

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 19 July 2018 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Ian Cutherbertson (City of York Council) and County Councillor Mike Jordan (North Yorkshire County Council).

Scheme Members:

Gordon Gresty and Simon Purcell (Unison).

In attendance:-

County Council Officers: Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton, Jo Foster-Wade and Adam Tennant.

Copies of all documents considered are in the Minute Book

147. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 149(b) on the grounds that this involved the likely disclosure of exempt information as defined in paragraph 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.

148(a) Apologies for Absence

Apologies for absence were received from Louise Branford-White (Hambleton District Council), Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

148(b) Vacancy for an Employer Representative

The Chairman reported that, at the time of the closing date for applications, none had been received in respect of the Employer Representative vacancy. Officers were now attempting to identify suitable candidates as potential Employer Representatives for the Pension Board and that process was ongoing.

Resolved -

That the position detailed be noted.

149(a) Minutes

Resolved -

That the Minutes of the meeting held on 12 April 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

149(b) Confidential Minutes

Resolved -

That the confidential Minutes of the meeting held on 12 April 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

149(c) Progress on Issues raised by the Board

In respect of the appointment of a Scheme Member representative, through a co-option process, to the Joint Committee of the Border to Coast Pensions Partnership (BCPP), it was noted that the Joint Committee had now agreed, in principle, for a Scheme Member representative to be part of the Committee. It was stated that a report would be submitted to the November meeting of the Joint Committee to determine how that representation would take place and, therefore, further details would be submitted to the Pension Board as this issue was progressed.

In relation to the issue of a meeting being arranged between representatives of the various Pension Boards and the representatives of the BCPP, the Chairman stated that the Treasurer for North Yorkshire Pension Fund (NYPF) was liaising with senior officers of the Pool and further details would be provided once arrangements were in place.

Issues relating to Internal Audit reports, Pension Board projects and training were on the agenda for the meeting and would be discussed at the appropriate time.

In relation to the Pension Board receiving details relating to the pooling arrangements, the Chairman stated that he had held discussions with the Treasurer of the Pension Fund around those details and also in relation to the issues raised within the confidential Minutes agreed earlier in the meeting. Issues discussed with the Treasurer included:-

- ◆ The meeting of representatives of the various Pension Boards representing the Pension Funds within the Pool and representatives of the Pool - arrangements were being developed in respect of this.
- ◆ The preparation of a separate Risk Register for the Pool - this had now been provided for Members to consider, however, it was suggested that as this had only recently been provided to Members, consideration should be undertaken outside of the meeting with any issues communicated to the Chairman for

further discussions at the next Pension Board meeting. It was noted that the Risk Register was confidential at this stage.

- ◆ Set-up costs - an additional £75k had been required from each of the participating Pension Funds on top of the initial sum of £350k in respect of the set-up funds, although it was now expected the final set-up costs would be slightly lower than had been anticipated when the additional funding was requested.
- ◆ Final governance arrangements - these would be discussed under the pooling item later on the agenda.
- ◆ Monitoring the costs of investments/management fees - this position would become clearer as investments transferred over to the Pool.
- ◆ Staffing structure - a copy had now been provided to Members of the Board and would be considered during the pooling agenda item.
- ◆ Operational budget - this had not been provided as yet as it had not been given shareholder approval. Once available it would be circulated to Board Members.
- ◆ The reduction of investment costs going forward - it was noted that, during to the initial set-up, costs would increase initially. Economies of scale were expected to decrease the costs of investments over time.
- ◆ Scheme Member representation on the Joint Committee - this issue had been addressed, above, and Members welcomed the developments being made on this.

Resolved -

That the report, and updates provided, be noted.

150. Declarations of Interest

There were no declarations of interest submitted.

151. Public Questions or Statements

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

152. Minutes of the Pension Fund Committee meeting held on 24 May 2018 and draft Minutes of the meeting held on 5 July 2018

The Chairman outlined the highlights from the Minutes of the Pension Fund Committee meeting and provided details of the issues discussed at the 5 July 2018 meeting, the Minutes not yet being available for consideration, but would be provided for the next meeting of the Pension Board. He also noted that a special meeting of the Pension Fund Committee had been held on 18 July 2018, and he provided an update in relation that.

The following issues and points were raised:-

- ◆ A Member noted the discussion that had taken place in relation to hidden fees and the move to make these more transparent. Clarification was provided as to what was meant by hidden fees and which fees were involved. It was noted that a Code of Transparency had been developed and attempts were being made to ensure that Fund Managers signed up to that Code. Concern had been expressed by Members of the Pension Fund Committee that not all Fund Managers had signed up to that Code and further reports were to be submitted to subsequent Pension Fund Committee meetings with more details relating to hidden fees being outlined. As the situation developed the information would also be provided to the Pension Board.
- ◆ Clarification was provided in relation to how pooling would work in terms of the NYPF setting its Investment Strategy and the investment management within the Pool. It was expected that the transfer of funds from NYPF would commence next year when externally managed sub-groups were in place, in line with the requirements of the NYPF Investment Strategy. A main difference to the current arrangements and the pooling arrangements was that the Pension Fund Committee would not be choosing the Investment Managers, nor monitoring their performance directly. It was stated that the NYPF would carry out due diligence in terms of the sub-groups into which the investments would be made. A Member suggested that the Pension Board would have a responsibility to the Pension Fund Committee to report issues should they feel that the pooling arrangements were not operating satisfactorily, however, it was emphasised that it was expected that the Pensions Regulator would take action if this were the case.
- ◆ The Chairman highlighted the issues that had been discussed at the 5 July Pension Fund Committee meeting, noting that the consideration of the draft Final Accounts and Governance documents had taken place at that meeting. In terms of the draft Final Accounts these were approved by the Pension Fund Committee, although ultimate approval would take place at the forthcoming meeting of the Audit Committee which would be taking place next week. Reference had been made to the 109% funding position of the Fund at the end of the 2017/18 financial year and the substantial improvement that had developed since 2009 when the Fund had been just over 30% funded. Members noted that payment holidays that had taken place in the 1980/90s had contributed to that poor funding position.
- ◆ The Pension Fund's Governance Framework and documents were also reviewed at the meeting. Details of these had been circulated to Pension Board Members and would be discussed later in the meeting.
- ◆ An update was provided in relation to pooling and it was noted that the BCPP had gone live on 2 July 2018. Following the meeting a presentation was provided to Pension Fund Committee Members, in relation to the transition plan and timetable, by the Chief Investment Officer of the BCPP.
- ◆ In response to a Member's question it was noted that internally managed investments had commenced, with appropriate staff having been TUPE transferred across to the BCPP to manage those. It was noted that investments could be transferred from the NYPF to the internally managed funds, if required, as long as those investments complied with the Investment Strategy of the Pension Fund.

- ◆ The Chairman noted that an Investment Strategy workshop had taken place following the meeting on 5 July whereby consideration had been given as to how to further de-risk the investments of the NYPF. As the workshop was not a formal meeting a decision could not be made on that position, therefore, a special meeting of the Pension Fund Committee was held on 18 July 2018 where the decisions on investments were ratified.

Resolved -

That the Minutes and updates of the additional meetings, together with the issues raised in relation to those, be noted.

153. Draft Annual Report

Considered -

A copy of the North Yorkshire Local Pension Board draft Annual Report for 2017/18 was provided for Members' comments.

It was noted that the Pension Board costs for 2017/18 had been omitted from the report and required adding in.

Resolved -

- (i) That the details identified as missing be added into the report, which would then be sent to the Chairman for final approval;
- (ii) That, subject to the addition of the information identified, Members approve the Annual Report; and
- (iii) That, following the signing off by the Chairman, the Annual Report be submitted to the Administering Authority and the Monitoring Officer.

154. Pensions Administration

Considered -

Members considered the report of the Pensions Administration which provided details on the following:-

- ◆ Breaches Log
- ◆ Annual Benefit Statements
- ◆ Letter Review Project
- ◆ LGPS Amendment Regulations 2018

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

- ◆ Some Saturday working had been introduced to assist with removing the backlog of work and it was noted that a number of staff were willing to undertake this. It was noted that, of late, the Pensions Administrations Team had lost a number of experienced members of staff, therefore, this had presented some difficulties to the section which were being addressed through the additional hours. Recruitment was underway to fill the vacant posts, however, identifying potential officers, with the necessary experience,

was difficult. It was noted that the potential loss and unavailability of key personnel was identified as a risk within the NYPF Risk Register.

- ◆ A Member referred to the current projects taking place in relation to the review of letters and asked whether that was having a knock-on effect in terms of work required by the Administration Team. The Head of Pensions Administration stated that, where possible, a continuation of the letters reduction project was taking place, however, she emphasised that some issues did take a precedent but the project would continue when resources were available for this.

Resolved -

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted;
- (iii) That the Pension Board pass on its compliments to the Pensions Administration team for the excellent work it delivers

155. Employer and Administering Authority Discretions - Review

Considered -

The report highlighted how all employers within the Local Government Pension Scheme were required to formulate a Discretions Policy in accordance with Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 60 of the Local Government Pension Scheme Regulations 2013.

It was noted that there were a number of employers who had either not formulated a policy or had not provided the Fund with a copy of that policy in relation to both the 2008 (final salary) scheme and the 2014 (CARE) scheme.

The LGPS (Amendment) Regulations 2018 introduced new rules for scheme members who left before 31 March 2014 and councillor members. This meant that they no longer needed former employer's consent to take their pension benefits between the ages of 55 and 60. The change, along with other anomalies, led to an updated policy template and a new guidance document being developed. The template had both the 2008 and 2014 discretions in it and was colour coded to categorise the discretions as follows:-

- ◆ Compulsory
- ◆ Recommended
- ◆ Less common

A guidance document was also being developed to assist employers when formulating their Discretions Policy.

It was hoped that the final version of the template and guide would be ready for distribution by early autumn. It was expected that this would be tested with the larger employers, initially, before being rolled out to all employers.

Members discussed the purpose of the discretion documents, how these were currently implemented, how the new system was to be rolled out and how these would be maintained in the future.

It was expected that a further update would be provided to the next meeting of the Pension Board.

Resolved -

That the report be noted and actions outlined be undertaken accordingly.

156. Internal Audit Reports

Considered -

Veritau Audit Manager, Ian Morton, presented the report highlighting the Audit Plan 2017/18, which had now been completed and actions agreed.

Members discussed the completed audits and the following issues and points were raised in relation to these:-

Pension Fund Governance Arrangements - Substantial Assurance

The audit found that the arrangements for managing the risk were good with a few weaknesses identified. An effective controlled environment was in operation but there was scope for further improvement in a small number of areas. These included:-

- ◆ Not being able to confirm an interest form had been completed by the NYPF Pension Board Members.
- ◆ The Annual Report had not included all information that stakeholders may want to know to be confident that the Fund was being managed effectively.
- ◆ Annual Benefits Statements were not made available to Members within timescales, with employers not being penalised when they fail to provide accurately and timely information.
- ◆ Not providing the Secretary of State with a copy of the agreed Pension Administrations Strategy.

It was noted that a register of interests for Pension Board Members was now in place.

In relation to penalties for employers not providing information, it was noted that this matter was being investigated with the possibility of penalties being introduced shortly, however, every effort was made to try and mitigate the problem through mediation. Members considered that those that had undertaken mediation previously, and continued to not supply information in a timely manner, should be the subject of penalties. It was noted that a report was to be submitted to a meeting of the Pension Fund Committee later in the year with a view to developing a system of penalties in such circumstances.

In relation to this matter it was also noted that the NYPF could be reported to the Pensions Regulator should it not comply with regulations in relation to the publication

of Annual Benefit Statements. However, should a fine be imposed and this related to the non-production of information by employers, then the financial penalties would be passed on to the employers concerned. It was again noted that this issue would be outlined in the report to be submitted to the Pension Fund Committee.

Pension Fund Income - Reasonable Assurance

The arrangements for managing risks were satisfactory with a number of weaknesses identified. An acceptable control environment was in operation but there are number of improvements that could be made. These included:-

- ◆ Issues around correct and timely payments from some smaller employers.
- ◆ Greater clarity required in relation to whether reconciliations were performed for the correct purposes and whether they provided suitable controls to ensure all payments were received correctly and promptly.
- ◆ Timeliness of receipts from some employers was poor and not identified early enough and not monitored or escalated in an effective manner.
- ◆ The NYPF Pensions Administrations Strategy allows for a penalty system, however, there did not appear to be a formal process for recovering or escalating issues to the Pension Fund Committee.
- ◆ The processes for raising debtor accounts were not efficient with some duplication and delays.
- ◆ Debtors' invoices were not raised for transfers into the scheme.

Members raised concerns regarding the issues identified in relation to the periodic reconciliation to monitor the invoicing for strain on the Fund. It was stated that the matter was being addressed and appropriate processes were to be introduced. Members suggested that the issue should be raised with the Pension Fund Committee, via the Chairman's report back on the Pension Board, at the Pension Fund Committee's next meeting.

Members also raised concerns that a number of the issues identified related to the business support function of NYCC. Members noted, with concern, the lack of direct management control for the Business Support operatives within the NYPF administration and it was asked that officers provide responses in relation to those issues, as Members did not believe that the dual system was working effectively for the NYPF.

Pension Fund Expenditure - Reasonable Assurance

Arrangements for managing the risk were satisfactory with a number of weaknesses identified. An acceptable control environment was in operation but a number of improvements could be made. These included:-

- ◆ The development of a Service Level Agreement between the NYPF and NYCC ESS, identifying the responsibilities and expectations of each party.

- ◆ There were a number of areas where the Pension Administrations team made requests to ESS for actions but there was no process to check whether these actions had taken place.
- ◆ No checks were carried out to ensure people in receipt of dependant pensions over the age of 18 were still attending courses once the initial confirmation had been received.
- ◆ ESS would only suspend a pensioner record on Resourcelink once they had received notification from the Tell Us Once website or had been provided with a copy of the Death Certificate impacting upon the subsequent recovery of any overpayment or the settlement of the estate when there was an underpayment.
- ◆ The NYPF or the Pensions Administrations Team were not notified of outstanding invoices for the repayment of overpaid pension raised on their behalf by ESS.

It was noted that ESS were in the process of developing an SLA between them and the NYPF and it was expected that there would be communications between the two service areas to ensure that this was mutually agreed.

Members considered there were some fundamental issues in relation to the reconciliation process highlighted in the key findings of the report that should be addressed. Officers indicated that the recommendations within the report would be addressed accordingly.

2018/19 Draft Internal Audit Plan

This was approved by NYCC's Audit Committee on 21 June and included an allocation of 50 days for the NYPF. Details were attached to the report and it was noted that the plan covered the main areas of operation for the Pension Fund looking at investments, income and expenditure. The specific areas to be covered had been determined following discussions with Officers.

Resolved -

That the report be noted and actions identified, above, be undertaken accordingly.

157. Risk Register and Governance Documents - Review

The governance documents, and Risk Register, for the NYPF had been circulated to Members when these were submitted for consideration to the Pension Fund Committee held on 5 July 2018. Details of the consideration of those documents had been highlighted during discussion of the Minutes from that meeting, earlier in this meeting.

Members had no further comments in relation to those documents.

Resolved -

That the NYPF governance documents and Risk Register be noted.

158. Pension Board Projects

Management, Administration and Governance Process and Procedure

It was noted that Mandy Swithenbank, who was leading on this project, but was unable to make today's meeting, had indicated that, due to personal and work commitments, she had been unable to make progress on the project since the last meeting.

Development of Improved Customer Services/Scheme Member and Employer Communications

Project leaders Councillor Ian Cuthbertson and County Councillor Mike Jordan stated that they had met with the Head of Pensions Administration to determine how the projects should be progressed.

The reduction of the number of letters used by the NYPF remained a target for the projects and it was noted that there had been a significant reduction to date. Service priorities and staffing issues were barriers to the progress of the projects, however, the lead Members would ensure that their work co-ordinated with officers' availability. Other processes to be considered through the projects included the development of the website and the publication of the Annual Benefit Statements.

It was expected that further progress on each of the projects would be provided to the next meeting of the Pension Board.

Resolved -

That the progress on projects highlighted be noted.

159. Pooling

Considered -

A report detailing the progress made towards the LGPS pooling arrangements was provided. Highlights included:-

- ◆ The BCPP went live on 2 July 2018 and the first internally managed sub fund had been launched.
- ◆ The current areas of focus for the BCPP were the set-up and launch of the upcoming sub funds, in particular, those due to launch in the next quarter and the transition planning for future sub funds.
- ◆ The interim CIO attended an informal briefing session with the Pension Fund Committee at their meeting on 5 July 2018 and provided further details of the Pool's transition plan and approach.
- ◆ The Pool's Joint Committee meeting, held on 10 July 2018, appointed the Chair and Vice-Chair of the Joint Committee and the two shareholder representative roles on the BCPP Board.
- ◆ The meeting also saw the draft governance charter presented which set out the roles and responsibilities for each of the stakeholders of BCPP.

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

- ◆ It was expected that the initial transition of the NYPF funds into the Pool would take place in Quarter 1 of the next calendar year.
- ◆ Developments within the NYPF's Investment Strategy, and how that would affect the transition position in terms of the Pool, were highlighted.
- ◆ It was noted that Pension Boards were mentioned in the governance charter, which was welcomed.
- ◆ The circulated, confidential documents providing details of the staffing structure and Risk Register for the BCPP were discussed. Clarification in relation to whether there would be any additional clerical support within the structure would be sought and provided to Members.

Resolved -

That the report be noted.

160. Board Evaluation and Skills Matrix Questionnaires

Considered -

Details of the questionnaires completed by Members of the Pension Board, evaluating the performance of the Board and highlighting the skills held by Board Members, were provided and discussed.

It was noted that the questionnaires generated a variety of results and, in view of that, it was difficult to determine an overall position in terms of an overall evaluation of the Board and of skills held by Board Members.

In view of that it was suggested that a further exercise be undertaken, with questionnaires developed to be more appropriate for Pension Board Members. The questionnaires would be circulated and a further evaluation undertaken.

Resolved -

- (i) That the responses provided be noted;
- (ii) That the questionnaires be developed to ensure that they are relevant for Pension Board Members, enabling the exercise to be repeated, with appropriate responses generated.

161. Training

The report provided details of Pension Board Members training and courses attended.

Simon Purcell provided details of the training course he had recently attended in respect of his position as Scheme Member representative on the Pension Board.

Resolved -

- (i) That the report be noted; and
- (ii) That Members continue to identify training and courses they wish to attend and provide details they wish to be included on the Training Record.

162. Work Plan

Considered -

The report detailing the areas of planned work by the Pension Board, including the current issues that were being undertaken as projects by Pension Board Members, as detailed earlier in the meeting, was considered.

Resolved -

That the report be noted.

The meeting concluded at 12.25 pm

SL/JR

DRAFT