

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 20 July 2017 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Louise Branford-White (Hambleton District Council) and Phil MacDonald (Hull University)

Scheme Members:

Mandy Swithenbank (GMB) and Gordon Gresty.

In attendance:-

County Council Officers: Amanda Alderson, Phillippa Cockerill, Steve Loach and Jo Wade.

Copies of all documents considered are in the Minute Book

93. Apologies and Welcome

Apologies were received from County Councillor Mike Jordan (NYCC), Councillor Ian Cuthbertson (City of York Council), Ben Drake (Unison) and Stella Smethurst (Unison).

The Chairman welcomed Phillippa Cockerill as the recently appointed Head of Pensions Administration. She gave a brief outline of her background and experience.

94(a) Minutes

Resolved -

That the Minutes of the meeting held on 20 April 2017, having been printed and circulated, were taken as read and confirmed and signed by the Chairman as a correct record, subject to the following alterations:-

Minute No. 85 - Draft Minutes of the Pension Fund Committee meetings held on 23 February 2017 and Special Meeting on 31 March 2017 - sentence two - remove "stating that", to avoid repetition of this.

Minute No. 89 - LGPS Pooling - Update - paragraph three, sentence one - remove the word "been".

94(b) Progress on Issues raised by the Board

It was noted, by the Chairman, that the majority of issues highlighted were agenda items for this meeting and would be discussed at the relevant point.

In relation to the review of employer discretions it was noted that further consideration of how this would progress would be undertaken during the work plan item on the agenda.

A Member noted that pooling was not included as an agenda item for this meeting and asked whether there would be an update. It was noted that the matter would be discussed during consideration of the Minutes of the Pension Fund Committee.

It was noted that, at this time, there had been no progress in relation to the appointment of Scheme Member representation, through a co-option process, to the Pool's Joint Committee.

Resolved -

That the report be noted.

95. Declarations of Interest

There were no declarations of interest submitted.

96. Public Questions or Statements

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

97. Draft Annual Report

Considered -

The draft Annual Report of the Pension Board to 31 March 2017. The Chairman stated that the report attempted to encapsulate the work of the Pension Board since its establishment in July 2015.

Members were requested to consider the details provided and submit comments and observations in relation to those.

The Chairman thanked Amanda Alderson (North Yorkshire Pension Fund) and Steve Loach (Legal and Democratic Services) for their assistance in producing the draft Annual Report.

Members raised the following issues and points in relation to the report:-

- ◆ It was considered appropriate that the budgetary figures for 2015/16 also be included by way of comparison to the 2016/17 figures. Officers stated that these would be provided.
- ◆ The format of the report was queried, however, it was clarified that the format was based upon other Pension Boards' Annual Reports, and advice from the Pension Fund's Independent Observer, and that the style could be determined by the Pension Board, as the owner of the report.

- ◆ A number of suggested amendments to the Appendices and the report were provided by Members including:-
 - the removal of reference to travel costs being borne by employers within the main report
 - reference to the conflicts of interest policy being reviewed annually being included
 - updated copies of the training programme and the work plan be included, following their consideration later in this meeting.

Resolved -

- (i) That the amendments to the report and Appendices, as detailed, be undertaken.
- (ii) That, following the implementation of the amendments, the report be circulated to Members of the Board for final approval.
- (iii) That the finalised report be circulated to the Treasurer of the Pension Fund, the Chairman of the Pension Fund Committee and the County Council's Monitoring Officer, with a view to this being submitted to the Pension Fund Committee and County Council before being published on the appropriate websites.

98. Minutes of the Pension Fund Committee meeting held on 25 May 2017 and a verbal update on the meeting held on 6 July 2017

The Chairman provided highlights from the meetings and the following issues and points were raised:-

- ◆ A discussion was undertaken in relation to the Pension Fund Committee's previous suggestion that some investments would be put into less volatile funding categories to minimise the risk on the solvency of the Fund and it was asked, now that the Fund was over 100% funded, whether this would gather pace. It was noted, in response, that the Pension Fund Committee was currently undertaking an investment strategy review and this factor would be considered alongside others. The Chairman noted that some discussions had already taken place in relation to the direction of the investment strategy at meetings held on 6 and 7 July 2017.
- ◆ An update was provided in respect of the appointment and recruitment of non-Executive Directors to BCPP. It was noted that the position of Chairman was about to be filled and it was expected that the position of Chief Executive would be in place by mid-August 2017. It was stated that the Government had been advised that the Pool would not be operational until July 2018, which had been accepted, despite being outside 1 April 2018 deadline. It was noted that the other Pools throughout the country were in different positions regarding the appointment of personnel and their commencement dates. It was stated that both the Pension Fund Committee and the Pension Board would continue to monitor the establishment of BCPP.
- ◆ The Chairman outlined that the meeting on 6 July allowed the Pension Fund Committee to consider the draft Statement of Final Accounts and approve changes to governance documents. He noted that, ultimately, the County Council's Audit Committee approved the Final Accounts with the Pension

Fund Committee having sight of these to forward any feedback they may have to Audit Committee.

- ◆ The Chairman noted that the Pension Fund Committee had agreed to develop a training policy, a breaches policy and a risk policy in relation to the operation of the Pension Fund. He suggested that a training policy may also be appropriate for the Pension Board. Members were asked to comment on the development of these policies. A Member considered that a risk policy would not enhance the process and did not consider that it was required, however, officers highlighted the need for the policy as the strategic document determining the risks and how they were managed.
- ◆ Issues around the production of Annual Benefits Statements were discussed and it was asked whether the statutory deadline would be met. In response it was noted that good progress is being made, however, some employer returns were still outstanding and the Benefits Statements would not be issued due to that. It was noted that, when the statutory deadline had passed, a discussion would be required as to whether the Pensions Regulator should be notified of a breach. This matter would be determined in due course.
- ◆ The Chairman acknowledged that the Communication Policy Statement made reference to the Pension Board's involvement. He noted that the policy stated the Pension Board Members had been provided with copies of the NYPF newsletter but he had not received a copy. In response it was stated that this was circulated annually and that Members of the Pension Board and Pension Fund Committee should receive copies of this.
- ◆ A Member suggested that he required information regarding pooling arrangements on a timelier basis to enable him to update the website and provide meaningful information to pensioners and deferred pensioners. He considered that, currently, this was not the case.
- ◆ The Chairman noted that the issue of applying sanctions to employer organisations when payments, or data, had not been provided appropriately had been discussed. Officers indicated that sanctions were only applied as a last resort, and every effort was made to work alongside the employers, to overcome the difficulties and ensure that requirements were met appropriately. It was noted that training and education processes were in place in terms of the supply of payments and data from employers and it was emphasised that every effort was made to maintain a working relationship between the Pension Fund Administration and employers. Members supported the approach undertaken, but emphasised the need to invoke sanctions on occasions, particularly where an employer had not been responsive on a number of occasions.
- ◆ It was noted that some of the data presented by employers was not of a suitable quality to enable Annual Benefit Statements to be produced, as details had not been corroborated effectively. The Pensions Administrations Team were addressing the situation and were working with employers to ensure that suitable processes were in place to verify the data provided. It was suggested that this could be a matter for the Pension Board to consider in terms of a work-stream project and further consideration would be given to this issue in respect of the work plan for the Pension Board.

- ◆ The Chairman highlighted the Investment Strategy Workshops being undertaken by the Pension Fund Committee and how the development of the strategy was seeking to reduce some of the risk around investments, with details to be submitted to the meeting of the Pension Fund Committee in September. Appropriate options for disinvestment and less volatile investments were currently being sought through the Investment Strategy Workshops and these would be reflected in the subsequent Investment Strategy.
- ◆ In terms of rebalancing the Fund, issues around the specifics of how that would be undertaken were discussed and it was noted that officers were in a position to carry out these rebalancing exercises, without having to refer each matter to the Pension Fund Committee as they are to bring the Fund back in line with the approved Investment Strategy. These matters were brought to the attention of the Chairman and Treasurer of the Pension Fund Committee and reported to subsequent meetings where actions had been undertaken.

Resolved -

That the issues and points raised be noted and actions indicated be undertaken accordingly.

99. Internal Audit Reports

Considered -

The report of Veritau Limited seeking approval for the planned programme of Internal Audit work to be undertaken in 2017/18, in so far as the Pension Board was concerned.

Ian Morton, Audit Manager, Veritau Limited, attended the meeting and outlined the audits planned for 2017/18 in terms of the North Yorkshire Pension Fund. He noted that the Investment audit was carried out retrospectively and involved reviewing information provided by Investment Managers, therefore, the audit covering the 2016/17 year was currently still in progress and would be reported to the Pension Board when completed. In view of that it had been decided that the 2017/18 Audit Plan would not include an investment audit, with this being undertaken at the beginning of the 2018/19 audit year. It had been decided to undertake a governance audit during 2017/18 which would review compliance against recent guidance and regulations and the Code of Practice issued by the Pensions Regulator.

Full details of the proposed audits were provided in an Appendix to the report, and these would focus on Pension Fund governance arrangements, Pension Fund income and Pension Fund expenditure.

Members discussed the report and the following issues and points were raised:-

- ◆ It was asked when the governance audit was likely to be completed. In response it was stated that the audit was expected to be undertaken reasonably quickly with a view to completing by September/October 2018, however, it was emphasised that the length of the audit depended on officers' availability and work pressures, as to when that would be completed.

- ◆ It was noted that the County Council's Audit Committee would agree the final Audit Plan, however, the details were provided to assist the Pension Board's consideration of how this was progressing.

Resolved -

That in so far as the Pension Board is concerned, the Pensions Fund Audit Plan for 2017/18 be agreed.

100. Review of Risk Register

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing Members with an opportunity to comment on the Pension Fund Risk Register.

It was noted that the Register highlighted two risks ranked as red, five as amber and three as green, with the assessment of the highest ranked risks primarily driven by the financial impact each could have if the risk occurred. One of the red risks related to LGPS pooling arrangements which was currently considered the key risk of the Pension Fund. It was noted that the Pension Fund solvency also remained 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, were based.

The latest version of the Risk Register, which was attached as an Appendix to the report, was taken to the Pension Fund Committee on 6 July 2017 where it was approved.

Members undertook a detailed discussion on the report and the following issues and points were raised:-

- ◆ With reference to the risk related to the pooling arrangements a Member asked how a comparison of the development of the arrangements could be undertaken unless the Pension Board was provided with reports relating to that development, including the costs. It was suggested that the reports were essential to ensure that a comparison of how progression was being made could be undertaken and to identify how initial details differed to the final implementation. Members agreed that a "base-line" was required so that the transition process could be monitored effectively. In respect of this it was noted that reports were submitted to the BCPP's Joint Committee and it was suggested that these could also be submitted to the Pension Board to provide the information requested, enabling Members to monitor progress as required. Whilst agreeing that the information requested would be useful in setting a base-line for the development of the Pool and considering its progress thereon, Members were reminded to take care in ensuring that they were operating within the remit of the Pension Board.
- ◆ Members suggested that, periodically, the Treasurer for the Pension Fund (Corporate Director - Strategic Resources) should be invited to Pension Board meetings to assist with the consideration of the risks set out, to determine how these were being managed and to provide assistance with the management of these to the Board. It was noted that the majority of meetings

of the Pension Board were attended by the relevant delegated officers, however, Members considered that it would be useful for the Treasurer of the Pension Fund to attend, maybe on an annual basis, to discuss issues that had arisen.

In respect of this it was suggested that reports from the BCPP Joint Committee would be required by Pension Board Members to enable them to establish a base-line and determine the progress being made, before the Treasurer was invited to discuss issues, to ensure that the debate could be fully informed. Members considered that it was appropriate to be provided with an opportunity to speak with the Treasurer on a regular basis to provide the challenge and assistance to the Pension Fund required of the Pension Board.

- ◆ It was asked whether risk assessments had been carried out in relation to cyber-attacks and whether mitigation measures were in place to guard against these. In response it was stated that a report was being developed in relation to this matter and it was emphasised that North Yorkshire Pension Fund was reasonably well protected against such attacks. It was noted that the majority of cyber-attacks were created through human error and a great deal of effort was being put into educating people to be more resilient against such attacks. It was also stated that appropriate contingency planning was undertaken to ensure that any cyber-attack could be dealt with as quickly as possible, allowing a return to normal working practices, and details of these were outlined in business continuity documents.

Resolved -

- (i) That Pension Board Members be provided with the background documents/information as detailed above, in relation to the risk around pooling;
- (ii) That the Treasurer of the Pension Fund be invited, periodically, to attend Pension Board meetings to discuss relevant issues, previously identified, with Members of the Board; and
- (iii) That the Risk Register continue to be reviewed on an annual/bi-annual basis, dependent upon the category of those risks following review and that any major updates in relation to risks be fed into the Pension Board via the Pension Fund Committee.

101. Investment Strategy Statement

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) updating Pension Board Members on the progress made on the latest draft of the Investment Strategy Statement (ISS).

It was noted that the Investment Strategy Statement (ISS) was published in response to the LGPS (Investment and Management of Funds) Regulations 2016 and replaced the previous requirement to maintain a Statement of Investment Principles (SIP).

The ISS was a fluid document, with updates continuing to be taken through the Pension Fund Committee, the latest version having been submitted to 6 July 2017 meeting. This version included comments provided by the Pension Board at its meeting held on 20 April 2017.

The Pension Fund Committee approved the ISS subject to some minor wording amendments and the inclusion of an additional paragraph relating to the shareholders of BCPP.

Resolved -

That the report be noted.

102. Training

Considered -

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

Appendix 1 to the report provided details of training events and activities attended and undertaken by Pension Board Members and the following updates were provided in relation to that:-

- ◆ Details should be included in relation to the attendance of Pension Board Members at the employers' seminar on pooling, a seminar in relation to private debt and a seminar relating to the triennial valuation.
- ◆ Details of the Pension Regulators toolkit training modules, completed online by a number of Members, also required inclusion.
- ◆ It was noted that Pension Fund Committee meetings were included as training events as Pension Board Members were welcome to attend those and the main issues in relation to the work of the Pension Board were discussed at those meetings.

Resolved -

That the training record be updated to reflect the training undertaken by Pension Board Members as indicated above.

103. Training Events - Feedback

Phil MacDonald and David Portlock provided feedback from conferences/training events that they had recently attended as follows:-

Brave New World - LGPS Conference

Phil MacDonald provided a written report which had been circulated along with the papers and highlighted the following:-

- ◆ He considered that the conference had provided value for money in terms of the costs incurred for attendance.
- ◆ He noted that there had been a lot more representation from other Pension Funds (including Pension Fund Committee Members, Pension Fund officers and Pension Board Members) from various parts of the country, but suggested that having the conference at a more central location would enhance that attendance. He considered that it was beneficial to hear how

other Pension Funds were moving forward with issues, such as pooling, and how they were responding to those.

- ◆ Funding level - the NYPF was now over 100% funded and, as discussed earlier in the meeting, consideration was being given to “locking in” some of the gains.
- ◆ Ethical/responsible investment - what do Scheme members want and would they be prepared to risk investment returns for this - it was noted that the matter was recently raised at a Pension Fund Committee meeting, through a public question, and the response emphasised that the Pension Fund Committee had a duty to maximise the return on investments for Scheme members.
- ◆ Asset pooling - details of how other Pools were evolving had been provided and it was noted that regular update reports were to be provided to the Pension Board, as discussed earlier in the meeting, in relation to BCPP.

It was considered whether pooling arrangements would eventually evolve into one single LGPS Fund similar to the USS.

- ◆ Benefits Statements - many members were not getting their statements by the statutory deadline and it was wondered how this could be addressed.
- ◆ Benchmarking - it was suggested that it would be a good idea to carry this out for the eight Asset Pools in terms of performance, set-up costs and investments. It was noted that the information in relation to this was available and it was expected that benchmarking would take place once the pools were up and running.
- ◆ Procurement - it was noted that Pension Fund officers were continually negotiating with Fund Managers in terms of performance related fees to ensure that the best value for money as possible is provided.
- ◆ Networking - the conference provided an important opportunity to network with other Pension Fund representatives from across the country.

Local Pension Boards Two Years On - CIPFA Conference

David Portlock circulated a report with the papers providing details of the issues raised at the conference. He highlighted the following:-

- ◆ Pensions Regulator - the Pensions Regulator had indicated that it would be using its enforcement powers much more robustly, with the key areas of focus for 2017/18 being governance, record keeping, internal controls and Member communications.
- ◆ DCLG - the current DCLG Team was relatively inexperienced in LGPS issues.
- ◆ Pension Ombudsman - there were relatively few complaints to the Ombudsman in relation to the Local Government Pension Scheme.
- ◆ Cyber security and the LGPS - issues around GDPR, which would be effective from May 2018 and would provide only 72 hours to report breaches,

and the implications for third party processors, were discussed. It was noted that the 72 hours reporting time would include weekends. The need to address compliance with these Regulations and how that would be addressed by NYPF were discussed.

- ◆ Scheme Advisory Board - costs transparency.
- ◆ Potential issues for Pension Board Work Plan 2017/18:
 - Data quality
 - Cyber-security
 - Governance for pooling
 - The Pension Regulator's priorities
 - Costs' transparency
 - Pension Board Member competency and skills
 - Pension Board succession planning.

Resolved -

That the reports and issues raised be noted.

104. Work Plan

Considered -

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

It was noted that the Work Plan, attached at Appendix 1, required updating for inclusion in the Annual Report and Members were asked to comment on that.

Members were also asked to consider areas of work contained within the Plan which they could develop, going forward.

The following issues and points were highlighted:-

- ◆ A number of alterations to the existing Pension Board Work Plan, as attached at Appendix 1, were provided and noted.
- ◆ In relation to the review of the exercise of employer and administering authority discretion it was noted that Pension Fund officers were currently reviewing documents in relation to that and it was suggested that this should be completed before a detailed project was undertaken. An update on the progress of that review would be provided to the next meeting of the Board.
- ◆ Pooling arrangements and governance were seen as major issues of focus for the Pension Board, as had been the case for a number of previous meetings. It was noted that, as discussed earlier in the meeting, the Pension Board would be provided with base-line information in relation to the creation of the Pool to enable analysis of how that was progressing to take place.
- ◆ It was noted that the Pension Fund's Independent Professional Observer, Peter Scales, had provided his comments to the Pension Fund Committee in respect of governance arrangements.

- ◆ In line with the Work Plan, it was suggested that at the October meeting of the Board Members have preliminary discussions on the review of management, administration and governance process and procedures and assisting with the development of improved customer services, with the aim of determining a way forward for undertaking detailed projects on those issues.

Resolved -

- (i) That the Work Plan be amended in line with the issues highlighted by Members.
- (ii) That Members come to the next meeting of the Board prepared to discuss how to take forward the various projects mentioned above.
- (iii) That at the next meeting of the Board a timetable be agreed for taking the various projects forward.

The meeting concluded at 12.40 pm.

SL/JR

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