

## Agenda

**Meeting: Pension Board**

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

**Date: Thursday 12 April 2018 at 10am**

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### Business

- 1a. **Apologies for absence**
- 1b. **Appointment of Scheme Member representative and vacancy for an Employer Representative**
- 2a. **Minutes** – To agree as an accurate record the Minutes of the meeting held on 18 January 2018  
(Pages 5 to 17)
- 2b. **Progress on Issues Raised by the Board** – To note the progress made on issues discussed at previous meetings  
(Pages 18 to 20)
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 Monday 9 April 2018. 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 Minutes of the Pension Fund Committee meeting held on 22 February 2018** - Chairman to report  
(Pages 21 to 35)
6. **Pensions' Administration** - Report of Legal & Democratic Services  
(Pages 36 to 44)
7. **Recent Pensions' Regulator developments** - Report of Legal & Democratic Services  
(Pages 45 to 46)
8. **Internal Audit Reports** – Report of Internal Audit  
(Pages 47 to 48)
9. **Pension Board Projects** – Update from Project Leaders
  - Management, administration and governance process and procedure
  - Development of improved customer services
  - Scheme member and employer communications
10. **Pooling** - Report of Legal & Democratic Services  
(Page 49)
11. **Training (including feedback from any courses attended)** - Report of Legal and Democratic Services  
(Pages 50 to 54)
12. **Work Plan** – Report of Legal & Democratic Services  
(Pages 55 to 56)

**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

4 April 2018

**NOTES:**

**Emergency Procedures for Meetings**

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**Accident or Illness**

First Aid treatment can be obtained by telephoning Extension 7575.

# PENSION BOARD

## Membership

<b>(9)</b>		
	<i>Names</i>	
<b>1</b>	PORTLOCK, David	Chairman - Independent Member (Non-voting)
<b>2</b>	JORDAN, Mike (County Councillor)	Employer Representative
<b>3</b>	CUTHBERTSON, Ian (Councillor)	Employer Representative
<b>4</b>	VACANCY	Employer Representative
<b>5</b>	BRANFORD-WHITE, Louise	Employer Representative
<b>6</b>	VACANCY	Scheme Member Representative
<b>7</b>	SMETHURST, Stella	Scheme Member Representative
<b>8</b>	SWITHENBANK, Mandy	Scheme Member Representative
<b>9</b>	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 18 January 2018 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

**Members of the Board**

David Portlock (Independent Chairman).

**Employer Representatives:**

Councillor Ian Cuthbertson (City of York Council), Louise Branford-White (Hambleton District Council) and Phil MacDonald (Hull University).

**Scheme Members:**

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

**In attendance:-**

County Council Officers: Amanda Alderson, Phillippa Cockerill, Gary Fielding, Steve Loach, Ian Morton and Jo Wade.

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**Copies of all documents considered are in the Minute Book**

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**119a. Apologies**

County Councillor Mike Jordan submitted his apologies for absence.

**119b. Vacancy for Scheme Member Representative**

The Chairman advised that an application had been received in relation to the vacancy for a Scheme member Representative, however, confirmation was awaited from the applicant as to whether management approval would be provided for attendance at Pension Board meetings and to undertake work required in relation to being a Member of the Pension Board.

Stella Smethurst raised concerns that, potentially, a manager may not provide permission for a representative to attend meetings, or undertake work, and, in the meantime, the Pension Board was operating without balance in terms of the number of employer representatives and Scheme member representatives. She also noted that she would be retiring, and therefore stepping down from the Pension Board in August 2018, and emphasised the need to address this position going forward.

The Chairman acknowledged the issues raised and stated that he would pursue this matter with the applicant, and their line manager, with a view to obtaining a satisfactory response.

#### **120a. Minutes**

In relation to Minute No. 114, Pension Board Projects, it was clarified that County Councillor Mike Jordan would lead on the Development of Improved Customer Services project, with Councillor Ian Cuthbertson assisting and Councillor Ian Cuthbertson would lead on the Scheme Member and employer communications project, with County Councillor Mike Jordan assisting. It was noted that further discussion on these matters would be undertaken later in the meeting under the relevant agenda item.

#### **Resolved -**

That the Minutes of the meeting held on 12 October 2017, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

#### **120b. 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.

It was agreed that the issue regarding the appointment of Scheme member representation, through a co-option process, to the Joint Committee of BCPP remain on the report for future meetings, to ensure that the issue remained current.

#### **Resolved -**

That the report be noted.

#### **121. Declarations of Interest**

There were no declarations of interest submitted.

#### **122. Public Questions or Statements**

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

#### **123. Treasurer of North Yorkshire Pension Fund - Annual Discussion**

The Treasurer of North Yorkshire Pension Fund, also Corporate Director - Strategic Resources at NYCC, Gary Fielding, introduced himself and highlighted his role in relation to those positions.

He outlined how the Pension Fund Committee exercised the County Council's powers as Administering Authority for the North Yorkshire Pension Fund and how he, as Treasurer, managed the day to day process for the Administering Authority. He provided details of a number of the functions he was required to manage.

It was suggested, at this stage, that the issue later in the agenda relating to pooling should be discussed, enabling the Treasurer to provide input into the Board's consideration of that matter.

The report of the Treasurer, providing Pension Board Members with an update on the progress made towards the LGPS pooling arrangements was considered and the following issues and points were raised:-

- ◆ The structure of the company had now been agreed and a number of appointments had been made. It was noted that the original plan for BCPP to be operational from April 2018 would not now happen, and it was expected that this would commence in July 2018. The Treasurer stated that a Chief Investment Officer had yet to be appointed, however, the need for a Head of HR had been identified and an appointment would be made. Members discussed the appointment of the Head of HR, referring to the aim of pooling being to reduce costs compared to what was in place now. The structure identified appears to have a large number of Heads of Service for a relatively small organisation. Members of the Board also suggested that it would be appropriate for them to be provided with details of the structure, which was currently not for publication, to enable them to monitor the development of the pooling arrangements appropriately.

In response the Treasurer stated that he would make enquiries as to whether the structure could be provided to Members of the Pension Board with appropriate restrictions in place, to ensure that this was not provided in the public domain. He outlined how the structure provided was required to ensure that BCPP was compliant with the FCA. He also provided details as to the necessity for a Head of HR at this stage of the development of the pool.

- ◆ A Member asked whether concerns had been expressed by North Yorkshire Pension Fund in relation to the Chief Investment Officer not being appointed yet. The Treasurer explained the current position regarding the Chief Investment Officer for the Pool noting that an Interim Chief Investment Officer was in place and consideration was currently being given as to whether that position would be made permanent or whether an additional appointment would be required. He acknowledged that the post was important and that the Pension Fund Committee would monitor investments to determine how they progressed in comparison to the investments currently held by North Yorkshire Pension Fund.

The Treasurer again clarified that the structure for the Pool was required to ensure the body was FCA compliant.

- ◆ The Chairman stated that he had exchanged emails with the Chief Executive Officer of BCPP and had outlined the role of Pension Boards in monitoring governance arrangements and compliance and had sought details of how that process would be undertaken with the Pool. He noted that as governance arrangements were developed by the Pool it would be determined how the Pension Board would be involved in monitoring those.
- ◆ Issues around the future role of the Head of HR for the Pool were discussed and it was noted that it was for the Chief Executive Officer of the Pool to determine how the structure was developed, going forward.

The Chairman stated that the Pension Board did not need to consider the day to day running of the Pool, as the Pension Fund Committee would be involved with that. Members acknowledged that position, but highlighted the need to be provided with appropriate detail such as the budget and staffing structure to enable appropriate monitoring to be undertaken. It was suggested that there was no reason why those documents could not be provided to the Pension Board as confidential papers. The Treasurer again stated that he would discuss the matter with BCPP with the aim of providing the information requested by the Pension Board.

- ◆ Members discussed the operational costs highlighted by the Treasurer and it was emphasised that the nature of the industry, and the operations involved, related to the costs highlighted. It was noted that there were a number of large contracts included within the costs.
- ◆ A Member noted the BCPP website still referred to investments in infrastructure and asked whether this would be a necessity of being part of the Pool. The Treasurer emphasised that the role of the Pool was to provide investment vehicles for the Investment Strategy of North Yorkshire Pension Fund and the other Pension Funds involved and, currently, infrastructure projects were not part of the NYPF Strategy. He would not rule out potential investment in such projects, in the future, but currently the Strategy did not include those. He emphasised that the Pension Fund Committee would decide what North Yorkshire Pension Fund invested in and not the Pool, which had no power to determine the investments for the North Yorkshire Pension Fund.
- ◆ The Treasurer noted that the Shareholders and the Joint Committee would be responsible for ensuring that the strategies and priorities of each Pension Fund were adhered to.
- ◆ The Chairman emphasised that the Pension Board would offer comments to the Pension Fund Committee for those to be submitted back to the Pool in terms of governance, structure and budget.
- ◆ Members and the Treasurer further discussed how the Pool would implement the Investment Strategy of North Yorkshire Pension Fund and how representatives of the various Pension Funds and shareholders would hold BCPP to account to ensure that they were undertaking what was required of them. It was stated that the Joint Committee, and Pension Fund Committees, would be able to advise shareholders to ensure that their requirements were delivered.

**Resolved -**

That the issues, in relation to pooling, as discussed with the Treasurer of the North Yorkshire Pension Fund, be noted.

The following issues that did not relate to pooling were discussed with the Treasurer:-

- ◆ It was noted that a view from the DfE had been sought in relation to whether they would provide a guarantee for academies, in terms of pension provision, should they cease to operate or find themselves in financial difficulties and it was asked whether those details were available. It was noted that a response to this matter had been circulated to Pension Fund Committee Members and those details would be provided to Pension Board Members accordingly.
- ◆ Issues relating to the cashflow of the Fund were discussed, and it was noted that a number of Pension Funds were now in a negative cashflow position. It was noted that, currently, North Yorkshire Pension Fund had a positive cashflow and processes were being developed to try and maintain that position. The Treasurer emphasised that a negative cashflow position would not be over-problematic, going forward, but efforts were being made to try and



maintain the positive position for as long as possible. The Treasurer outlined the processes that would be put in place should a negative cashflow become reality.

- ◆ Arising from the overall discussions the Treasurer suggested that it may be appropriate for a meeting to be arranged, involving representatives from the various Pension Boards of those Pension Funds involved in BCPP to meet the Chief Executive Officer and discuss the development of the Pool. The Chairman stated that he would liaise with the Treasurer in relation to how that could be co-ordinated.

**Resolved -**

That the Treasurer be thanked for his attendance at the meeting and for the information provided and that he attend meetings of the Pension Board on an annual basis, to provide an update, or when specific issues arose that required his input.

**124. Employer Representative - Phil MacDonald**

The Chairman agreed that this matter should be considered as a matter of urgency because of the special circumstances outlined.

The Chairman reported that employer representative Phil MacDonald would be leaving his position at Hull University in March 2018 and, unless he found employment with another organisation covered by North Yorkshire Pension Fund, would be ineligible to continue in the representative role on the Pension Board. As such, this would be Mr MacDonald's last meeting of the Pension Board and the Chairman thanked him for his contribution to the work of the Board since his appointment. This was echoed by other Members of the Pension Board.

Mr MacDonald addressed the meeting, thanking everyone for their support during his time as employer representative stating that he had enjoyed the work undertaken alongside them. He highlighted how good it was to see the Pension Fund doing so well at the current time and how every effort should be made to maintain this position.

**Resolved -**

That Phil MacDonald be thanked for his service to the Pension Board and the good wishes of the Members of the Board be conveyed to him for his future work.

**125. Draft Minutes of the Pension Fund Committee held on 23 November 2017**

The Chairman provided details of the Minutes from the Pension Fund Committee meeting, as detailed, and the following issues and points were raised:-

- ◆ It was asked whether the disappointment of the Pension Board, regarding the position set out by the Pension Fund Committee in relation to Scheme member representation on the Joint Committee of BCPP was raised at the meeting. The Chairman stated that although the issue was not directly discussed the Pension Board Minutes were provided as an agenda item to the Pension Fund Committee and the full details of those discussions had been made available to Pension Fund Committee Members.
- ◆ It was asked whether the Pension Fund Administration Service would be in a position to meet the deadlines for the implementation of GDPR. In response

it was stated that extra resources had been obtained to assist with the implementation of the new data protection legislation with policies being developed in response to this. Support was being provided from the County Council's Data Protection Service. It was noted that compliance with the current Data Protection Act ensured that much of the new requirements were already being met. It was suggested that should issues arise in relation to this then the Pension Board should be informed.

- ◆ Reference was again made to the vacancy on the Pension Board and concern was raised regarding requiring an employer to provide permission to a Scheme member representative to enable them to attend meetings and undertake work on behalf of the Board. The Chairman noted that reference to this was contained within the Terms of Reference for the Pension Board and, therefore, had to be complied with. It was suggested that difficulties could arise from insisting on this, which could lead to Scheme member representatives not being available to participate on the Pension Board. The Chairman stated that he would give consideration to the issue raised and determine whether there was a possibility of addressing the issues to enable Scheme member representatives to be appointed appropriately.
- ◆ A Member referred to the letters review being undertaken by the Communications Section and asked how this related to the project he was undertaking in relation to Scheme Member and Employer Communications, in terms of possible duplication. In response it was emphasised that the project would be utilised to complement the review.

**Resolved -**

That the issues raised be noted.

**126. Review of Terms of Reference**

Considered -

The report of Legal and Democratic Services providing Pension Board Members with an opportunity to review the Board's Terms of Reference.

It was suggested that, should it be necessary, a further review of the Terms of Reference be undertaken to take account of governance of the pooling arrangements, when they were in place, otherwise, it was suggested that the Terms of Reference were appropriate as detailed.

**Resolved -**

That the Terms of Reference, as detailed in Appendix 1 to the report, be reaffirmed.

**127. Pensions Administration**

Considered -

The report of the Head of Pensions Administration providing Members with an update on key initiatives undertaken by the Administration Team of the North Yorkshire Pension Fund.

The report provided details in relation to the following issues:-

- ◆ Breaches Policy and log.
- ◆ Annual Benefit Statements.
- ◆ Altair Security.

The following issues and points were raised:-

- ◆ An Appendix to the report provided full details of the Breaches Policy and the breaches log.

It was asked whether the breaches log would be reported to the Pension Board on a regular basis. In response it was stated that the log would be presented to Members at all subsequent meetings of the Board, with either written or verbal updates provided.

Members suggested that the Pension Board had a responsibility to ensure that breaches were reported appropriately, however, advice would be required in relation to the reporting of those details. Providing relevant details to the Pension Board gave them a chance to consider the issues raised and, in turn, to refer to the appropriate body for action to be taken.

In response to a suggestion that the stage of referral to the Pension Board should be included on the breaches log it was stated that this would be put in place.

In terms of referral to the Pensions Regulator it was noted that the responsibility did not lie solely with representatives of the Pension Fund and that potential breaches could be reported to Pensions Administration from any appropriate source. Issues would then be investigated and considered in line with the process set out in the Policy.

- ◆ Issues around the breaches relating to information submitted for Annual Benefits Statements from employers were discussed. It was emphasised that it was important that a level of sharing of information had to be determined so as not to overburden officers, however, it was felt that there was a need for such matters to be considered by the Pension Board going forward. This position was acknowledged and would be addressed accordingly.
- ◆ Details of the revised Annual Benefit Statement were provided as an Appendix to the report and comments from the Pension Board were invited. Members welcomed the revisions made, describing them as positive and helpful.

A concern was raised regarding the inclusion of the nomination of a lump sum benefit, following the death of a member, as there could be issues arising from that if the member did not want others to know who they had nominated. It was noted that the benefits of including it outweighed any potential issues that might arise.

The Chairman commented that the Statements provided a large amount of information, however, it was noted that this had been reviewed in terms of what was provided previously, and far less was going to be provided on the Statement. It was emphasised that efforts were being made to ensure that the relevant information was contained within the first page of the Statement to encourage responses from those receiving the details.

The Chairman commented that he had not received a response to his email regarding the governance of the Fund and specifically details of the Roles and Responsibilities of those involved. The Head of Pensions Administration apologised as the work had been completed but not circulated.

**Resolved -**

- (i) That the contents of the Breaches Policy and log be noted, and the alterations outlined above be undertaken accordingly; and
- (ii) That the Annual Benefit Statement templates be noted; and
- (iii) That the response on Altair Security be noted.

**128. Internal Audit Reports**

Considered -

The report of Internal Audit providing the Pension Board with an update on Internal Audit activity.

The report highlighted that the Audit Plan for 2016/17 was now complete and details were provided as follows:-

- Pension investments - high assurance.
- Pension income - substantial assurance.
- Pensions expenditure - reasonable assurance.
- Altair IT system - substantial assurance.

A copy of the Pension Fund's expenditure final report was attached as Appendix 1.

The current progress of work being undertaken in line with the 2017/18 Plan was provided in the report.

It was expected that the final report on Pension Fund governance arrangements would be available for the next meeting of the Board.

The following issues and points were raised:-

- ◆ A Member suggested that there was a need to penalise employers that did not provide the information in a timely manner, on a repeated basis, to enable the Annual Benefits Statements to be distributed on time. In response it was noted that the position was challenging for the Administration Team and efforts were being made to work with employers, providing them with an opportunity to undertake appropriate changes, to ensure that information was provided on time.

In terms of employers' persistently not returning information in a timely manner it was noted that, should the North Yorkshire Pension Fund's interventions be not effective then the Pensions Regulator could step in and undertake training alongside the employer to ensure that they were meeting the required deadlines.

It was emphasised that when action was required it had to be ensured that the message was escalated to the appropriate level of officer within the employer to ensure that the process was addressed correctly.

- ◆ A Member expressed concern regarding the current process involved in ending a deceased pensioner's record. She noted that the current process, with North Yorkshire Pension Fund having to provide Employment Support Services with a copy of the Death Certificate was leading to a potential financial risk to North Yorkshire Pension Fund and it appeared that this bureaucratic step was unwarranted as it was unlikely that the death of a pensioner would be reported without that having been clarified by North Yorkshire Pension Fund.

A Member noted that the process was likely to be required by external audit to ensure that all checks had been made in relation to this matter, however, Members generally felt that this step in the process was causing undue risk and was not required.

It was suggested that further clarification be provided in relation to this process, to the Pension Board, to determine whether a more appropriate system could be developed, following discussions between the North Yorkshire Pension Fund Administration Service and Employment Support Services.

#### **Resolved -**

- (i) That the attached Internal Audit report be noted; and
- (ii) That the Pension Board supports North Yorkshire Pension Fund in relation to its attempts to simplify the process required in the cessation of deceased pensioner records, with a view to reducing the risk of financial loss to North Yorkshire Pension Fund.

#### **129. Review of Risk Register**

##### **Considered -**

The report of Legal and Democratic Services providing Pension Board Members with an opportunity to comment on the Pension Fund Risk Register.

Members were invited to provide feedback on the latest Risk Register and decide how they would like to review Pension Fund risks in the future, i.e. continue to receive the full Risk Register or focus on one key risk in detail at each review.

The latest version of the Risk Register was attached as an Appendix to the report and was last updated by officers in November 2017.

The following issues and points were raised:-

- ◆ A Member suggested that the main risk to the Fund was losing the current solvency position and that the Pension Fund Committee should dedicate its efforts towards maintaining this. The Chairman of the Pension Board, a regular attendee at Pension Fund Committee meetings, emphasised that the Committee was developing a strategy in an attempt to safeguard the current solvency position, to lower the risk of the Fund.

- ◆ It was also considered that it should be ensured that Pension Board Members were kept fully informed of the development of the pooling arrangements, with relevant information provided to determine how that risk was developing.
- ◆ Members were asked to consider whether they wished to continue to receive the full Risk Register, and monitor those details periodically, or whether they wished to give closer inspection to a specific risk at each meeting. A discussion on a way forward on this matter was undertaken and it was suggested that it was appropriate that the Board received periodic updates (every six months) on the full Risk Register, together with a verbal update as to whether the action to mitigate the risk had been undertaken, and what action had been undertaken, and why, if the actions previously detailed had not been fulfilled.

**Resolved -**

That the Pension Board would continue to consider all of the Risk Register, together with verbal updates on actions undertaken in relation to those risks, on a periodic basis, at subsequent meetings.

**130. Pension Board Projects**

Members provided updates in relation to the following projects, in respect of their position as project leaders:-

- ◆ Management, administration and governance process and procedure.

Mandy Swithenbank reported on the progress she had made in relation to this project, highlighting the following:-

- She provided a scoping report which indicated the proposed workstreams for the project. She highlighted the work being undertaken to develop the project and how she would work alongside Pensions Administration to correlate with the work that they were currently undertaking.
- It was suggested that the project leader and Pensions Administration communicate between meetings to determine the relevant information required for the project to be developed.
- A further report on the development of the project would be provided to the next meeting of the Pension Board, with an aim of producing a final report to the Pension Board in Autumn 2018.

- ◆ Development of Improved Customer Services/Scheme Member and Employer Communications

Councillor Ian Cuthbertson, Project Leader and assistant respectively, provided a brief outline of the projects.

He noted that Pensions Administration were undertaking a review of their standard letters, communications with members, etc., and he had contacted the Head of Pensions Administration to ensure that his project and their review were interlinked.

A discussion took place relating to the number of letters currently on the system and a reduction of the number of standard letters that could be utilised, going forward. The aim of the project and the review was to provide a much more simplified process and procedure. The Head of Pensions Administration suggested that it was beneficial to have the project being undertaken at the same time as the review as this allowed suggestions to be considered and implemented simultaneously.

The projects would be developed alongside Pensions Administration and reports back to subsequent meetings would follow.

**Resolved -**

That the initial reports on the development of the projects highlighted be noted and they continue to be developed as indicated.

**131. UK Stewardship Code - Compliance**

Considered -

The report of Legal and Democratic Services providing the Board with an update on the progress made towards the production of a North Yorkshire Pension Fund Statement of Compliance with the UK Stewardship Code and providing an opportunity to feed comments back on the draft Statement prior to Pension Fund Committee approval.

It was reported that the FRC published the first UK Stewardship Code for institutional investors in 2010, issuing an update in 2012 and that the Code would be revised in 2018. The Code's main focus is on UK equity investments. The Code aimed to enhance the quality of engagement between investors and companies to help improve the long term risk adjusted returns to shareholders. It also sought to set out a number of areas of good practice to which the FRC believed institutional investors should aspire.

A copy of the current UK Stewardship Code was appended to the report. Also appended to the report was a copy of the North Yorkshire Pension Fund Investment Strategy Statement and it was noted that this should explain the Fund's policy on stewardship with reference to the UK Stewardship Code.

To ensure that North Yorkshire Pension Fund was compliant with the latest guidance officers had drafted an NYPF Statement of Compliance with the UK Stewardship Code which was attached as Appendix 3 to the report. Board Members were requested to provide any comments on the draft Statement, in line with the Work Programme, and feedback would be reflected in the draft Statement before it was presented to Pension Fund Committee for approval at its February meeting.

Following the initial presentation of the report a number of issues and points were raised as follows:-

- ◆ It was asked how the pooling arrangements would ensure compliance with the Stewardship Code. In response it was noted that a number of Pool policies were currently being drafted and Funds would aim to align their policies the Pool's approach in relation to those matters. It was emphasised, however, that the compliance with the Stewardship Code related to the present position, therefore, this was being developed in relation to the Investment Strategy and governance of North Yorkshire Pension Fund.

When the pooling arrangements were in place the approach to the Stewardship Code would be re-visited.

- ◆ In Principle 3 of the draft Statement of Compliance, issued by North Yorkshire Pension Fund, it was suggested that the “expectation” to report should be changed to a “requirement” to report. Officers stated that they would make this amendment to reflect that suggestion and ensure that other similar matters were referred to as requirements rather than expectations.

**Resolved -**

That, subject to the feedback provided, the draft NYPF Statement of Compliance with UK Stewardship Code can be submitted to the Pension Fund Committee for approval.

**132. Pooling**

The issue was dealt with earlier in the meeting during the annual discussion with the Treasurer of the North Yorkshire Pension Fund.

**133. Training (including Feedback from any Courses attended)**

Considered -

The report of Legal and Democratic Services providing an update on Pension Board Member training.

Members confirmed that the details of their training contained within the Appendix to the report were up-to-date.

It was noted that the details of the course attended by Mandy Swithenbank and Councillor Ian Cuthbertson (Local Pension Boards Autumn Seminar - CIPFA - Liverpool November 2017) had yet to be circulated and the Clerk agreed to do this.

**Resolved -**

That the details of the course highlighted above be circulated, any further training opportunities be provided to Members accordingly and the report be noted.

**134. Work Plan**

Considered -

The report of Legal and Democratic Services detailing the areas of planned work by the Pension Board.

The current projects being undertaken by Board Members, as discussed earlier in the meeting, were highlighted. It was suggested that alterations be made to the work plan at items 15, 22 and 25, where it appeared that issues were the subject of repetition.

The Chairman and Clerk agreed to review the Work Plan and eliminate the repetition, with details provided to the next meeting of the Board.



**Resolved -**

That the amendments to the Work Plan be undertaken as indicated and the report be noted.

The meeting concluding at 12.45 pm.

SL/JR

DRAFT

**North Yorkshire County Council**

**Pension Board**

**12 April 2018**

**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/Action	Comment/completed
20 April 2017 /12 October 2017/ 18 January 2018	Minute no. 89 – LGPS Pooling update / Minute no. 110 Draft minutes of Pension Fund Committee – Scheme Member representation on the Joint Committee	To consider the appointment of Scheme Member representation, through a co-option process, to the Joint Committee.	This matter was considered at the Meeting of the Pension Fund Committee held on 14 September 2017 and details reported to the Pension Board (12 October 2017). Disappointment was expressed in respect of the PFC's stance on this matter. The Chairman of the Pension Board would re-visit the issue with PFC Members.  The issue would continue to be monitored by the Pension Board.
18 January 2018	Minute No 123 – Annual discussion with Treasurer of NYPF	A view from the DfE had been sought in relation to whether they would provide a guarantee for academies, in terms of pension provision, should they cease to operate or find themselves in financial difficulties	Details would be provided to Pension Board Members

18 January 2018	Minute No 123 – Annual discussion with Treasurer of NYPF	Arrange a meeting between representatives from the various Pension Boards of those Pension Funds involved in BCPP and the Chief Executive Officer of BCPP to discuss the development of the Pool.	The Chairman to liaise with the Treasurer of NYPF as to how that would be co-ordinated.
18 January 2018	Minute No 124 – Vacancy for Employer representative	A recruitment exercise was to be undertaken.	Update to be provided at today's meeting.
20 July 2017/18 January 2018	Minute No 100 – Risk Register and Minute No 123 – Annual discussion with Treasurer of NYPF	That Pension Board Members be provided with the background documents/ staffing structure/ financial information in relation to pooling. Following that, a structure was required to determine how reports were to be provided, going forward.	Update on whether the Board has been provided with details of the relevant information, to enable them to monitor the development of the pooling arrangements appropriately and whether an appropriate reporting mechanism was to be established.
18 January 2018	Minute no 128 – Internal Audit reports	That further clarification be provided in relation to the process of ending a deceased pensioner's record to determine whether a more appropriate system could be developed, following discussions between the North Yorkshire Pension Fund Administration Service and Employment Support Services.	Update to be provided when discussions between the North Yorkshire Pension Fund Administration Service and Employment Support Services have taken place.

18 January 2018	Minute No 130 – Pension Board projects	Development by Members of the Pension Board of the following areas of work as detailed in in the work programme:-  Management, administration and governance process and procedure; Development of improved customer services; Scheme Member and employer communications.	Updates to be provided at today's meeting
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### 3.0 Recommendation

3.1 That the report be noted and consideration given to where further action is required.

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

April 2018

Background Documents – None

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the meeting held on 22 February 2018 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers, MBE, Cliff Lunn, Patrick Mulligan, Helen Swiers and Angus Thompson.

David Portlock – Chair of the Pension Board.

Councillor Jim Clark - North Yorkshire District Councils.

Apologies were received from County Councillor Andy Solloway and Unison retired members' representative Brian Hazeldene.

There was one member of the public present.

**Copies of all documents considered are in the Minute Book**

**40. Exclusion of the Public and Press**

**Resolved -**

That the public and press be excluded from the meeting during consideration of Appendix 3 of Minute No. 45 on the grounds that this involved the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) Order 2006.

**41. Minutes**

**Resolved -**

That the Minutes of the meeting held on 23 November 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**42. Declarations of Interest**

County Councillor John Blackie declared a non-pecuniary interest in relation to the public question, below, and its reference to fossil fuels, in respect of him being the volunteer Managing Director of a social enterprise that operated the fuel station in Hawes.

### 43. Public Questions or Statements

Mr Kevin McSherry representing the Wenningdale Climate Action Network (WeCAN) attended the meeting to outline a number of questions that had been provided to Members of the Committee prior to the meeting.

As background he provided details of the group's work in relation to environmental concerns, particularly in relation to the use of fossil fuels. The questions submitted related to the Pension Fund's investments in fossil fuels, and he noted the need to address the use of those fuels in relation to the wellbeing of future generations.

The questions, and answers (A) provided in relation to those, are detailed as follows:-

1. Given that North Yorkshire Pension Fund is to join the Border to Coast Pension Partnership, will the Pension Fund Committee still have ultimate responsibility for the North Yorkshire Pension Fund Investment Strategy?
  - A. Yes.
2. Does the Pension Fund Committee accept that its fossil fuel investments are at risk from significant material environmental factors to do with climate change?
  - A. We expect our Fund Managers to carry out an assessment of risk versus benefit on a range of issues about the value of companies which they are considering investing in. One of these issues is the extent to which environmental matters will have an adverse impact upon company valuations but it is one of many considerations.
3. What plans does the PFC have to inform Pension Scheme Members of such risks?
  - A. The PFC publishes the Investment Strategy Statement (a copy of which was provided) which sets out its position on social, environmental and governance issues. We will continue to make those available to Scheme Members. We have no specific plans to single out the risks associated with fossil fuel issues in this Strategy Statement as this is one of multiple areas of risk that are relevant in investment decisions. It is also worth noting that the Fund engages actively with companies on the issue of fossil fuels, climate change and investment in carbon stocks, through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF's engagement strategy is to undertake robust engagement for an orderly carbon transition by requiring companies to identify and tackle carbon risks. To improve effective engagement, LAPFF has also joined the Transition Pathway Initiative (TPI) which aims to provide a transparent framework to track engagement and analyse company responses to climate and carbon risk. The Fund also votes on resolutions at global AGMs, seeking transparency and disclosure of climate risks and setting emission reduction targets. In this manner views are directly communicated to individual boards. The Fund also has an increasing level of investment in renewable and low carbon energy production and will continue to make such investments where the risk/return profile fits the Investment Strategy.
4. How would the PFC gauge Scheme Members' opinions on the NYPF continuing to invest in fossil fuels?
  - A. The PFC is charged with ensuring that the Pension Fund is able to pay the pensions to Scheme Members both now and in the future. The PFC discharges

this responsibility in line with the Investment Strategy. We believe that the primary concern of Scheme Members will also be the security of their pensions and for employers that we help to minimise the cost of contributions by getting the best possible investments. It is important that any consultation with Scheme Members does not focus on a single issue such as fossil fuels as this will give an overly simplistic view of the challenges in ensuring a sound investment strategy. It would also be important that we get a balanced view of the membership rather than that of groups who champion particular issues. We would welcome the group's view on how they think this could be done in a balanced way.

5. Will the NYPF reflect new investment regulations to be produced by Central Government in its revised responsible Investment Strategy?
  - A. The PFC already sets out its position on responsible investment in the Investment Strategy Statement a copy of which was provided. Paragraph 7 of the Statement provides details in relation to that. We will continue to comply with any further regulations as they are made.
6. We urge the PFC to press for inclusion in the BCPP Investment Strategy of an additional clause about divestment as part of the "engagement and stewardship" section of the Strategy.
  - A. The BCPP is being created with financial professionals who will be responsible for the selection of Fund Managers. These Fund Managers will then be actively managed by BCPP and they are well placed to make decisions on investment and dis-investment as necessary. Issues of corporate governance and transparency are part of the monitoring regime for Fund Managers as the PFC accepts this is an important component of a company's sustainability and would therefore expect this to be in place. We will happily explore this issue further to see if there is merit in the proposal by discussing the matter with BCPP.
7. Why is the NYPF holding on to its fossil fuel investments?

The previous answers highlight the reasons for this. The current global energy position is that fossil fuels continue to be an important part of the supply chain. However the Fund also has an increasing level of investment in renewable and low carbon energy production and will continue to make such investments where the risk/return profile fits the Investment Strategy. We believe that the investment portfolio should be such that it best delivers the requirement to produce returns that can pay benefits to its members in the short, medium and longer terms. As a result the portfolio is likely to reflect a range of investments.

Following the initial questions and responses Members discussed the issues raised and the following details were highlighted:-

- ◆ Generally, Members agreed with the need to move away from the use of fossil fuels, but emphasised that this had to be undertaken slowly, over a period of time, which was likely to be reflected in the investments made by North Yorkshire Pension Fund. Members considered that fossil fuels were still an essential feature of life, throughout the world, currently, and to cease their use immediately would cause severe problems.
- ◆ It was clarified that the North Yorkshire Pension Fund held very little direct investments in fossil fuels, however, it was unknown as to the extent of the extended investment portfolio and how that touched on fossil fuel related investments. It was emphasised that should these investments deliver an

appropriate and effective return for the Pension Fund then Fund Managers would invest in those.

- ◆ Members again emphasised the reality of the situation, with fossil fuels being an essential part of everyday life currently, however, it was acknowledged that the position was changing with renewable energy becoming more prominent and it was expected that investments in renewable energies would be developed in time.
- ◆ The Chairman considered that a move from agriculture to the provision of renewable energy fuels was a great danger to the world, as this would lead to less food production. He suggested that this issue should be taken account of. He recognised that this was a complex issue, but answers to the questions raised had been provided.
- ◆ The questioner accepted that the issue was indeed complex, but emphasised the need to move towards better energy production and highlighted the influence that Pension Funds could have on that in terms of dis-investment.

#### **44. Stewardship Code**

Considered -

The report of the Treasurer requesting Members to approve the draft North Yorkshire Pension Fund Statement of Compliance with the UK Stewardship Code.

The Treasurer stated that the UK Stewardship Code was first published in 2010 and updated in 2012 (details supplied as an Appendix to the report). The next edition of the Code will be in 2018 with the main focus being UK equity investments.

Details of what was sought through compliance with the Code were set in the report. A Statement of Compliance was required to be submitted to the Financial Reporting Council (FRC) for assessment and details of that were provided in Appendix 2 to the report.

It was noted that Pension Board Members had considered the draft Statement of Compliance at their meeting in January 2018 and comments and feedback had been reflected in the draft Statement.

Members were requested to submit any comments they had in relation to the draft Statement of Compliance, to the Treasurer, by the end of the week, allowing the Statement to be sent to the FRC for assessment.

The following issues were clarified during a discussion of the report:-

- ◆ The seven principles related to compliance with the Code could be evidenced.
- ◆ Compliance with the Code was seen as good practice.

**Resolved -**

That any comments in relation to the draft NYPF Statement of Compliance with the UK Stewardship Code should be forwarded to the Treasurer, by the end of this week, with the Code then sent off to the FRC for assessment.



#### 45. Administration Report - Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year to date and providing an update on key issues and initiatives which impact the Administration Team.

The Treasurer stated that the report had been revised in an attempt to provide Members with details in a greater depth, and more up-to-date, in relation to the work of the Administration Team and its impact. Members' feedback on the content and layout of the report would be welcomed.

The Head of Pensions Administration provided the following highlights in relation to the report:-

##### Admission Agreements and new Academies

Numbers continued to increase in terms of admission agreements with schools converting to academy status. In progress numbers remained fairly stable.

##### Membership Statistics

Details were outlined in the report, with a number of deferred members increasing. Work continued to provide a more accurate membership position, going forward, and details of work being undertaken were provided.

##### Performance Statistics

Details for the period 1 October to 31 December 2017 were provided. It was noted that the focus remained on reducing the outstanding work within the section and developing initiatives to facilitate this. The major issue remained outstanding queries with employers and every effort was being made to obtain the required information, however, if no satisfactory outcome could be obtained then the Regulator would be asked to intervene.

##### Commendations and Complaints

Details for both were provided within the report.

It was noted that the complaints matters were categorised and an explanation was provided as to the nature of the complaint, how it had arisen and what was being undertaken to address it. A review of complaints was undertaken and a "lessons learned" analysis sought to diminish future complaints.

The issues relating to one specific, long running, complaint were detailed and it was noted that a Member of the Pension Fund Committee had been involved in responding to the complainant. The Member had spoken to all those involved and had advised the complainant as to the measures that were being undertaken to address the complaint, accordingly. The Administration Manager stated that the complaint had now been addressed. The Chairman noted that all Members of the Pension Fund Committee had been contacted by the complainant, initially, with details of the nature of the complaint.

Members welcomed the addition of the commendations and complaints section to the report.

## Annual Benefits Statement - Update

The work for processing the 2017 Statements had been completed. Work had commenced on the 2018 year end details in preparation for the next Annual Benefits Statement cycle. It was noted that the process had commenced earlier and the Service were being more robust in collecting the required data from employers. Details of the new framework for the provision of information, and compliance by employers would be provided to future Pension Fund Committee meetings.

A Member congratulated the Administration Team on their completion of the Annual Benefits Statements for 2017. He noted that chasing employers for information was a strain on resources and he asked at what stage the situation become unmanageable and employers would be reported to the Regulator. In response the Administration Manager stated that it was difficult to say when the Regulator would become involved as there were different circumstances. She emphasised that where an employer was communicating and attempting to address the situation then the Administration Team would do its best to work with them to manage this, however, where communication had broken down contact with the Regulator was more likely.

## CIPFA Benchmarking Return 2016/17

These showed the unit cost for NYPF Pensions Administration was £17.14 compared with an average unit cost across the whole of the benchmarking club of £20.14. The NYPF unit cost had increased due to an increase in general costs across the board, however, NYPF continued to be well below the average for the comparators in the exercise.

## HM Treasury response to GMP Indexation

The consultation set out options for how the Government would continue to meet obligations to index and equalise pension entitlements for members in public sector schemes following reform to state pensions and the ending of contracting out. Details of the current "interim solution" were outlined and it was expected that this would be extended for a further two years and four months. Details of how this would affect LGPS were highlighted.

## GMP Reconciliation

The process was ongoing and was expected to be completed, on target, by 30 September 2018.

It was stated that a decision was required from the Committee in relation to a tolerance being set to efficiently reconcile the GMP values. It was noted that should the difference between the HMRC GMP value and the NYPF GMP value be less than this tolerance then the HMRC GMP value would be accepted with no further review being required. A widely accepted industry standard for the tolerance was £2 per week. Around 4,600 members currently had the HMRC GMP value that did not exactly match the NYPF GMP value, but fell within the £2 pw tolerance. The number was likely to change as further cases were reconciled against HMRC data during the course of the project.

It was clarified that the £2 tolerance level operated both ways.

## General Data Protection Regulations (GDPR) 2018

An action plan had been produced for the Fund and policies were being drafted to ensure that the Fund was compliant, in line with the introduction of the Regulations in

May 2018. Collaboration with Members of the North East Pension Officers Forum (NEPOF) was being undertaken to provide clarification in terms of compliance.

### Breaches Policy and Log

Details of a breaches policy and log, as previously discussed, and in line with the requirements of the Pension Regulator's Code of Practice, were provided as an Appendix to the report. It was noted that these documents had been reviewed and discussed by the Pension Board and that Members were requested to consider and approve them.

### Efficiency Initiatives

Letters' reviews continued and had been utilised to substantially reduce the amount of standard letters for the Administration Team to use. A review of the Annual Benefits Statement template had also been undertaken. The Administration Team continued to undertake reviews to identify inefficiencies and areas of improvement and streamlining.

### Consideration of Payment of Death Benefit

It was noted that this issue was confidential as the matter was personally sensitive to the people involved.

Members considered the issues relating to the case highlighted and suggested that there was need for a legal interpretation of this, however, it was suggested that it not appropriate for the Pension Fund Committee to make judgement on such matters and, therefore, consideration should be given to future cases being delegated to the Treasurer in consultation with Legal Services.

### Member Training and Meeting Timetable

Details were provided in Appendices to the report.

The following issues were highlighted in relation to the report:-

It was noted that a change was expected in respect of the City of York Council representative on the Pension Fund Committee, following their Annual Meeting, with Councillor Ian Gillies expected to be their representative.

A Member referred to the attendance of Unison representatives at the Pension Fund Committee. It was noted that Brian Hazeldene, the retired members Unison representative, had submitted his apologies in relation to his attendance at this meeting due to ill health.

Members were informed of the recent death, following a short illness, of Ben Drake, a regular attendee at Pension Fund Committee meetings as a Unison representative and also a Member of the Pension Board. Members paid tribute to Ben's work on behalf of the North Yorkshire Pension Fund and his useful contributions to the meetings he attended. They offered their condolences to his family and friends. The Chairman stated that he had sent a letter to Ben's family on behalf of the Pension Fund Committee offering condolences.

It was noted that the Richmondshire MP, Rishi Sunak, had recently been appointed as Under Minister with responsibility for the Local Government Pension Scheme and it was suggested that it would be useful to have a meeting between him and Members

of the Pension Fund Committee. It was stated that further consideration would be given to arranging this meeting and Members would be informed accordingly.

In respect of details contained in Appendix 4 to the report it was noted that County Councillor Angus Thompson had attended the Pension Workshop held on 20 December 2017.

#### **Resolved -**

- (i) The contents of the report be noted;
- (ii) That the adoption of the £2 per week tolerance in respect of the GMP reconciliation project be approved;
- (iii) That the breaches policy and log be approved; and
- (iv) That the issue relating to the payment of a death benefit, legal advice be obtained, the matter be resolved in accordance with that advice and consideration be given to future similar cases being delegated to the Treasurer, in consultation with Legal Services and the Chairman to resolve.

#### **46. Budget/Statistics**

The Treasurer circulated a replacement report to that provided with the agenda for the meeting. The report provided details on the following:-

- (a) The expenditure/income position to date for 2017/18.
- (b) The cash deployment of the Fund.
- (c) The cash-flow projection for the Fund.
- (d) The draft 2018/19 budget for the Fund.

The Treasurer apologised to Members in respect of the late replacement of the report noting that the original had omitted details in relation to the 2018/19 draft budget and to highlight that arrangements for reporting would be altered for future meetings in terms of providing a fully accrued budget, a three year cash-flow forecast and details of cash-flow.

In terms of the 2018/19 budget he explained that, as this had only been circulated to Members during this meeting, approval of the budget would not be undertaken until the next scheduled meeting of the Pension Fund Committee, however, the budget details provided would be adhered to in the interim.

#### 2017/18 Budget

Pensions' payroll expenditure was forecast to exceed budget by £2m. Contributions income was forecast to be under budget by £4.5m however this was based on assumptions that had been identified as incorrect, therefore, the 2018/19 budget had been refined to reflect the latest estimations. In the nine months to 31 December 2017 there had been much greater instances of transfers in and out, with the forecast for transfers in exceeding budget by £2.5m and transfers out by £4m. The underlying 2017/18 cash-flow forecast was estimated at an in-year surplus of £1.5m. The forecast for performance related fees had increased by £1.4m to £4.9m and investment management fees had increased by £1m to £4.7m, which was a consequence of the

excellent Fund performance. The forecast expenditure for pooling had increased by £75k to £425k to cover additional expenditure on the implementation of the Pool.

Members discussed the budgetary position and the following issues were highlighted:-

- ◆ Reference was made to the value that had been added to the Fund of around £600m over the last year, in terms of the additional performance related fees paid and it was considered that these provided good value for money.
- ◆ Issues around hidden investment fees were highlighted and it was noted that some Local Government Pension Schemes provided a much more detailed breakdown of the investment fees incurred, and suggested that not all Funds published the correct level of fees in respect of their investments. Members stated that they were satisfied with the details provided and noted that the Fund's contracts with the Investment Managers included some of the hidden fees referred to.
- ◆ Members raised concerns with regards to the increase in expenses paid towards the establishment of the pooling arrangements. It was noted that Members of both the Pension Fund Committee and the Pension Board had warned that the increases were likely to occur. In particular, Members were concerned that they were not being provided with details of how the funding was being spent. The Treasurer acknowledged this and stated that he would shortly be circulating a transparent report, generated by BCPP, providing the details requested. It was noted that the structure for the Pool was nearly in place. The Treasurer emphasised that the opening budget had been agreed to allow BCPP to be formed and was not as a result of decisions made by BCPP.
- ◆ Noting that the meeting with the Chief Executive of BCPP had provided reassurances to Members in terms of obtaining non-Executive Directors with experience of the Local Government Pension Scheme, a Member raised concerns that former Pension Fund Committee Member, Roger Harrison-Topham, had not been shortlisted for an interview for such a post, following his application, despite his wealth of knowledge and vast experience in this field.
- ◆ It was clarified that the additional funding outlined in the report, in relation to the establishment of BCPP, was that provided by the North Yorkshire Pension Fund and that equal amounts had been provided by each of the other Pension Funds involved.
- ◆ The Chairman of the Pension Board noted that, during his presentation to the Pension Board in January 2018, the Treasurer had stated that he would circulate the structures and details of the Pool to Members of the Board. The Treasurer stated that had followed up that request with the Chief Executive, and Section 151 Officers within the Pool, to determine whether details could be shared with the Pension Fund Committee and the Pension Board. He stated that the request had been received positively and, currently, details were being checked for confidentiality with a view to providing those to Members of both the Pension Fund Committee and the Pension Board. He stated that he would follow this matter up accordingly.

### Budget 2018/19

The Treasurer stated that the proposed budget for 2018/19 was provided as an Appendix to the report.

The Treasurer highlighted that the budget for pension payments had increased by £6m. The budget for Finance and Central Services had been increased by £0.1m. The budget for investment based fees that were paid by invoice had been increased by £0.6m. Performance related fees had been increased to £5m. The employer contribution income budget reflected the anticipated pay increase and inflationary increase in past service payments. The budget for transfers in had been increased by £2.5m and transfers out by £4m. Pooling and GMP expenditure against the current budgets was expected to be ongoing into 2018/19.

It was noted, in response to issues raised that the budget was based upon what was happening currently, and did not take account of different fees going forward into the pooling arrangements, therefore, subsequently, alterations may have to be made to the budget.

The issue of hidden fees was again discussed and it was noted that some Local Government Pension Funds had much bigger budgets, in terms of fees, in view of this. The Funds Investment Consultants, AON Hewitt, outlined details on how the hidden funds referred to were generated, and what they consisted of. A Member emphasised that the Pension Fund Committee had made careful decisions in terms of investments which had resulted in the Fund being 109% solvent and that the hidden fees had been built into the strategy for investment. It was emphasised that the matter was not simplistic and could create issues going forward into the pooling arrangements, therefore, careful monitoring of this matter would be required.

**Resolved -**

- (i) That the report be noted; and
- (ii) That Members note the draft 2018/19 budget at this stage, and this would be adhered to prior to formal approval at the next scheduled meeting of the Pension Fund Committee.

**47. Performance of the Fund's Portfolio**

**Considered -**

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 31 December 2017.

The report indicated that the absolute overall return for the quarter (+4.3%) was above the customised benchmark for the Fund (+3.9%) by +0.4%.

The 12 month absolute rolling return was +17%, +6.4% above the customised benchmark of +10.6%. Absolute and relative returns over the rolling years to each of the last four quarter ends were provided by way of comparison.

The report provided details of individual Fund Managers performance in respect of the following asset classes:-

- ◆ Overseas equities.
- ◆ Global equities.
- ◆ UK equities.
- ◆ Property.
- ◆ Diversified growth funds.
- ◆ Private debt.

Details relating to risk indicators, solvency, re-balancing, MIFID II and proxy voting were also provided.

The Treasurer noted that the report had been produced using a new format and feedback from Members in relation to that would be welcomed.

The Fund's Investment Consultants, AON Hewitt, provided an analysis of the performance of the Fund during the quarter and the following issues were highlighted:-

- ◆ The Fund's investments had again performed very well during the quarter with solvency improving from 108% to 109%.
- ◆ The positive performance of the majority of Fund Managers was highlighted.
- ◆ Details relating to yields and bond mandates were provided.
- ◆ Details of the slight downturn in the markets since the end of the previous quarter were highlighted and a brief update on the current position was provided. It was emphasised that the full position for the quarter was not yet in place.

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

- ◆ An increase in volatility in the markets of late and the reasons behind that.
- ◆ Issues around the proposed dis-investment, agreed at the previous meeting, and why that had not taken place as yet. It was stated that this would be undertaken shortly.
- ◆ Concerns over some of the Diversified Growth Fund (DGF) performance.
- ◆ A discussion around the performance of Newton.
- ◆ The continuance of the development of the Investment Strategy so as to lessen the impact of volatility in the markets and maintain the current solvency position as far as possible.
- ◆ Possible alternative investment opportunities to DGFs, including hedge funds.
- ◆ The availability of appropriate investment opportunities, in line with the Investment Strategy, within the pooling arrangements, including whether existing Fund Managers would be available within those arrangements.
- ◆ The risk of having large amounts of investment controlled by one Fund Manager against the high returns produced which had brought the Fund to its current solvency position. Acknowledgement of the need to maintain the current solvency position by reducing the risk.

#### **Resolved -**

That the report, and issues raised, be noted.

#### **48. Procurement Update**

Considered -

The report of the Treasurer updating Members on progress towards the procurement of an Insurance Linked Securities (ILS) Manager, including action on the following:-

- ◆ Determining the composition of a Member panel as part of the selection and evaluation process for the procurement of an ILS Manager.
- ◆ Delegating authority to the Treasurer, in consultation with the Chairman of the Pension Fund Committee, to select and appoint the successful ILS Manager.
- ◆ Determining and then delegating arrangements for the necessary funds to be dis-invested in order to fund an ILS Manager.
- ◆ Updating Members on the Property Debt Manager procurement.
- ◆ Delegating authorities to officers to undertake a custodian procurement.

The Treasurer stated that the Member selection and evaluation panel for the procurement of an ILS Manager would take place on Wednesday 28 February 2018 at the Yorwaste Office, Northallerton.

Members of the Committee would be invited to question the five selected Managers, with authority delegated to the Treasurer and Chairman of the Committee to appoint the successful Manager, following the interview process, to prevent the matter having to be returned to a meeting of the full Committee for a decision to be made, negating the need for special arrangements for that.

Details of the selection and evaluation panel were provided, including timings for the event.

Members indicated who would be able to attend.

The Treasurer stated that the Property Debt Manager procurement was ongoing and a full OJEU compliant procurement procedure would be undertaken at the conclusion of the Insurance Linked Securities Manager procurement.

In relation to the custodian procurement Members were asked to delegate responsibility to officers to carry out the procurement process.

**Resolved -**

- (i) That the Members who indicated their availability constitute the panel as part of the selection and evaluation process for the selection of the ILS Manager(s);
- (ii) That authority be delegated to the Treasurer in conjunction with the Chairman of the Pension Fund Committee to select and appoint the successful ILS Manager;
- (iii) That arrangements for the necessary funds to be dis-invested in order to fund an ILS Manager be delegated to officers; and
- (iv) That the update on the Property Debt Manager procurement be noted; and
- (v) That the authority to carry out a procurement for the custodian be delegated to officers.



#### 49. Currency Hedging

Considered -

The report of the Treasurer outlining the following:-

- (i) An update for Members on progress towards the implementation of currency hedging.
- (ii) Determining the approach to hedging.
- (iii) Considering arrangements for monitoring and adjusting the hedge in future.
- (iv) Considering the governance arrangements for the proposed monitoring facility.

At recent Investment Strategy reviews, undertaken by the Pension Fund Committee, agreement had been given to the principle of currency hedging with authorisation given to officers to make the necessary arrangements to set up a currency hedging facility that would be activated based on a set of triggers. The Investment Consultants had worked with Members to consider various options for implementing currency hedging and it had been recommended that the best option would be to implement a currency hedging facility with Fidelity as they were the current Manager that holds around 20% of the Fund's overseas equity investments in a segregated mandate. This would provide the Fund with the option to hedge up to 20% of its overseas exposure at any one time. The consultants advised that hedging 20% could result in a reduction in currency risk of about half. Officers were currently in the process of updating documentation with Fidelity to allow this to take place.

A verbal update was provided at the meeting which indicated that, following changes in the currency situation, it was no longer considered appropriate to include US dollars in the process, due to the improvement in rates against sterling. It was considered appropriate, therefore, to proceed with the hedging arrangements, as previously discussed, against the Euro and Yen.

It was also noted that following the implementation of currency hedging it was proposed to monitor hedging levels and, as Fidelity did not have the facility to monitor specific market level based triggers proposals were provided to enable the Committee to take decisions on increasing or reducing the currency hedged when necessary.

The views of the consultant on currency hedging would be provided to the Fund on an ad-hoc basis and the Fund would need to be reactive to the recommendations, therefore, two proposals were provided as options as to how to undertake governance for this as follows:-

Option 1 - the views could be communicated to all PFC Members by email on an ad-hoc basis; this would require all Members approval for officers to implement any recommended changes.

Option 2 - a sub-committee of the PFC would be set up, with delegated decision-making powers on currency hedging, and emails would be sent to those Members to get approval on any changes to currency hedging levels.

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

- ◆ Members discussed the options in terms of the governance for monitoring currency hedging proposals and suggested that Option 2 would be the most efficient and effective way of undertaking this.

- ◆ The strategy for currency hedging was questioned, however, it was emphasised that the matter had been fully discussed at previous Investment Strategy workshop meetings and had been decided that this would be an effective way of addressing volatility in the investment structure, thereby protecting the current solvency position of the Fund. In relation to this matter it was noted that the sums involved were relatively low in terms of the overall Fund, therefore, there was little risk in the action being undertaken. It was emphasised that the protection offered would enable a small proportion of the Fund to be protected against subsequent currency volatility.
- ◆ It was noted that the Investment Consultants would provide an annual report on cost versus performance in terms of the currency hedging position and regular updates would be provided in their quarterly monitoring reports.

**Resolved -**

- (i) That the approach to hedging be agreed as outlined;
- (ii) That the proposal for AON Hewitt to provide a monitoring facility to allow the currency hedge to be adjusted going forward, at a cost of £4k per quarter, be approved;
- (iii) That Option 2, as outlined above, be agreed to provide the governance for the monitoring facility, with the quorum for decisions being any three voting Members of the full Committee.

**50. Pooling Arrangements**

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposal to pool the assets of LGPS Funds.

Members considered that the majority of issues relating to pooling were discussed earlier in the meeting.

Reassurances were again sought that details of budgets and staffing structures would be provided to Members of both the Pension Fund Committee and Pension Board, as previously requested. The Treasurer again stated that he was discussing this matter with the appropriate representatives of BCPP and, once appropriate checks had been made on confidentiality, details would be emailed out to all Members of both the Pension Fund Committee and the Pension Board.

A Member asked that the concerns that he raised earlier in the meeting in respect of the non-interviewing of former Pension Fund Committee Member Roger Harrison-Topham in relation to the non-Executive Director position on BCPP, be conveyed to the Chief Executive of the BCPP accordingly.

**Resolved -**

That the content of the reports be noted and the issues, as outlined above, be acted upon accordingly.

**51. Pension Board - Draft Minutes of the Meeting held on 18 January 2018**

Considered -

The draft Minutes of the Pension Board held on 18 January 2018.

The Chairman of the Pension Board noted that amendments had been made to the Minutes, following their initial publication, and a revised version had now been published alongside the Pension Fund Committee papers on the website.

The Chairman of the Pension Board highlighted the following significant issues that had been discussed at that meeting:-

- ◆ The current vacancy on the Pension Board for a Scheme Member representative - interviews had been held immediately prior to the meeting of the Pension Fund Committee and, subject to clarification between those involved in the interview process, it was expected that the vacancy would be filled, with details brought to a subsequent meeting of the Pension Fund Committee.
- ◆ It was noted that an employer representative, Phil MacDonald, would be stepping down from the Pension Board, following him leaving his current employment at Hull University, and, therefore, being unable to represent North Yorkshire Pension Fund on the Board. A recruitment exercise would be undertaken in relation to the vacancy.
- ◆ The Treasurer of North Yorkshire Pension Fund had attended the Pension Board meeting and details of the discussions held were outlined in the Minutes. It was expected that this would be an annual event for the Pension Board, unless details were required from the Treasurer in the interim.
- ◆ The Terms of Reference of the Board had been reviewed, with no changes identified at present, however, this could change as the framework for the pooling arrangements became clearer and, therefore, subsequent reports may be required.
- ◆ Details of the breaches log and policy, as outlined earlier at this meeting, were discussed.
- ◆ Internal Audit reports for the Pension Fund were considered and details of the levels of assurance provided.
- ◆ Review of the Risk Register was undertaken.
- ◆ Comments were provided in relation to the draft Stewardship Code which, again, was considered earlier at this meeting.

**Resolved –**

that the minutes be noted.

The meeting concluded at 12.55 pm

SL/JR

**North Yorkshire County Council****Pension Board****12 April 2018****Administration Report****1. Purpose of the Report**

To provide Pension Board members with an update on key initiatives undertaken by the administration team of the North Yorkshire Pension Fund.

**2. Breaches Log**

Included at Appendix 1 is the North Yorkshire Pension Fund's Breaches Log for review. There are no new entries to discuss.

**3. Annual Benefit Statements**

Work has commenced on the 2018 year end and we have received 6 year end files to date covering 20 members. Ongoing quality analysis will be undertaken and reported to both the Pension Board and Pension Fund Committee throughout the year. This will help to inform the decision regarding re-introducing penalties for those employers who provide poor quality data or late submissions.

**4. Data Quality**

In July 2017 Jardine Lloyd Thompson (JLT) were commissioned to undertake a Common Data Validation check on the Fund's data held on Altair. Attached at Appendix 2 is the Common Data Certificate provided as a result of the check. The Fund received an overall data quality rating of 99%.

The failures identified were reviewed and where incorrect data was identified it was rectified.

We also have a rolling schedule of data quality reports we produce to check and cleanse data throughout the year.

**5. Letter Review Project**

The Annual Benefit Statement template and accompanying notes have been revamped for this year with a view to making the information easier to understand and the key information more obvious.

We continue to progress the letter review and have been working on identifying which letters are currently still in use. We have reduced the list to review down to 215 and work will now commence on the development of these.

Progress is slow due to having no dedicated resource to work on any of the ongoing initiatives.

## **6. Death of a Pensioner Process**

Work has commenced on mapping out the death of a pensioner process. It is a complex process to map as the initial contact can be in a number of ways and may come into the Pensions section or Employment Support Services.

Once mapped the process will be circulated to all parties involved for comment and road testing before being issued for use.

## **7. Pensioner Newsletter**

Included at Appendix 3 is a copy of the 2018 pensioner newsletter which was issued on 29 March.

## **8. Recommendation**

8.1. That Pension Board members note the contents of this report.

8.2. That Pension Board members note the contents of the Breaches Log.

Phillippa Cockerill  
Head of Pensions Administration  
County Hall  
Northallerton

04 April 2018

Background Papers - Nil



# Common Data Quality Certificate

North Yorkshire County Council

## Appendix 2



This Certifies that the Scheme has achieved an overall data quality rating for "Common" data items of:

# 99%

This represents a data quality rating of B



Based on the Common data items as defined by the Pensions Regulator the following are details of the number of verification tests carried out and error ratings found compared to the targets set by the Regulator:

Number of members validated:	96,612
Number of verification tests undertaken:	15
Number of members passing all tests:	96,312
Number of members failing at least one test:	300
Overall data quality rating achieved in line with the Pensions Regulator's guidance:	99%

### Targets set by the Pensions Regulator

The following is a breakdown of the rating achieved split between "New" and "Legacy" data items as defined by the Pensions Regulator:

	Common Data			
	No. of Members	No. of failures	Actual	Target
New Data	34,770	81	99%	100%
Legacy Data	61,842	219	99%	95%

"New" data items are those which relate to a member whose record was created, or has been amended, on or after 01 Jun 2010.

"Legacy" data items are those which relate to a member whose record was created before 01 Jun 2010 and which has not been subsequently amended.

"No. of failures" represents the number of members who have failed at least one verification test.

**Note:**

The targets set for "New" and "Legacy" data by the Pensions Regulator should have been achieved by the end of December 2012 and maintained thereafter. Trustees must now continue to use all reasonable endeavours to resolve any identified issues and should have plans to improve and maintain the condition of the data held.

Signed

Dated

12/07/2017

Malcolm Reynolds, Managing Director Trustee Solutions, JLT Benefit Solutions Limited

## Appendix A- Summary of Results

<u>Data Items</u>	<u>Individual Passes</u>	<u>'New' Individual Failures</u>	<u>'Legacy' Individual Failures</u>	<u>Percentage Achieved</u>
Address	96,567	21	24	99%
Date of Birth	96,606	6	0	99%
Date Pensionable Service commenced	96,606	6	0	99%
Expected retirement date	96,612	0	0	100%
Forename(s) or initials	96,612	0	0	100%
Last status event	96,612	0	0	100%
NI Number	96,580	6	26	99%
Post code	96,401	42	169	99%
Sex	96,612	0	0	100%
Status	96,612	0	0	100%
Surname	96,612	0	0	100%

**Note:** A member may appear as an individual failure in more than one data item.

## Appendix B - Our Recommendations

The data validation tests carried out establish the number and nature of the potential errors contained against each Common data item on each member record tested. The Pensions Regulator has set targets for these data items which should have been achieved by the end of 2012 and maintained thereafter.

In summary, the Regulator expected Trustees to have undertaken the following actions:

- Analyse and understand the status of the data and any issues identified.
- Established an action plan to address any issues found.
- To have achieved the targets set by the Pensions Regulator. Where this has not been possible then there should be plans in place to do so.

In line with our separate report on the findings, we would recommend that any reported data errors are reviewed immediately and actions are put in place to rectify the issues found to meet the targets set by the Pensions Regulator. Your Client Manager or Consultant will discuss with you the results of the data verification audit and, if required, the best way to establish an ongoing rectification plan to reach and maintain the level of data quality required.

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Registered in England No. 02240496. VAT No. 244 2321 96

This certificate has been produced in line with guidance from the Office of the Pension Regulator



### NOTES

- 1) The verification tests undertaken as part of this exercise are based on those recommended by the Pensions Regulator.
- 2) The verification tests have been carried out on recent extract of data. Any updates to the system carried out after this extract was taken will not be reflected in the results shown on this Certificate.
- 3) The Data Quality Rating shown overleaf is JLT's assessment of the quality of data held based on the number of discrepancies / errors found during the verification exercise.
- 4) Any questions or queries on the contents of this Data Certificate should be referred to your Client Manager or Consultant in the first instance.
- 5) The data used and results collected as part of this exercise will not be disclosed to any other parties without the express written consent of the Trustees. In addition JLT will look to work with the Trustees to review and correct any data issues highlighted as part of this exercise.
- 6) Whilst every effort has been made to ensure the accuracy of the content of this report, neither JLT nor its parent or affiliated or subsidiary companies accept any responsibility for any error, omission, or deficiency. The contents of this report should not be construed as advice. If you intend to take any action or make any decision on the basis of this report, you should first seek specific professional advice and verify its contents.
- 7) All rights reserved. This document is and will remain the property of JLT. No part of this material may be reproduced or transmitted, in any form or by any means, whether electronic, mechanical, photocopy, recording or otherwise, or stored in any retrieval system of any nature without the prior written permission of JLT.
- 8) New data targets apply to a member whose record was created or has been amended on or after 01 Jun 2010. Legacy data targets apply to a member whose record was first created before 01 Jun 2010 and which has not been subsequently amended. Any update to an existing Legacy record will mean that the record will move into the New data category for the purpose of the targets set out by the Pensions Regulator.
- 9) A number of detailed technical assumptions are made in producing these results. A copy of these assumptions is available on request.



## Pensions Increase this year is 3% from 9 April 2018

### How is the increase calculated?

The Pensions Increase (Review) Order, which is issued each year by central government, tells all public sector pension schemes (of which the Local Government Pension Scheme is one) of the increase that should be applied to pension benefits. The annual increase reflects the rise in the cost of living and is in line with the Consumer Price Index (CPI) measure of price inflation recorded in the previous September.

### Who is eligible for the increase?

- Anyone in receipt of a pension who is over 55 or left employment to retire on the grounds of ill health.
- Anyone who has received the payment of their preserved benefits on ill health grounds and who was incapable of carrying out any type of work.
- Anyone in receipt of a spouse's, partner's or child's pension.

### When will we notify you about the increase?

Your payslip for April will include the increase in your pension (where applicable) from 9 April 2018. For those eligible to an increase of more than £1 a month a further payslip will be sent in May to show the increased pension for a full month.

### Am I entitled to the full increase?

If your pension began on or before 25 April 2017 you are entitled to receive the full increase. If your pension began after this date a smaller, prorated increase applies as shown in the table below:

Pension Begins	Increase
10 April 2017 to 24 April 2017	3.00%
25 April 2017 to 24 May 2017	2.75%
25 May 2017 to 24 June 2017	2.50%
25 June 2017 to 24 July 2017	2.25%
25 July 2017 to 24 August 2017	2.00%
25 August 2017 to 24 September 2017	1.75%
25 September 2017 to 24 October 2017	1.50%
25 October 2017 to 24 November 2017	1.25%
25 November 2017 to 24 December 2017	1.00%
25 December 2017 to 24 January 2018	0.75%
25 January 2018 to 24 February 2018	0.50%
25 February 2018 to 24 March 2018	0.25%

### How to avoid overpayments

It's not easy talking about what will happen after you've gone, especially with your loved ones, but it's something we all should do. Please take the time to have that difficult conversation, and make sure that someone will take care of your affairs when that day comes.

It's important that whoever is looking after your affairs knows how to contact us to tell us you have died. The North Yorkshire Pension Fund (NYPF) telephone number to share is **01609 536335**.

As soon as we are informed we can stop your pension payments to avoid any overpayment, and also put into place any new pensions, such as pensions for a husband, wife or partner who is entitled to one.

### Sharing Information

As we don't always get told when one of our pensioners has died we use a third party company to provide a monthly report to check for potential deaths against the General Register Office's records.

We also take part in the Tell us Once initiative. This means when someone registers a death, they can ask to have the details passed on to the Department for Work and Pensions (DWP) and other council departments including the NYPF.

In addition to the above the Cabinet Office require the NYPF to take part in the National Fraud Initiative (NFI). The NFI is an exercise that cross checks records from other pension schemes and the DWP. This exercise increases the chances of all the parties finding out when someone has died.

**It is extremely important if you claim any sort of benefit that you tell the benefit provider you are in receipt of a pension from the NYPF in case its value has to be taken into account. If you don't do this, the NFI exercise may pick it up as a fraudulent claim.**

### Dependants Benefits

An ongoing pension is provided for your spouse, registered civil partner and children as long as certain criteria are met. Also if you left after 31 March 2008, in addition to the above, a pension is also payable to a cohabiting partner subject to certain qualifying conditions.

Although not mandatory it is advisable to complete a cohabiting partner's form which you can download from the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under 'Forms/Guides' > 'Useful Forms'.

Further information can be found on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under 'Forms and Guides' > 'Scheme Guides' > 'Long Guide to the LGPS'.

### Scheme Funding

NYPF held total investment assets of £3.38 billion as at 31 December 2017. This represents an investment return of 17% over the previous 12 month period. These assets, in combination with total current and future liabilities, resulted in the Scheme being 109% funded as at 31 December 2017.

You can keep up to date by viewing the quarterly investment reports on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk), 'Pension Fund/Investments' > 'Quarterly Investment Reports'.

### Pensioners' Representative

Your views and issues continue to be represented by Gordon Gresty, a fellow NYPF pensioner, who worked for North Yorkshire County Council (NYCC) for 24 years. As the Pensioners' Representative, Gordon has a place on the Pension Board which gives him the opportunity to contribute to the way that the NYPF is run and to ensure that your views are considered.

If you have any comments, queries or complaints about pension matters that you would like Gordon to respond to, please email him at [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk) and put his name in the subject box. You can also visit Gordon's website page at [www.nypf.org.uk](http://www.nypf.org.uk) under Member Info > Retired Members > Pensioners' Representative which is updated with issues which may be of interest and relevance to you.

Further information about the Pension Board can be found on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under Pension Fund / Investments > Pension Board.

### P60s

Your P60 for the year up to 5 April 2018 is only issued once a year. The law requires us to issue your P60 certificate by 31 May each year but we aim to send it well before then. You may need your P60 at a future date, for example if you want to claim benefits, so please make sure you keep it safe.

Did you know that you can access your pensioner payroll record online via the MyView facility? Once registered you can access your personal details and view your payslips and P60s. You can also change your bank account details.

If you haven't already registered for MyView then simply email [EmploymentSupportService@northyorks.gov.uk](mailto:EmploymentSupportService@northyorks.gov.uk) quoting your name, date of birth and/or payroll reference number and contact telephone number. Your email should say that you wish to set up access for MyView for pensioners.

A personal email address is required to ensure your account is kept secure. You will receive an email response from the Employment Support Service (ESS) confirming your access to MyView along with a 'How to guide', usually within one to two working days. If you do not have access to email please telephone ESS on 01609 532190.

### Changing Bank Details?

If you change your bank accounts, your own bank will not tell us so please make sure that you do.

The easiest way to change your bank details is via MyView; this allows you to change your details up to the 10th of the month in order to be processed for that month's payroll. Please see the section called 'View your pensioner payroll record online' for further details on this. Where this falls on a non-working day the deadline will be the last working day before the 10th.

Alternatively, you can write to ESS at the address shown in 'Contact us'. Please include your name, date of birth, National Insurance number, new sort code and account number, pensioner payroll number and the date your account will be changing.

Requests in writing must be received by the 5th of the month in order to be processed for that month's payroll. Where this falls on a non-working day the deadline will be the last working day before the 5th.



### Viewing Pensions Focus online

If you received a paper copy of this newsletter but would like to receive future copies electronically please confirm this in an email to [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk). Please quote your name, National Insurance number and the email address that you would like us to use. All of your newsletters can also be accessed on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) > Newsletters

If you would like this information in another language or format such as Braille, large print or audio, please contact the NYPF on 01609 536335.

## Contact us...

Here are the ways you can find out more or get in touch with the NYPF:

Website: [www.nypf.org.uk](http://www.nypf.org.uk)

Telephone: 01609 536335

Email: [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk) remembering to quote your National Insurance number

Post: North Yorkshire Pension Fund, County Hall, Northallerton, North Yorkshire DL7 8AL

Pension payments are made by Employment Support Services (ESS). Here are the ways you can find out more or get in touch with ESS:

Telephone: 01609 532190

Email: [EmploymentSupportService@northyorks.gov.uk](mailto:EmploymentSupportService@northyorks.gov.uk) remembering to quote your National Insurance number

Post: Employment Support Service, North Yorkshire County Council, County Hall, Northallerton, North Yorkshire DL7 8AD

**North Yorkshire County Council****Pension Board****12 April 2018****Recent Pensions' Regulator Developments****1.0 Purpose of the Report**

To provide Members with details of a recent seminar that outlined a number of updates by the Pensions' Regulator.

**2.0 Background**

A recent Pensions' seminar, hosted by AON Hewitt on 27<sup>th</sup> February 2018, outlined a number of updates from the Pensions Regulator (TPR), which are outlined below.

**3.0 TPR Developments and governance tips:**

- TPR to start to impose fines for non-completion of their annual scheme return
- TPR current focus-
  - Clear roles and responsibilities
    - All governance policies should be reviewed during the transition to pooling and post transition to ensure that they are relevant
  - Clear purpose and strategy
    - Aon recommend that North Yorkshire Pension Fund (NYPF) have a Business Plan as requested by TPR- they recommend that NYPF have a 3 year plan, rather than the 1 year planner template that TPR provide
    - The Fund should have a targeted budget to monitor against – this would tie in with this business plan going to Pension Fund Committee in May
  - Training and improving knowledge
    - TPR will attend Pension Board/ Pension Fund Committee meetings by invite
    - Board and Committee Members should have skills/ training assessments to determine gaps in knowledge
    - Legal requirements on training only apply to Board Members, currently
  - TPR upcoming areas of focus will be:
    - How NYPF manages its advisors and other contract providers (reviewing contracts against expectations)
    - Managing risks and conflicts

- Meetings and decision making (Hand-outs on behavioural checklists for Charing a meeting and Aon meeting checklists were provided)
- Value for Money and member experience (benefits statements will possibly be TPRs way of measuring this)

#### **4.0 Record keeping and data improvement:**

- Code of Practice states that a data review should be carried out at least annually- TPR will consider this
- From 2018 Funds will need to comment on the quality of their data in the scheme return

#### **5.0 Recommendations**

- (i) That the report be noted and consideration be given to any actions required as a result of this update.

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

Background Documents: AON Hewitt Pensions' Seminar - 27<sup>th</sup> February 2018

**North Yorkshire County Council**

**Pension Board**

**12 April 2018**

**Internal Audit Plan**

**Purpose of Report**

To provide the Pension Board with an update on internal audit activity

**Audit Plan 2017/18**

The Internal Audit Plan for 2017/18 was approved at the Board meeting on 20 July 2017. The current progress of work for the 2017/18 plan is detailed below

<b>Audit</b>	<b>Days</b>	<b>Status</b>
<p><b>Pension Fund Governance Arrangement</b></p> <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>	<b>15</b>	<b>Draft</b>
<p><b>Pension Fund Income</b></p> <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>	<b>15</b>	<b>In progress</b>
<p><b>Pension Fund Expenditure</b></p> <p>The audit will review the processes for paying pensions, in particular reviewing payment of new pensions and changes to pension entitlement.</p>	<b>15</b>	<b>In progress</b>

## Implementation of recommendations

Progress in the implementation of agreed recommendations is detailed in the table below

<b>Audit</b>	<b>Findings</b>	<b>Status</b>
Pension Investments 2016/17	No Findings	No follow up required
Pensions Income 2016/17	2 Priority 3 Findings	All findings actioned
Pensions Expenditure 2016/17	2 Priority 2 Findings 1 Priority 3 Finding	All findings to be implemented by 31/3/2018
Altair IT System 2016/17	1 Priority 3 Finding	Finding actioned

### Recommendation

Pension Board Members are asked to note this report

Ian Morton,

Audit Manager,

Veritau Ltd.



**NORTH YORKSHIRE COUNTY COUNCIL****PENSION BOARD****13 APRIL 2018****LGPS POOLING ARRANGEMENTS****1.0 PURPOSE OF THE REPORT**

- 1.1 To provide Pension Board members with an update on the progress made towards the LGPS Pooling arrangements.

**2.0 LGPS POOLING UPDATE**

- 2.1 As Board members are aware, the North Yorkshire Pension Fund has been working closely with the 11 other partner Funds to set up the BCPP pool. Since the last update provided by the Treasurer of the Pension Fund in the January meeting, much progress has been towards getting the pool operational in June 2018.
- 2.2 The implementation of BCPP is still on track to meet the Go Live date and the transfer of assets is expected to begin with effect from July 2018. Recruitment continues at some pace within BCPP and the shadow directors of BCPP have now resigned and the new Board members have been formally appointed so that the Board can now move from operating in shadow form.
- 2.3 Since the last meeting of the Board, there has been one Joint Committee meeting on 13 March 2018. The next meeting of the Joint Committee is to be held on 10 July 2018. A verbal update will be provided by officers in the meeting on the Joint Committee meetings and key milestones achieved since the last Board meeting.

**3.0 RECOMMENDATION**

- 3.1 Pension Board members to note the content of the report and the verbal update provided by officers.

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

Background papers - none

## North Yorkshire County Council

## Pension Board

12 April 2018

## 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 in 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, however, at the meeting of the Board held on 17 October 2017, it was agreed that it was not necessary for all Members to complete all the modules.

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 they wish to complete and likely timescales for this.
- (ii) That Members provide details of any training they wish to be included on the training record:
- (iii) 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	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson
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	Leeds		X	X	X			X
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X	X	X			X
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	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
29/06/16	Local Pension Board Conference	CIPFA & Barnett Waddingham	London	X						
01/03/17	LGPS Spring Seminar	CIPFA & Barnett Waddingham	Leeds	X						
28/06/17	Local Pension Boards 2 years on	CIPFA & Barnett Waddingham	London	X						
29/06/17 and 30/06/17	Annual LGPS “Trustees” Conference	LGA	Bournemouth	X						
11/09/17 and 12/09/17	Introduction to Pension Funds – New Pension Fund Committee and Pension Board Members	BCPP	York	X	X		X			X
10/11/17	Local Pension Boards Autumn Seminar	CIPFA	Liverpool		X					X
17/09/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson
26/11/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X				
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X				
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X				
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	X		X			
24/11/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X				
26/01/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	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						
14/09/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
23/11/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
22/02/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
25/11/16	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
23/02/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
15/09/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson
17/11/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
20/12/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
11/11/16	Triennial Valuation Seminar	Actuary	County Hall	X				X		
13/01/17	Pooling – Employers Seminar	NYPF	County Hall	X	X		X	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	
03/02/16	Governance Forum	Mazars	York	X					X	X
08/07/16	Governance Forum	Mazars	York	X					X	X
03/02/17	Governance Forum – (Including Cyber Security)	Mazars	York	X					X	
31/01/18	Governance Forum (including GDPR)	Mazars	York	X					X	
07/15 – 03/17	Introducing Pension Schemes	The Pensions' Regulator – Toolkit Modules	On-line		X		X			X
07/15 – 03/17	The Trustees' Role	The Pensions' Regulator – Toolkit Modules	On-line	X	X		X			X
07/15 – 03/17	Running a Scheme	The Pensions' Regulator – Toolkit Modules	On-line	X	X		X			
07/15 – 03/17	Pensions' Law	The Pensions' Regulator – Toolkit Modules	On-line		X		X			
07/15 – 03/17	An introduction to investment	The Pensions' Regulator – Toolkit Modules	On-Line				X			
07/15 – 03/17	How a DB Scheme works	The Pensions' Regulator – Toolkit Modules	On-line				X			

**North Yorkshire County Council****Pension Board****12 April 2018****Work Programme****1.0 Purpose of the Report**

To detail the areas of planned work by the Pension Board

**2.0 Future Activity**

Previous reports to the Board have 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. It is expected that scoping reports, on the issues highlighted below, will have been submitted for consideration at today's meeting:-

1. **Management, administration and governance process and procedure.**
2. **Development of improved customer services.**
3. **Scheme Member and employer communications.**

Resources will be made available, via relevant Officers, to assist Board Members with their approach to the development of these issues.

Members are asked to consider further areas, highlighted in the work programme, in which they would like to undertake in-depth consideration, and provide scoping reports to future meetings, in relation to the development of these issues.

**3.0 Recommendations**

That members:

- i) Review and agree any updates to the Work Plan (as set out in Appendix 1);
- ii) Consider further subject areas for taking topics forward, consider leading on these, and providing a short scoping report to future meetings;
- iii) Consider and request (via the Clerk) supporting resources which may be required to take the reviews forward.

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

## PENSION BOARD WORK PLAN

APPENDIX 1

		18-Jan-18	12-Apr-18	19-Jul-18	11-Oct-18	24-Jan-19	11-Apr-19	
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		✓	✓				

### Compliance checks

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 – as required							
13	Review the outcome of actuarial reporting and valuations – every three years							
14	Assist with compliance with the UK Stewardship Code	✓						

### Administration procedures and performance

15	Review admin/governance procedures/processes-including monitoring performance admin/governance							
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	Review processes for the appointment of advisors and suppliers							
23	Monitor investment costs							
24	Review the risk register and management of risk processes and procedure	✓		✓		✓		
25	Assist with the development of improved structures and policies							
26	Assist in assessing process improvements on request of PFC							
27	Assist with asset voting and engagement processes							
28	Pooling arrangements and governance	✓	✓	✓	✓	✓	✓	

### Communications

29	Review scheme member and employer communications							
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### Training

30	Review Pension Board knowledge and skills self assessment		✓			✓		
31	Review training log	✓	✓	✓	✓	✓	✓	
32	Review training arrangements for the Board and other groups	✓	✓	✓	✓	✓	✓	