally strong growth. However, in their view, the outlook for markets was uncertain.
- There was a need to think about measures to protect the super-normal gains (which were more than three times that what would normally be expected) by considering the rebalancing of equities to bring them to their target allocation.

- Absolute performance was excellent and was also good in relative terms – performing in advance of the benchmark.
- Some Fund Managers had performed strongly, whereas others had underperformed, relative to their benchmark. The point was that some Fund Managers will do better in certain market conditions than others, which is why it is key to diversify and separate out investment risks.
-
- Members were advised of a merger between Standard Life and Aberdeen Asset Management and the consequential changes of this.

In response to questions from Members, it was confirmed that Fund Managers had added value by outperforming the Strategy - much of this was driven by Baillie Gifford - and that the fall in sterling had had an effect on relative currency movements of between one-fifth and one-third.

A Member commented that the relative under performance of Standard Life Global Absolute Return Strategy, referred to in the covering report, slightly contradicted information in the Fund Analysis and Performance Report. In response, the representative of the Fund's Investment Advisors, AON Hewitt, said he took the Member's point, but the most important assessment of a Fund Manager was the green "buy" ratings. These were short term figures and it was important to maintain focus on the longer term picture. Most Managers were performing well. Therefore, comments were relative.

Resolved -

- a) That the investment performance of the Fund for the period ending 31 March 2017 be noted.
- b) That £100 million (approximately 3.3% of the total of the Fund) be disinvested from Equity Managers and reinvested with the DFG Managers and M & G.

11. Pension Board

The Chair of the Pension Board provided a verbal update in respect of the meeting held on 20 April 2017.

For the particular benefit of new Members, the Chair of the Pension Board advised that he provides an update on the discussions of Pension Board meetings to each meeting of this Committee. This was usually accompanied by the draft Minutes.

He highlighted, in particular, the following aspects from the meeting on 20th April:-

- The Board's Terms of Reference had been reviewed.
- Three internal Audit reports had been reviewed and the assurance levels in respect of each were acceptable. The audits related to Pension Fund Income, Expenditure and Investment.
- The Investment Strategy Statement had been considered and confirmed as being prepared in accordance with the Regulations.
- The Triennial Valuation for 2106 was considered and it was confirmed that it had been carried out in accordance with the Regulations.
- An update on LGPS Pooling had been provided.

- Report on training had been considered. Members are statutorily required to receive training
- The Work Plan had been reviewed.

Resolved -

That the update be noted.

The meeting concluded at 12 noon.

PD

North Yorkshire County Council**Pension Board****20 July 2017****Internal Audit Plan 2017/18****1.0 Purpose of Report**

To seek approval for the planned programme of internal audit work to be undertaken in 2017/18.

2.0 Background

In accordance with professional standards and the County Council's Audit Charter, internal audit plans are prepared on the basis of a risk assessment. This is intended to ensure that limited audit resources are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of corporate priorities and objectives

3.0 Audit Plan 2017/18

The Internal Audit Plan for 2017/18 is attached at **Appendix 1**. The audit plan for the Pensions fund normally includes an audit of pension fund investments. This audit is carried out retrospectively and involves reviewing information provided by investment managers. The audit covering the 2016/17 year is therefore currently still in progress and will be reported to the Pensions Board when completed during 2017/18. For that reason it has been decided that the 2017/18 audit plan will not include an investments audit, but that the audit of 2017/18 investments will be undertaken from the 2018/19 audit plan and carried out towards the start of that audit year. This also releases audit days during 2017/18 to cover the governance audit which will review compliance against recent guidance and regulations and the Code of Practice issued by the pensions regulator

4.0 Recommendation

Insofar as the Pension Board is concerned the pensions audit plan for 2017/18 be a

Author of Report: Ian Morton – Audit Manager, Veritau Ltd.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

Background Documents: None

Pensions Fund Audit Plan 2017/18

	<u>Days</u>
Pension Fund Governance Arrangement	15
<p>The audit will review the governance arrangements for the pension's fund, including compliance with CIPFA guidance and pensions fund regulations. This will include a review of the Annual report, and the issue of Benefits statements to scheme members.</p>	
Pension Fund Income	15
<p>The audit will review the processes in place for the collection of income from member organisations and the information provided to enable the calculation of benefits under the various schemes. This will include a follow up of previous years audit work on the quality of data provided by scheme employers</p>	
Pension Fund Expenditure	15
<p>The audit will review the processes for paying pensions, in particular reviewing payment of new pensions and changes to pension entitlement.</p>	
Provision to provide support and advice on Pension Fund related audit matters and attendance at Pensions Board	5
Total – North Yorkshire Pension Fund	<u>50</u>

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

20 JULY 2017

PENSION FUND RISK REGISTER

1.0 PURPOSE OF THE REPORT

- 1.1 To provide Pension Board members with the opportunity to comment on the Pension Fund risk register.

2.0 BACKGROUND

- 2.1 The risk register for the Pension Fund describes the key risks faced by the Fund. It is updated every six months and is formally approved annually by the Pension Fund Committee. It is also reviewed by the Pension Board after each six monthly update.
- 2.2 There are two risks ranked as red, five as amber and three as green on the latest version of the risk register. The assessment of the highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.
- 3.5 One of the red risks is on the LGPS Pooling Arrangements; this is currently considered the key risk of the Pension Fund. It is a major change to the way in which the Pension Fund is managed with a potential risk that the Fund is no longer able to effectively implement its investment strategy.
- 3.6 Pension Fund solvency also remains a red risk, despite the funding level of 104%, due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.

3.0 RECENT EVENTS

- 3.1 The latest version of the risk register (attached as **Appendix 1 & 2**) was taken to PFC on 6 July 2017 where it was approved.
- 3.2 At the last meeting of the Pension Board it was suggested by officers that the Pension Board could focus on one key risk in detail at each review rather than reviewing all risks. Board members may wish to discuss this and determine an agreed approach to reviewing risks going forward.

4.0 RECOMMENDATION

- 4.1 Pension Board Members to provide feedback on the latest Risk Register

4.2 Pension Board members to decide how they would like to review the Pension Fund risks in the future.

Pension Fund

Risk Register: **June 2017 Review – summary**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	44/4 - Pension Fund Solvency	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	M	2	3	31/12/2017	M	M	H	L	M	2	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	44/201 - LGPS Pooling Transition	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	H	2	8	31/12/2017	M	M	H	L	M	2	N	CD SR
◀▶	44/8 - Investment Strategy	Failure of the investment strategy to achieve sufficient returns from investments	CD SR	CSD SR Senior Accountant Pensions	L	M	H	L	M	3	4	31/07/2017	L	M	H	L	M	3	Y	CSD SR Senior Accountant Pensions
◀▶	44/20 - Fraud	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation	CD SR	CSD SR Senior Accountant Pensions	L	L	H	L	M	3	4	31/12/2017	L	L	H	L	M	3	Y	CSD SR Pensions Manager CSD SR Senior Accountant Pensions
▲	44/16 - Key Personnel	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.	CD SR	CSD SR Pensions Manager	M	M	L	M	L	4	4	31/12/2017	M	M	L	M	L	4	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	44/10 - LGPS Regulations and Employer Related Legislation	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD SR	CSD SR Pensions Manager	M	L	L	L	M	4	2	31/12/2017	M	L	L	L	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	44/11 - Benefit Payments	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD SR	CSD SR Pensions Manager	M	L	L	L	M	4	2	31/12/2017	L	L	L	L	M	5	Y	CSD SR Pensions Manager

Pension Fund

Risk Register: **June 2017 Review – summary**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Identity			Person		Classification											Fallback Plan				
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre					RR		Post					FBPlan	Action Manager		
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv			Rep	Cat
◀▶	44/7 - Investment Manager	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise	CD SR	CSD SR Senior Accountant Pensions	L	M	M	L	L	5	3	31/12/2017	L	M	M	L	L	5	Y	CSD SR Senior Accountant Pensions
◀▶	44/14 - IT Systems	Failure of IT Pension system or other IT systems for more than 2 days (or a critical time) resulting in backlog, incorrect payments, increased overtime, criticism	CD SR	CSD SR Pensions Manager	L	M	L	M	M	5	2	31/12/2017	L	M	L	M	M	5	Y	CSD SR Pensions Manager

Key	
▲	Risk Ranking has worsened since last review.
▼	Risk Ranking has improved since last review
◀▶	Risk Ranking is same as last review
- new -	New or significantly altered risk

Abbreviations		Classifications	
CD SR	Corporate Director Strategic Resources	Prob	Probability
CSD SR	Central Services Directorate Strategic Resources	Obj	Impact on Objectives
FB Plan	Fallback Plan	Fin	Financial Impact
LGPS	Local Government Pension Scheme	Serv	Impact on Services
IT	Information Technology	Rep	Reputational Impact
		RRs	Number of risk reduction actions to be carried out

Pension Fund

Risk Register: **June 2017 Review – summary**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Likelihood	
Probability	H = > 60% or Probable M = 30% to 60% or Possible L = < 30% or Unlikely
Impact	
Objectives	H = Over 6 priorities adversely impacted M = 3-6 priorities adversely impacted L = Below 3 priorities adversely impacted
Financial	H = Substantial/Over 2% increase in contribution rate or loss of major opportunity M = Notable/0.5%-2% increase in contribution rate or loss of notable opportunity L = Minor/Up to 0.5% increase in contribution rate or loss of some opportunity
Services	H = Widespread impact, 2/3 services affected, significant project slippage M = Declining Performance, notable inconvenience L = Minor service impact, resolved locally, minor inconvenience
Reputation	H = Significant Member/Employer complaints, national media M = Notable Member/Employer complaints, regional media, L = Some Member/Employer complaints, local adverse media coverage

Pension Fund

Appendix 2

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/4	Risk Title	44/4 - Pension Fund Solvency				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period					Risk Group	Financial		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Deficit recovery period; adopt prudent actuarial assumptions; all assumptions reviewed every 3 years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; fixed income review;								
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/6 - Consultation with Actuary re assumptions used and discuss and carry out action plan (ongoing)						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/7 - Regular review of investment strategy to maximise investments; ongoing action linked to triennial valuations, strategy session to be held in July						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/8 - Discussion with employers re cost of the scheme and potential 'one off' contributions; employers have been provided with their new rates for the following three financial years and any queries resolved						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Fri-31-Mar-17	Fri-31-Mar-17	100%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period								Action Manager		
									CSD SR Senior Accountant Pensions CSD SR Pensions Manager		



Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/201	Risk Title	44/201 - LGPS Pooling Transition				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.					Risk Group		Risk Type	CSD SR 32/24		
Phase 2 - Current Assessment											
Current Control Measures		Pension Fund Committee involvement in key pooling decisions; NYPF officer involvement in pooling working groups; Periodic reporting of updates to the Pension Fund Committee; further detail behind the plans received; providing updates to the pension board on a quarterly basis around governance; pool legal advice; key decision agreed by full council; pooling briefing provided to members;									
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/161 - Consultation with advisors on the implication of pooling; legal advice coming through at fund and pool levels;						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/162 - Gain advice from advisors and other consultants on responding to the Government consultation; response provided now moved into advice on setting up the pooling						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/163 - Keeping Members up to date, particularly new members following May 17 elections; on PFC agenda every quarter with update						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/164 - Take key decisions for action to next Full Council						CSD SR Senior Accountant Pensions	Wed-15-Feb-17	Wed-15-Feb-17	100%	
Reduction	44/165 - Provide Pooling briefing at January Members seminar						CSD SR Senior Accountant Pensions	Tue-31-Jan-17	Tue-31-Jan-17	100%	
Reduction	44/166 - Ensure Pension Board and employers are kept up to date on progress						CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%	
Reduction	44/167 - Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress as we move towards June 2018						CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%	
Reduction	44/447 - Ensure that as the sub-funds are set up that we can invest into and the process of transition is developed, NYPF have as much involvement as possible to shape this and ensure that it is suitable for our needs						CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
Fallback Plan									Action Manager		

Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification												
Risk Number	44/8	Risk Title	44/8 - Investment Strategy				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions	
Description	Failure of the investment strategy to achieve sufficient returns from investments					Risk Group	Strategic		Risk Type			
Phase 2 - Current Assessment												
Current Control Measures			Strategy reviewed through asset/liability modelling; risk budgeting; experience and knowledge of the market and suitable forms of investment; Member training; Independent Investment Adviser and Consultant reports; PFC workshops and sign off of strategy; regular monitoring of investment performance; fixed income review;									
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3	
Phase 3 - Risk Reduction Actions												
							Action Manager	Action by	Completed	%		
Reduction	44/1876 - Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Reduction	44/1878 - Monitor appropriateness of strategy against prevailing market conditions (including Brexit); Strategy session to be held in July 2017 with PFC members and our consultants to consider future options and potential changes to the strategy						CSD SR Senior Accountant Pensions	Mon-31-Jul-17		0%		
Reduction	44/1879 - Monitor the Advisor and Consultants reports and act on professional advice						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Reduction	44/1895 - Continue to monitor the impact of MiFID II and ensure we are ready for January 2018 implementation, likely to involve discussions with fund managers and an "opt up", more will be known following release of paper in July 2017						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Phase 4 - Post Risk Reduction Assessment												
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3	
Phase 5 - Fallback Plan												
										Action Manager		
Fallback Plan	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets								CSD SR Senior Accountant Pensions			



Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/20	Risk Title	44/20 - Fraud				Risk Owner	CD SR	Manager	CSD SR Senior Accountant Pensions	
Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation					Risk Group	Pers/Capacity	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Internal Audit; internal checking and authorisation procedures and levels in both pension section and finance; split between administration and finance; all third parties have regular audits and regulated by FCA; legally binding contracts in place; governance arrangements for the delegation of duties; use of BACS payments; monthly mortality monitoring; participate in National Fraud Initiative								
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1887 - Continually review processes and procedures including authorisation levels						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1888 - Ongoing internal audit assessment and annual review by external auditors						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1894 - Review of external manager audit and risk reports; reports are also viewed by internal audit						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	44/434 - Review incident and update procedures/processes accordingly							Action Manager CSD SR Pensions Manager CSD SR Senior Accountant Pensions			

Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/16	Risk Title	44/16 - Key Personnel				Risk Owner	CD SR	Manager	CSD SR Pensions Manager	
Description	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.					Risk Group	Capacity/performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Procedure notes; knowledge sharing; file management; deputies; co-operation between departments; pensions management meetings; comprehensive training matrix; PFC action notes; professional advisors; increase resources agreed in finance team;								
Probability	M	Objectives	M	Financial	L	Services	M	Reputation	L	Category	4
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1901 - Ensure effective management and transition arrangements are in place pending any review of management structure						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1905 - Continue to build resilience to meet current and anticipated future, demands and complexity						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1907 - Carry out appropriate induction and ongoing training for new PFC members						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1908 - Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	L	Services	M	Reputation	L	Category	4
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/441 - Identify temporary cover arrangements plus additional resources where required										CSD SR Senior Accountant Pensions CSD SR Pensions Manager

Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/10	Risk Title	44/10 - LGPS Regulations and Employer Related Legislation				Risk Owner	CD SR		Manager	CSD SR Pensions Manager
Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge					Risk Group	Performance		Risk Type	Int Fin 30/189	
Phase 2 - Current Assessment											
Current Control Measures		Specialist knowledge; designated members of staff; regular updates & comms with CLG; LGPC; Actuarial advice; Employers Forums; NEPOF; section training by specialist staff; specialist software; advice on calculations interpretations; investment mgt. agreement; awareness of overriding legislation; broadening of knowledge across MT; LGE advice; nat. technical pension group provide advice; Trustees knowledge and understanding toolkit; Pensions Administration team structure reviewed; training feedback received in order to continually strengthen understanding									
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/157 - Ongoing staff training programme					CSD SR Pensions Manager	Sun-31-Dec-17		0%		
Reduction	44/1895 - Continue to monitor the impact of MiFID II and ensure we are ready for January 2018 implementation, likely to involve discussions with fund managers and an "opt up", more will be known following release of paper in June 2018					CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
Fallback Plan	44/437 - Review existing interpretations, take legal advice and amend procedures as required							Action Manager			
								CSD SR Senior Accountant Pensions CSD SR Pensions Manager			



Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/11	Risk Title	44/11 - Benefit Payments				Risk Owner	CD SR		Manager	CSD SR Pensions Manager
Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Up to date procedures and procedural checking; pension software up to date; workflow system; authorisation procedures; pro formas; staff training; audit trail; internal and external audits; Pensions Administration Strategy; Manuals available for calculation procedure; action plan for clean data requirements; use of task checklists; ESS; payment timetable flowchart								
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1893 - Effective communication with employers, with particular regard to customer expectations						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
Reduction	44/1896 - Regular liaison with ESS regarding operational arrangements; will be holding monthly meetings to ensure understanding of the issues on both sides leading to continued improvement						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	L	Services	L	Reputation	M	Category	5
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/435 - Correct errors and review and amend existing procedures									CSD SR Pensions Manager	



Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/7	Risk Title	44/7 - Investment Manager				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Qrtly review of investment mgr targets; std terms and conds re termination of contract; ext advisers monitor mgrs perf; qrtly repts to Pension Fund Comm; benchmarking against other approp comparators; investment strategy review; risk budgeting exercise via Aon; reporting by Custodian; fund mgr attend at PFC; Member training; best practice procurement process; diversified portfolio of investments;								
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1873 - Continue to monitor and report on investment returns on a regular basis						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Reduction	44/1875 - Carry out when appropriate, a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager									CSD SR Senior Accountant Pensions	



Pension Fund

Risk Register: **June 2017 Review – detailed**
 Next Review Due: **December 2017**
 Report Date: **22nd June 2017 (cpc)**

Phase 1 - Identification											
Risk Number	44/14	Risk Title	44/14 - IT Systems				Risk Owner	CD SR		Manager	CSD SR Pensions Manager
Description	Failure of IT Pension system or other IT systems for more than 2 days (or a critical time) resulting in backlog, incorrect payments, increased overtime, criticism					Risk Group	Technological		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Manual payments, DR plan and tested, contracts for server maintenance, backups off site, major external providers have DR plans, manual calculation procedures, administration manuals, annual financial check, contingency plan in place, modern council; modern council working to aid resilience,								
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1884 - Regular review of contingency planning arrangements						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
Reduction	44/1898 - Sense check any IT recovery assumptions with Tech & Change run systems						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier								CSD SR Pensions Manager		

NORTH YORKSHIRE COUNTY COUNCIL**PENSION BOARD****20 JULY 2017****INVESTMENT STRATEGY STATEMENT****1.0 PURPOSE OF THE REPORT**

- 1.1 To update Pension Board Members on the progress made on the latest draft of the Investment Strategy Statement (ISS).

2.0 BACKGROUND

- 2.1 To remind Pension Board members, the LGPS (Investment and Management of Funds) Regulations 2016 came into force on 1 November 2016, replacing the 2009 Regulations. A new requirement of these Regulations was that administering authorities are required to have an Investment Strategy Statement (ISS) and that it be first published no later than 1 April 2017. This requirement replaces the previous requirement to maintain a Statement of Investment Principles (SIP).
- 2.2 The first draft of this document was taken to the February PFC meeting where it was approved. It was then sent to employers for consultation, there were no changes required from this. It was also circulated to the Pension Board for comments which were reflected in the initial document to be published. The document was published on the website prior to the deadline.
- 2.3 It was agreed at the February PFC meeting that as the ISS is a fluid document an updated version would be taken to the Pension Fund Committee for approval at the 6 July 2017 meeting. At the 20 April 2017 Pension Board meeting the ISS was taken to provide Pension Board Members with the opportunity to input any further feedback to allow the ISS to be updated prior to the July PFC meeting.
- 2.4 Pension Board member comments were reflected in the latest version along with the feedback from the Independent Professional Observer who was asked to comment on the ISS. He made a number of observations, particularly in relation to pooling investments and policies which may change through coordinating the approach with partner Funds within Border to Coast Pensions Partnership. Specifically, points were made on:
- Setting out the proportion of assets that will be invested through pooling
 - Summarising assets that would not be suitable for pooling
 - Considering the views of interested parties when making investments decisions based on non-financial factors
 - Explaining the approach to social investments
 - Reporting on voting activity in the Annual Report
 - Statement on investments in entities connected to the Administering Authority
 - Statement on persons consulted in relation to the ISS

3.0 RECENT EVENTS

3.1 The latest amended version of the ISS (attached as **Appendix 1**) was taken to PFC on 6 July 2017 where it was approved subject to the following wording refinements:

- Paragraph 6.4 – minor wording amendments
- Include an additional paragraph following paragraph 6.4 around the shareholders of BCPP

4.0 RECOMMENDATION

4.1 Pension Board Members note the content of the report.

NORTH YORKSHIRE PENSION FUND

INVESTMENT STRATEGY STATEMENT

TABLE OF CONTENTS

Section		Page
1	INTRODUCTION	2
2	OBJECTIVES OF THE FUND	2
2	INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS	2
3	THE SUITABILITY OF INVESTMENTS	4
4	THE APPROACH TO RISK	5
5	THE APPROACH TO POOLING	6
6	SOCIAL, ENVIRONMENTAL AND GOVERNANCE ISSUES	7
7	RIGHTS ATTACHED TO INVESTMENTS	8

1.0 INTRODUCTION

- 1.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS). This document is the ISS of the North Yorkshire Pension Fund (NYPF, or the Fund) for which North Yorkshire County Council (the Council) is the administering authority.
- 1.2 The Council has delegated all its functions as the administering authority of NYPF to the Pension Fund Committee (PFC, or the Committee). The Corporate Director - Strategic Resources, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities.
- 1.3 The Committee determines the investment policy of the Fund and has ultimate responsibility for the investment strategy. The Committee undertakes its responsibilities after taking appropriate advice from external advisers.
- 1.4 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

[1.5 The Pension Board and the Fund's employers have been consulted on the drafting of this document.](#)

2.0 OBJECTIVES OF THE FUND

- 2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The funding position will be reviewed at each Triennial Valuation with adjustments to the investment strategy, asset allocation and to investments with investment managers as required.
- 2.2 The investment objective of the Fund is to provide for sufficient capital growth of the Fund's assets in a range of market conditions, supplemented by employee and employer contribution income, to meet the cost of benefits as they fall due. It is translated into a suitable strategic asset allocation benchmark designed to address the nature of the Fund's liabilities, and deliver returns over the long term including through periods of volatility in financial markets.

3.0 INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS

- 3.1 The Committee reviews the investments of the Fund on a regular basis. The last review of the investment strategy took place in 2013 and there is an ongoing review of the strategy, alongside the 2016 Triennial Valuation, due to be completed in 2017. Additional reviews of individual asset classes have also taken place, with particular regard to diversification and suitability. The Committee receives advice from its Investment Consultant when undertaking such reviews.
- 3.2 These reviews provide a framework designed to produce the returns the Fund requires over the long term to meet its future liabilities. Each asset class invested in is allocated a range, and rebalancing takes place when values stray beyond them due to market conditions. Further rebalancing may take place based on tactical views of the Fund's advisers.
- 3.3 The Fund's current strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without specific reference to the Committee, however in practice the allocation is considered by the Committee each quarter and adjustments made as necessary.

	Minimum %	Benchmark %	Maximum %
Equities	50	62	75
Alternatives	10	20	20
Fixed Income	15	18	30

- 3.4 The largest proportion of the Fund's investments are in equities which is aimed at growing the value of assets over the long term. Other return seeking asset classes complement this goal, with the allocation to liability matching assets providing a measure of protection against rising liability valuations.
- 3.5 Each asset class is sub-divided into two or more mandates with different investment managers and operating to different benchmarks, further increasing the diversification of the Fund's investments.
- 3.6 The most recent changes to the strategy have been the addition of Alternatives, being Property (2012), Diversified Growth Funds (2013) and Private Debt (2016). These asset classes have served to further diversify the Fund's investments, spreading risk and reducing short term volatility.
- 3.7 Each investment manager operates to a specific benchmark and to specific mandate restrictions appropriate to their process and style, so that in aggregate, their activities are aligned to the overall performance requirements and risk appetite of the Fund. Each manager holds a range of underlying investments which reflects their views relative to their respective benchmarks, as permitted by their mandates.
- 3.8 The investment management arrangements of the Fund are as follows.

Manager	Mandate	Objective
Standard Life	UK Equities	To outperform the FTSE 350 (excluding Investment Trusts) Equally Weighted Index by 3% pa over the long term
Baillie Gifford	Global Equities (Global Alpha)	To outperform the FTSE All World Index by 2% over the long term
Baillie Gifford	Global Equities (Long Term Global Growth)	To outperform the FTSE All World Index by 3% over the long term
Dodge & Cox	Global Equities	To outperform the MSCI All Country World Index over a market cycle
Veritas	Global Equities	To outperform CPI + 6% to 10% over the medium term
Fidelity	Overseas Equities	To outperform an MSCI geographically weighted index by 2% pa over the medium term
Newton	Diversified Growth Fund	To outperform LIBOR by 4% over the medium term
Standard Life	Diversified Growth Fund	To outperform LIBOR by 5% over the medium term
Hermes	UK Property	To outperform the IPD Other Balanced Property Funds Index by 0.5% over the medium term

Legal & General	UK Property	To outperform the IPD All Balanced Property Funds Index over the medium term
Threadneedle	UK Property	To outperform the IPD All Balanced Property Funds Index by 1% to 1.5% over the medium term
M&G	UK Government Bonds	To outperform liabilities by 0.5%
ECM	European Corporate Bonds	To outperform LIBOR by 3%
BlueBay	Private Debt	IRR of 9% gross (7% net) including 4.5% cash yield
Permira	Private Debt	IRR of 9% gross (8% net) including 5% cash yield

3.9 The Fund is permitted to invest up to 5% in entities connected to the administering authority. There are currently no such investments.

4.0 THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENTS

4.1 The following categories of investment have been approved as suitable for the NYPF.

UK Equities provide a share in the assets and profitability of public companies floated on UK stock exchanges. Capital gains and losses arise as share prices change to reflect investor expectations at the market, sector and stock levels. Income is derived from dividends.

Overseas Equities are similar to UK Equities but allow greater diversification amongst markets, sectors and stocks. Valuations are affected by exposure to movements in the relative value of the foreign currencies in which investments are made against sterling. Exchange rates are likely to reflect differentials in inflation so should not affect returns materially over the long term, but over the short term currency movements may significantly add to or subtract from returns. Equities are expected to provide high returns compared to other asset classes (the "equity-risk premium").

UK Bonds are debt instruments issued by the UK Government and other borrowers. Bonds provide a fixed rate of interest and are usually redeemed at a fixed price on a known future date. Valuations primarily reflect the fixed level of interest, the period to redemption and the overall return demanded by investors. They are vulnerable to rising inflation and correspondingly benefit from falling inflation.

Overseas Bonds are similar to UK Bonds but have exposure to currency exchange rate fluctuations. As with UK bonds they are influenced by local inflation rates.

Index Linked Bonds are bonds that provide interest and a redemption value directly linked to a measure of inflation, usually the Retail

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Price Index or a similar index. The returns from this asset class act as a useful proxy for movements in liability values.

Diversified Growth Funds are an alternative way of investing in shares, bonds, property and other asset classes. These funds are managed by specialist multi-asset managers and target returns slightly below that of equities but with significantly reduced volatility due to the diversification of their constituent parts.

UK Property is an investment in buildings, indirectly through pooled vehicles. Capital gains and losses occur as prices fluctuate in line with rental levels and investor demand. Income is generated from rents collected from tenants. The nature of rental agreements gives property some of the characteristics of bonds, whilst growth and inflation provide some of the characteristics of equities. It is, therefore, a useful diversifying asset class.

Private Debt is loan arrangements provided directly to companies over the medium term for an index linked return, significantly above rates charged by commercial banks. Typically they are provided through pooled fund arrangements and require that investors commit funds for a period of 5 to 7 years, with income and capital being returned throughout that time.

Derivative Instruments such as options and futures are mechanisms through which the Fund can be protected from sudden changes in share prices or exchange rates. Although not income producing they can result in capital gains and losses. They may be used to hedge the Fund's exposure to particular markets.

Cash is invested in authorised institutions in accordance with the treasury management policy of the Council under the terms of a Service Level Agreement and attracts interest at market rates.

4.2 Each asset class has different return expectations and volatility characteristics. They are blended to produce the optimal investment return while taking an appropriate level of risk. Periodic investment reviews assess whether this blend requires adjustment, including through the addition of new asset classes, to take account of changing market conditions and the evolving asset and liability profile of the Fund. Tactical rebalancing also takes place, as required. All monitoring, reviews and rebalancing is undertaken after taking advice from the Fund's Investment Consultant.

4.3 The 2016 Triennial Valuation was prepared on the basis of an expected return on assets of 5.9% over the long term. This return is 1.5% above the discount rate used to calculate the Fund's liabilities and reflects a "probability of funding success" as described in the Funding Strategy Statement of 75%. This is based on the Fund's current asset mix and assumes no outperformance from active management.

5.0 THE APPROACH TO RISK, INCLUDING THE WAYS IN WHICH RISKS ARE TO BE MEASURED AND MANAGED

5.1 The Fund aims to achieve its funding objective by taking an appropriate level of risk, through investing a proportion of funds in growth assets. Ongoing monitoring of the risk profile takes place including reassessing its appropriateness through investment strategy reviews and at the quarterly meetings of the PFC when appropriate. Close regard is paid to the ongoing risks which may arise through a developing mismatch, over time, between the assets of the Fund

and its liabilities, together with the risks which may arise from any lack of balance/ diversification of the investment of those assets.

- 5.2 The risk of financial mismatch is that the Fund's assets fail to grow in line with the liabilities. It is managed by the Committee through a review of the assumptions used to calculate the Fund's liabilities at each Triennial Valuation, and an assessment by the Actuary of the Fund's asset allocation strategy of the probability of achieving funding success. This assessment forms the basis for subsequent asset allocation reviews aimed at controlling risk and further improving the funding position.
- 5.3 Longevity risk and other demographic factors are assessed at each Triennial Valuation. The Committee reviews national and Fund specific trends as part of this process.
- 5.4 Systemic risk, being the possibility that an event akin to the financial crisis occurs, is mitigated through the diversified nature of the Fund's asset allocation strategy. The Committee has taken steps since 2008 to spread investments across a larger number of asset classes which behave differently in different market conditions. The risks associated with individual asset classes, the combined nature of risks at Fund level are reassessed at each strategy review and changes made as appropriate.
- 5.5 This diversification across asset classes and across investment managers within each asset class significantly mitigates concentration risk, so that the effect of underperformance of any one asset class or investment manager is minimised. Rebalancing activity prevents departure from the strategic asset allocation benchmark.
- 5.6 The significant majority of the Fund's assets are invested in liquid investments, so that the risk of illiquidity, being an inability to meet liabilities as a result of a lack of liquid assets, is minimal. The risk is further managed by cashflow forecasting.
- 5.7 Currency risk is that the Fund's assets, the majority of which are overseas, underperform relative to Sterling. This risk is managed through a periodic assessment of currency exchange rates including receiving advice on the suitability of hedging the major currencies the Fund's assets are denominated in.
- 5.8 Agreements with the Fund's custodian and investment managers provide protection against fraudulent losses. In addition regular checks are undertaken by independent auditors of the custodian's and investment managers' systems. These organisations have internal compliance teams which also monitor and report on risk.
- 5.9 The Fund maintains a Risk Register which identifies the key risks, an assessment of the potential impact of each risk should it occur, and the controls and contingency plans in place to mitigate the likelihood and severity of each risk. The Risk Register is reviewed by the PFC annually and by the Pension Board semi-annually.

6.0 THE APPROACH TO POOLING INVESTMENTS, INCLUDING THE USE OF COLLECTIVE INVESTMENT VEHICLES AND SHARED SERVICES

- 6.1 The Fund is a member of the Border to Coast Pensions Partnership ("BCPP", or "the Pool"). The proposed structure and basis on which the BCPP will operate was initially set out in the July 2016 submission to Government and is currently under review as part of the plans for formal creation of the Pool vehicle.
- 6.2 The key criteria for the assessment of the Pool are that it provides a suitable solution that meets the investment objectives and asset allocation strategy of the Fund and that there is significant financial benefit to joining the arrangements.
- 6.3 The change in arrangements is that the Pool will be responsible for manager selection and monitoring, which is currently a responsibility of the Committee. The responsibilities for

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determining the investment strategy and asset allocation strategy will remain with the Committee.

6.4 At the time of preparing this statement the details of the pooling arrangements are being finalised. However it is expected that approximately 96% of NYPF's assets will be transitioned into the Pool once suitable sub-funds are in place, and that certain illiquid investments, comprising approximately 4% will be retained by NYPF. The legal structures of these illiquid assets are such that it is not practical to transfer ownership without a substantial loss in value. New investments will be made through the Pool wherever possible.

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6.5 The July 2016 submission to Government of BCPP, available on the Fund's website www.nypf.org.uk, provided a statement addressing an outline structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. Government approved this approach on 12 December 2016. The Fund has subsequently been working with the BCPP to progress final arrangements.

6.6 Arrangements include establishing a Financial Conduct Authority regulated company to manage the assets of BCPP partner funds. Based on legal advice describing the options on holding shares in this company (BCPP Limited), the Fund will hold all voting and non-voting shares rather than the Council. This is because the purpose of the company is to meet the needs of the constituent Funds in complying with the regulations on pooling, rather than for a Council specific purpose.

6.7 The Fund will hold the Pool to account through having a representative on the Joint Committee, which as an investor will monitor and oversee the investment operations of BCPP Limited. It will also have a representative on the Shareholder Board, which will as an owner provide oversight and control of the corporate operations of BCPP Limited.

6.8 An annual report will be submitted to the Scheme Advisory Board providing details of assets transferred into the pooling arrangement.

6.9 As the Pool develops and the structure and governance of the Pool are established, the Fund will include this information in future iterations of the ISS.

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7.0 HOW SOCIAL, ENVIRONMENTAL OR CORPORATE GOVERNANCE CONSIDERATIONS ARE TAKEN INTO ACCOUNT IN THE SELECTION, NON-SELECTION, RETENTION AND REALISATION OF INVESTMENTS

7.1 The PFC takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries. It is recognised that environmental, social and governance ("ESG") factors can influence long term investment performance and the ability to achieve long term sustainable returns. Investment advice received by the Fund implicitly includes these factors. Therefore, as a responsible investor, the Committee wishes to promote corporate social responsibility, good practice and improved performance amongst all companies in which it invests.

7.2 The Committee considers the financial impact of ESG factors on its investments through regular reporting by the Fund's investment managers. Engagement with company management and voting behaviour are integral to investment processes aimed at improving performance in companies in which they invest.

7.3 As well as delegating the Fund's approach to ESG issues to its investment managers, NYPF is also a member of the Local Authority Pension Fund Forum (LAPFF) which is the UK's leading collaborative shareholder engagement group. This organisation promotes ESG good practice on behalf of over 70 LGPS funds. Its activity acts as a complement to that undertaken by the Fund's investment managers. Any differences in approach are discussed with the Fund's investment managers so that the reasons are fully understood.

7.4 The Fund is compliant with the six principles on investment decision making for occupational pension schemes, as set out in the guidance published by the Chartered Institute of Public Finance and Accountancy in December 2009 called "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

7.5 Any evaluation of social investments is made on the same basis as other investment opportunities, in taking into account financial and non-financial factors.

8.0 THE EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO INVESTMENTS

8.1 The Committee has delegated the exercise of voting rights to Pension Investment Research Consultants Limited (PIRC). Votes are executed by PIRC according to predetermined Shareholder Voting Guidelines agreed by the PFC, available on the Fund's website. These guidelines are aligned to the UK Stewardship Code and to best practice in other jurisdictions. Votes are cast for all UK equities held by the Fund, and for non-UK holdings where practicable. The Fund monitors voting decisions on a regular basis and a summary is included in the Fund's Annual Report.

8.2 The Fund adheres to the Stewardship Code as published by the Financial Reporting Council. The Committee will expect both BCPP Ltd and any investment managers appointed by it to also comply with the Stewardship Code.

8.3 The Fund's collective engagement activity through the LAPFF supports the voting activity undertaken by PIRC.

8.4 The Fund aims to adopt the Principles of the Financial Reporting Council's UK Stewardship Code. A Statement of Compliance will be published on the Fund's website in 2017.

12 June, 2017

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North Yorkshire County Council**Pension Board****20 July 2017****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

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. A progress report from Members is requested regarding modules still to be completed and likely timescales for this. Members are also requested to outline which of the modules they consider to have been of most use to their service to the Board, and which were less so.

Pension Board members are asked to discuss and identify their specific learning and development requirements with officers who will make appropriate arrangements for attendance at training events.

5.0 Recommendations

- (i) That Members provide an update regarding any Pensions Regulator modules still to be completed and likely timescales for this, and give details of which of the modules they consider to be of most use.
- (ii) That Members should continue to identify any appropriate training needs.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

Background Documents: Pensions Regulator on-line training modules

Pension Board Members - Training, Meetings and Events

Appendix 1

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 Cuthbertson	Phil MacDonald
04/06/15	Training Event for Pension Board Members	LGA	Marriott Hotel, Leeds			X		X	X	X		
03/07/15	Pension Board Member Training	AON	Leeds		X					X		
17/07/15	Pension Board Member Training	AON	Leeds		X	X				X		
24/07/15	Pension Board Member Training	AON	Leeds			X				X		
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA			X	X	X	X			X	
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA		X	X	X	X	X			X	
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA		X	X	X	X	X	X	X	X	
14/01/16	Governance for North Yorkshire Pension Board	Peter Scales – Independent Observer for the North Yorkshire pension fund	County Hall	X	X	X	X	X	X	X	X	
29/06/16	Local Pension Board Conference	CIPFA & Barnett Waddingham		X								
01/03/17	LGPS Spring Seminar	CIPFA & Barnett Waddingham		X								X
28/06/17	Local Pension Boards 2 years on	CIPFA & Barnett Waddingham		X								
29/06/17 and 30/06/17	Annual LGPS “Trustees” Conference	LGA		X								X
17/09/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
26/11/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X	X					
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X	X					
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X	X					

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 Cuthbertson	Phil MacDonald
19/05/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
07/07/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
15/09/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
24/11/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
26/01/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X		X		X	X	X	X
23/02/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
31/03/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
25/05/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X								
25/11/16	North Yorkshire Pension Fund Manager Meeting	NYPF	County Hall	X								
24/02/17	North Yorkshire Pension Fund Manager Meeting	NYPF	County Hall	X								
03/03/16	Audit Committee Training Session - Counter Fraud	NYCC	County Hall	X						X		
03/02/17	Audit Committee Training Session - Cyber Security and General Information Governance	NYCC	County Hall	X						X		

North Yorkshire County Council**Pension Board****20 July 2017****Conferences /Training Events - Feedback****1.0 Purpose of the Report**

To provide feedback from recent conferences/training events attended by Pension Board Members.

2.0 Background

The following Conferences/training events were attended by the Chairman of the Pension Board, David Portlock, and Phil MacDonald, as indicated:-

- Local Pension Boards – Two Years On (CIPFA Conference) – David Portlock (Chairman)
- “Brave New World” (LGPS Conference) - David Portlock (Chairman) and Phil MacDonald

Appendix 1, attached to the report, provides feedback on Local Pension Boards – Two Years On (CIPFA Conference) and was compiled by David Portlock;

Appendix 2, attached to the report, provides feedback on “Brave New World” (LGPS Conference) and was compiled by Phil MacDonald.

3.0 Recommendations

- (i) That Members note the feedback reports provided and determine what action, if any, should be taken by the Board as a result of the issues raised.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

Background Documents: Presentations provided at:-

- Local Pension Boards – Two Years On (CIPFA Conference)
- “Brave New World” (LGPS Conference)

CIPFA - Local Pension Boards Two Years On....Conference 28 June 2017

Headline Issues & Questions for NY Local Pension Board

Pensions Regulator Update

- The results of the TPR survey in 2016 have just been published on TPR website – see <http://www.thepensionsregulator.gov.uk/public-service-schemes/research-and-analysis.aspx?xtor=ES-231-%5bGovernance&Administration%5d-20170630-%5bPscontacts%5d--&ed2f26df2d9c416fbddddd2330a778c6=fjfxvgvf-fqdaxgrd> for summary and detailed results. We were told that the survey had been sent to Scheme Managers for completion – **who within NYPF received and completed the survey?**
- TPR will be using its enforcement powers much more robustly from now on
- Reporting Breaches of Law - **what is the NYPF process for deciding whether Breaches of Law should be reported? Do officers consult with the Chairs of PFC/PB or the Treasurer/Monitoring Officer?**
- TPR will be addressing Cyber Security over coming year. Administering Authorities will be expected to have robust arrangements in place. No definition of “robust” given, but you’ll know you haven’t got robust arrangements if for example systems crash, there is inadequate back-up or personal and confidential information is hacked!
- Governance, record-keeping, internal controls and member communications are TPR’s key focus areas for 2017/18

DCLG

- The current DCLG team of 5 is relatively inexperienced in LGPS issues
- Some comfort from the fact that Marcus Jones continues to be the Minister with responsibility for LGPS
- Period of uncertainty following snap election and Brexit distraction

Pension Ombudsman

- **Has NYPF had any involvement with the Ombudsman – eg any Determination Opinions/Letters?**
- **How many complaints are made to the Scheme Manager?**
- **Does NYPF receive the Ombudsman Interactive Newsletter?**

Cyber Security and the LGPS

- This was a presentation by Squire Patton Bogs (Lawyers)
- PB can add value and ask the “awkward” questions....
- Consider if PB members should be given a specific secure non-home email address
- Consider use of secure devices rather than “paper packs”
- GDPR (effective from May 2018) should be considered now. **What is NYPF’s timetable and plan for implementing GDPR?**
- **Does NYPF use “3rd party” processors? If so, for what?**
- **Do Auditors, Actuaries, Internal Audit, Printers to name some examples have robust procedures in place for data protection in connection with data transferred from NYPF?**
- From May 2018 there will be only 72 hours to report breaches. **Does NYPF have a *Data Breach Plan*? What are the obligations on “3rd party” processors for reporting breaches to NYPF (service provider agreements will need to be reviewed)?** The 72 hours is an absolute period – it will include weekends and the time taken for “3rd party” processors to notify NYPF.
- **How is NYPF approaching the requirement for Enhanced Privacy Notices and the need to communicate about these with pension scheme members?**
- Slides 80 & 81 provide suggested *First Steps Towards Compliance*

Scheme Advisory Board

- Cost Transparency, whilst currently voluntary, is in the spotlight! **Has NYPF signed up to the *LGPS Advisory Board Code of Transparency*?**
- See slides 97 & 98 for Fund Managers who have so far signed up. **Are NYPF discussing cost transparency with its Fund Managers - if not why not?**

Potential issues for PB Work Plan 2017/18 (in no particular order of priority)

- Data Quality
- Cyber Security
- Governance for Pooling
- TPR priorities – governance, record-keeping, internal controls, member communications
- Cost Transparency
- PB Member competency and skills
- PB succession planning

LGPS Trustee Conference, Bournemouth on 29/30-Jun-17

Headline Issues & Questions for NY Local Pension Board

Context

- 'Brave New World' conference, so called because of the speed of implementation of asset pooling and BREXIT
- LGPS biggest in UK at c£216b, after USS at c£54b and the third largest in Europe
- LGPS Scotland is £26b and Northern Ireland £6b
- LGPS 5.3m members
- 89 LGPS schemes across England and Wales
- unclear why LGPS developed like it did into so many separate funds, it was noted that if we were to start again a different model (perhaps a funded model like the NHS and Teachers pension schemes) might be preferable

Funding level

- 85% (£37b liability) funding at '16 (72% at '13) although it would be c100% if valued in '17, all distorted by high investment yields and low bond yields of course
- a longer term view would be much more sensible rather than this expensive to administer 3 year lottery of valuations
- primary (CARE contributions) rates up, secondary (deficit contributions) variable
- LGPS nationally is in a healthy position overall right now because investments are up, inflation down, salary increases down and there is a slow down in life expectancy projections (-0.5% saving) and reduced ill health. **Has NYPF the Risk Management strategy been reviewed to 'lock-in' some of the gains?**

Ethical/Responsible Investment

- Environmental, Social and corporate Governance (ESG) pressures. **What approach does NYPF adopt; Level 1, 2 or 3? What do our Scheme Members want, are they prepared to risk investment returns for ESG?**

Asset Pooling

- re asset pooling, 8 pools of between £25b-£43b planned for Apr-18. **What's the status of our Border to Coast asset pool right now? Is it our intention to 'build and operate' as the London asset pool or 'outsource' set up as the Welsh asset pool?**
- unprecedented scale and complexity, we must not underestimate set up resources
- from London's experience, it takes much longer than you think

- only 46% of LGPS members got their annual benefits statement by the statutory deadline each year, not good enough from a TPR viewpoint. **Do our Scheme Members get their benefit statements on time every year?**
- **If asset pooling is such a good idea, why not have 1 fund like USS? Won't we have 1 fund in say 10 years time anyway or will the £216b of LGPS assets be transferred to Government coffers to bring it into line with the other public sector schemes such as the NHS or Teachers?**
- **It'd be a good idea to benchmark the performance of the 8 asset pools, set up costs and investment performance?**

Employer Concerns

- anecdotally, many employers want to leave lgps we're told
- higher bar (funding contributions) for employers wanting to exit within 10 years discussed
- may need a different risk profile per employer, one size does not fit all

Procurement

- £35m saved through national framework agreements for Fund Managers, etc
- **I'd be keen to see if we are using Baillie Gifford etc via the most cost effective means, via a framework if that's the case?**
- equally, I'm more interested in quality as much as price and in particular the overall performance of fund managers benchmarked against appropriate scales
- FANG stocks: Facebook, Amazon, Netflix and Google have a combined value equal to the entire FTSE100

VFM Thoughts re the Conference Itself

- **so was the conference good value, did I learn things and would I go again?**
- other funds sent at least two representatives, some a lot more with many Elected Members there too
- we are required as Pensions Board members to continually refresh our pensions training and evidence this, the conference was a convivial way to do this in a relaxed atmosphere and to hear and question thought leaders in the LGPS field
- personally, I learned a great deal and I am now able to much better contextualise where the NYPF fits in with other big pension schemes across the Europe. Equally it was great to sit next to and chat informally with the big names who are driving the LGPS agenda forward for government, particularly asset pooling where we clearly need to catch up quickly

- c£750 cost per person, a third of this being trains to Bournemouth return but this needs to be considered in the context of doing the right thing for a c£3b NYPF
- I would go again, perhaps every third year so that we could rotate other Pension Board members and give them the same learning opportunity

Phil MacDonald, 30-Jun-17

North Yorkshire County Council

Pension Board

20 July 2017

Work Programme

1.0 Purpose of the Report

To detail the areas of planned work by the Pension Board

2.0 Future Activity

The previous report to the Board set out a number of areas that could be identified as potential priority areas of work for Board Members to provide scoping reports to subsequent meetings, in a similar way to that provided in relation to the review of Employer and Administering Authority Discretions currently being developed by Ben Drake.

These are replicated below with a view to identifying a plan of work for the Board, for the coming year, as highlighted in the work plan set out in appendix 1 to this report.

The following are potential areas that could be identified as areas for review and the subject of scoping reports at forthcoming meetings:-

1. **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.
2. **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.
3. **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.
4. **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.
5. **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.
6. **Pooling arrangements and Governance.** Comment: Subsequently this was added to the Work programme and will be the subject of further discussion at subsequent meetings.

It may be appropriate for Board Members to determine the issues on which they would like to consider leading on, and determine a timescale for a review, with consideration given as to when it would be appropriate to submit a scoping report. Consideration of these factors can be undertaken outside of the meeting, and fed back to Legal and Democratic Services subsequently.

Resources would be made available, via Legal and Democratic Services, to assist Board Members with their approach to this.

3.0 Recommendations

That members:

- i) Review and agree updates to the Work Plan (as set out in Appendix 1);
- ii) Consider a timetable for taking topics forward;
- iii) Following the meeting determine which issues that individual Board Members would consider leading on and provide a short scoping report on, and inform the Clerk accordingly;
- iv) Consider and request (via the Clerk) supporting resources which may be required to take the reviews forward.

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Background Papers - None

PENSION BOARD WORK PLAN

APPENDIX 1

	Jan 2017	20-Apr-17	20-Jul-17	12-Oct-17	18-Jan-18	12-Apr-18	
<u>Business planning</u>							
1	Agree plan for the year	✓				✓	
2	Review Terms of Reference		✓			✓	
3	Review performance against the plan	✓	✓	✓	✓	✓	
4	Report to the PFC / NYCC		✓	✓			
5	Report to Scheme Advisory Board / DCLG		✓	✓			
<u>Compliance checks</u>							
6	Review regular compliance monitoring reports		✓		✓		✓
7	Review the compliance of scheme employers						
8	Review such documentation as is required by the Regulations						✓
9	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	
10	Review the outcome of external audit reports				✓		
11	Review annual report				✓		
12	Review the compliance of particular issues on request of the PFC						
13	Review the outcome of actuarial reporting and valuations		✓				
14	Assist with compliance with the UK Stewardship Code				✓		
<u>Administration procedures and performance</u>							
15	Review management, administrative and governance processes and procedures						
16	Monitor complaints and performance						
17	Review the Internal Dispute Resolution Process						
18	Review cases referred to the Pensions Ombudsman						
19	Review the implementation of revised policies and procedures						
20	Review the exercise of employer and administering authority discretions			✓			
21	Assist with the development of improved customer services						
22	Monitor performance of administration, governance and investments						
23	Review processes for the appointment of advisors and suppliers						
24	Monitor investment costs						
25	Review the risk register	✓		✓		✓	
26	Assist with the development of improved structures and policies						
27	Assist in assessing process improvements on request of PFC						
28	Assist with asset voting and engagement processes						
29	Pooling arrangements and governance	✓	✓	✓	✓	✓	✓
<u>Communications</u>							
30	Review scheme member and employer communications						
<u>Training</u>							
31	Review Pension Board knowledge and skills self assessment	✓	✓	✓	✓	✓	✓
32	Review training log	✓	✓	✓	✓	✓	✓
33	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.