

## Agenda

### **PLEASE NOTE CHANGE OF VENUE FOR THIS MEETING**

**Meeting: Pension Board**

**Venue: Meeting Room B1, White Rose House,  
Northallerton, DL6 2NA**

**Date: Thursday 24 January 2019 at 10am**

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### **Business**

- 1a. Apologies for absence**
- 1b. Vacancy for Employer and Scheme Member representatives**
- 2a Minutes – To agree as an accurate record the Minutes of the meeting held on 11 October 2018**

**(Pages 7 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 21 January 2019. 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 November 2018 - Chairman to report**  
(Pages 21 to 31)
- 6. Review of Terms of Reference - Report of Legal & Democratic Services**  
(Pages 32 to 115)
- 7. Pensions' Administration - Report of Legal & Democratic Services**  
(Pages 116 to 142)
- 8. Internal Audit Reports – Report of Internal Audit**  
(Pages 143 to 144)
- 9. Review of Risk Register - Report of Legal & Democratic Services**  
(Pages 146 to 159)
- 10. Pension Board Projects – Scoping reports from Project Leaders**
- Management, administration and governance process and procedure
  - Development of improved customer services
  - Scheme member and employer communications
- 11. Pooling - Report of Legal & Democratic Services**  
(Pages 160 to 161)
- 12. Training (including feedback from any courses attended) - Report of Legal and Democratic Services**  
(Pages 162 to 178)
- 13. Work Plan – Annual Review and Plan for 2019 – Report of Legal & Democratic Services**  
(Pages 179 to 181)

**14. 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

January 2019

**NOTES:**

**Emergency Procedures for Meetings**

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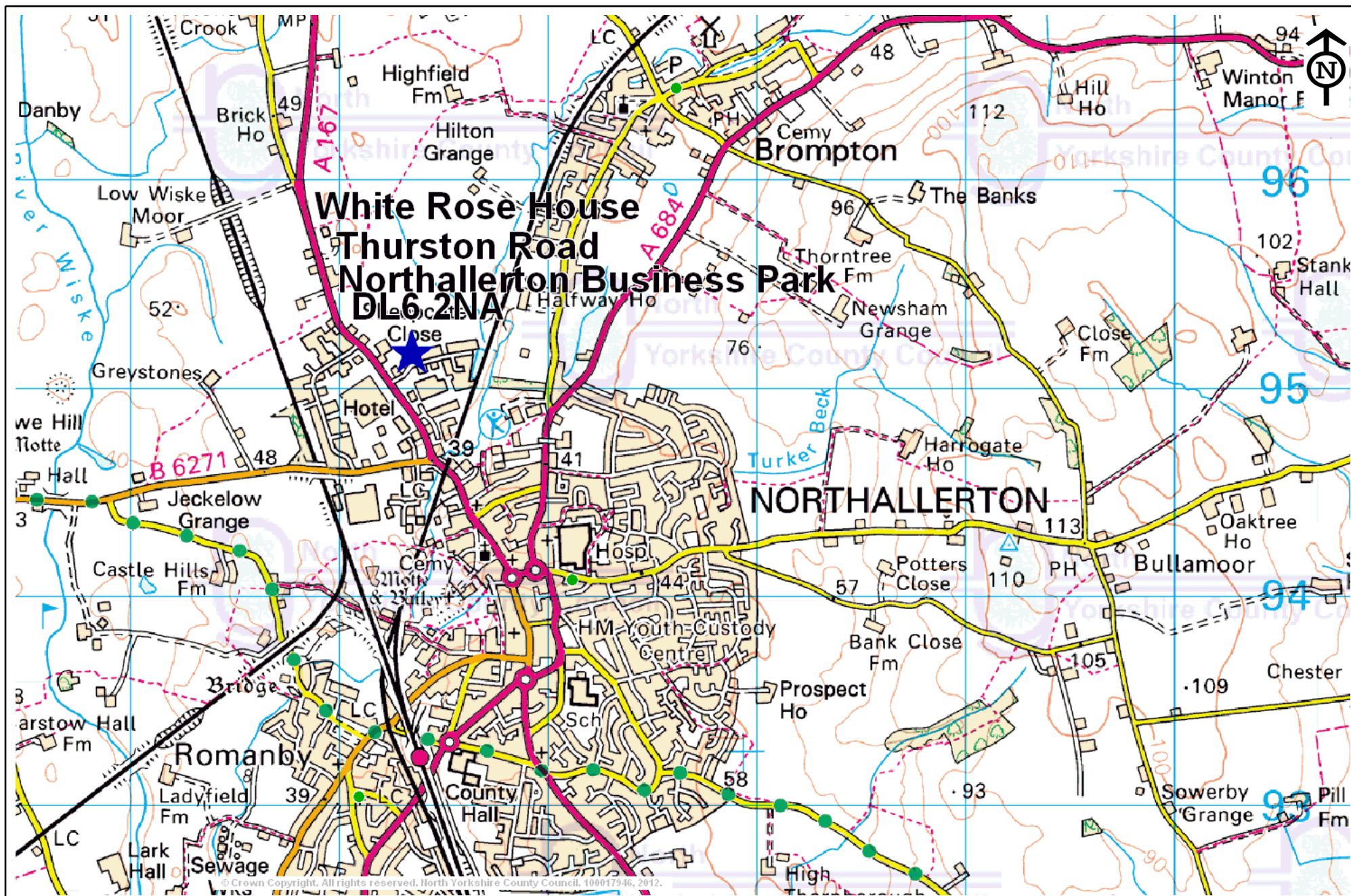
**Accident or Illness**

First Aid treatment can be obtained by telephoning Extension 7575.

# PENSION BOARD

## Membership

(9)		
	<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>	PURCELL, Simon	Scheme Member Representative
<b>7</b>	VACANCY	Scheme Member Representative
<b>8</b>	SWITHENBANK, Mandy	Scheme Member Representative
<b>9</b>	GRETTY, Gordon	Scheme Member Representative
<p><b>Quorum</b> - The Board shall be quorate if the Chair, one scheme representative and one employer representative are present.</p>		

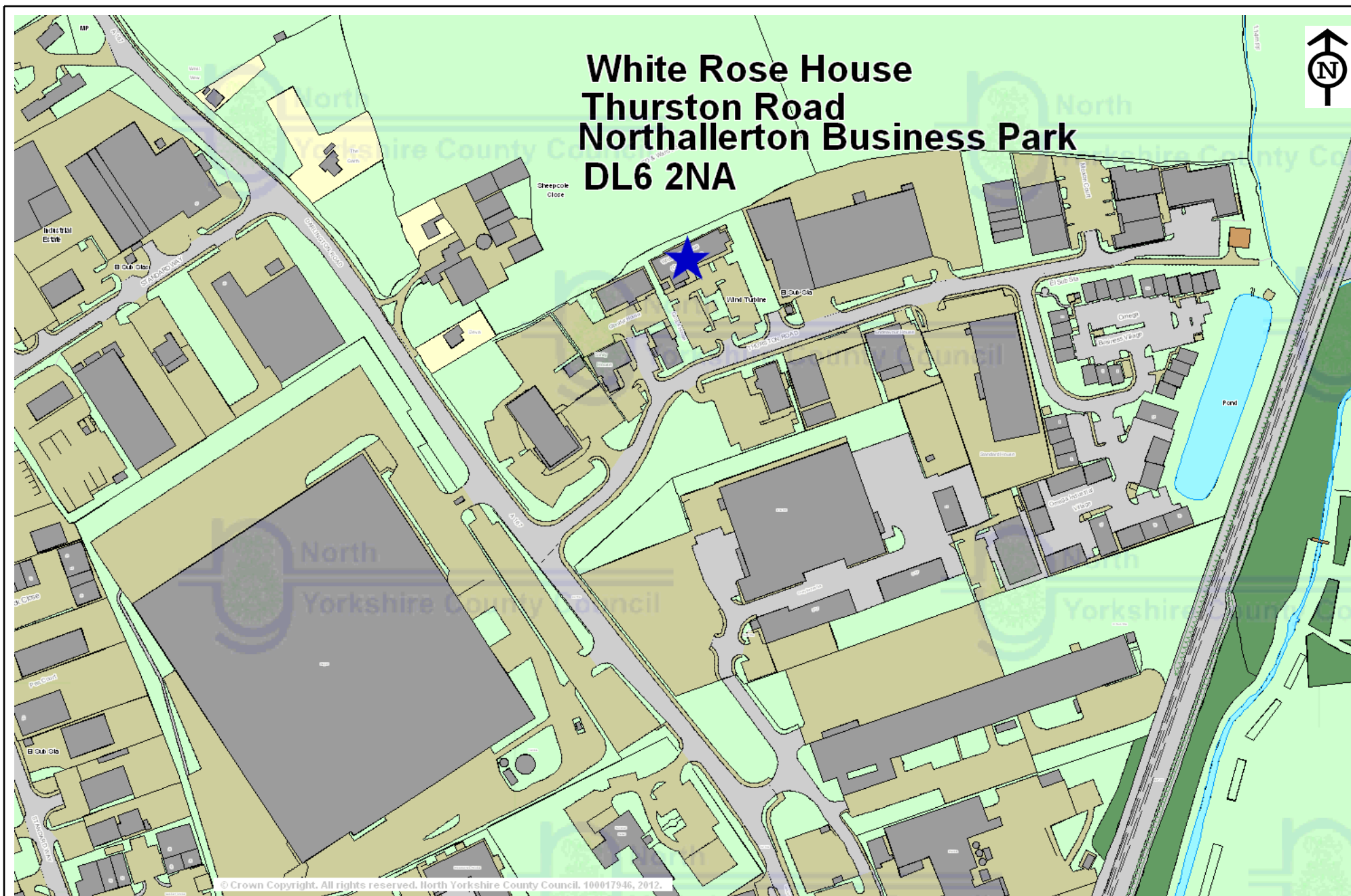


**White Rose House, Thurston Road, Northallerton DL6 2NA**

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Map scale:	Scale 1/24521
Date:	Date 2/11/2012
Created by:	ALJ
Grid Ref:	Centre = 437646 E 494678 N





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Map scale:	Scale 1/3065
Date:	Date 2/11/2012
Created by:	ALJ
Grid Ref:	Centre = 436346 E 495057 N

## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 11 October 2018 at County Hall, Northallerton commencing at 10.00 am.

#### **Present:-**

#### **Members of the Board**

David Portlock (Independent Chairman).

#### **Employer Representatives:**

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

#### **Scheme Members:**

Gordon Gresty and Mandy Swithenbank (GMB)

#### **In attendance:-**

County Council Officers: Phillippa Cockerill, Gary Fielding, Jo Foster-Wade, Steve Loach, Ian Morton, Joe Nash and Adam Tennant.

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

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#### **163(a) Apologies for Absence**

Apologies for absence were received from County Councillor Mike Jordan (North Yorkshire County Council) and Simon Purcell (Unison).

#### **163(b) Vacancies - Employer Representative and Scheme Member Representative**

The Chairman reported that, in respect of the vacant position for an Employer Representative, a potential candidate had been identified and an application pack had been provided to that person. It was expected that the application would be returned shortly.

In relation to the vacancy for a Scheme Member representative it was noted that official confirmation of the resignation of the Scheme Member had yet to be received, and as soon as that was in place, an appropriate recruitment process would be undertaken.

#### **Resolved -**

That the issues outlined be noted.

#### **164. Declarations of Interest**

There were no declarations of interest submitted.

#### **165. Public Questions or Statements**

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

The Treasurer of the Pension Fund, Gary Fielding, was able to join the meeting for a limited period. In relation to this the Chairman agreed to re-order the agenda.

#### **166. Pooling**

Considered -

The report of the Treasurer providing Pension Board Members with an update on the progress made towards the LGPS pooling arrangements. The Treasurer of the Fund, Gary Fielding, apologised for Amanda Alderson being unable to be at this meeting due to her being required at the Headquarters of BCPP to discuss the global equities transition, as a client of BCPP, from the North Yorkshire Pension Fund (NYPF) perspective.

He highlighted the following in relation to recent pooling developments:-

- ◆ The process of appointing two non-Executive Directors to the BCPP Board was currently taking place and was subject to the approval of shareholders. If approval was given, it was expected that this would provide the ability to deliver issues from the perspective of the various Pension Funds at Board level.
- ◆ A new Chief Investment Officer was now in post, replacing the original interim appointment.
- ◆ The NYPF had been provided with a Relationship Manager from BCPP, Andrew Stone, who would attend Pension Fund Committee meetings on invite and assist with issues in relation to NYPF's involvement with the pooling arrangements.
- ◆ The NYPF was awaiting clarification of the sub-funds that were to be developed by BCPP and how those would meet the needs of the Pension Fund's Investment Strategy. The Treasurer emphasised that conversations would be taking place with BCPP to ensure that the Investment Strategy was met by those sub-funds as, failure to meet that, could result in a delay in investments being placed within the pooling arrangements. He emphasised that he expected a pragmatic approach from BCPP and awaited to see the details of the global equities sub-fund.
- ◆ It was noted that there were likely to be some external pressures from Government in relation to ensuring investments took place within the Pool, however, unless the needs of the Investment Strategy could be met, then the NYPF would maintain its position in respect of investing within the sub-funds, which was to ensure that the Strategy could be fully met by the offer in place. He noted that all Pension Funds within BCPP had signed a Memorandum of Understanding in terms of investing at the appropriate time, but noted that this was on the proviso that the funding arrangements in place were appropriate



to that Pension Fund. He noted that the de-risking of the Fund, due to the current 110% funding level, could be advantageous in terms of moving Funds over into the pooling arrangements.

- ◆ The move to de-risk the Investment Strategy of the NYPF and the sub-fund offers from the pooling arrangements were discussed and it was expected that a range of suitable funds would be in place, however, it was again emphasised, by the Treasurer, that those would need to be appropriate for the Fund's Strategy and would have to be agreed by the Pension Fund Committee for the transition to take place.
- ◆ It was noted that the transition timetable was set out in paragraph 2.2 of the report, however, it was again emphasised that issues going forward could alter that timetable.
- ◆ It was noted that a number of the other Pension Funds within BCPP had similar issues to those being experienced by the NYPF and, therefore, all appropriate parties were discussing those issues to develop an appropriate position going forward.
- ◆ Members re-emphasised the theory behind pooling, which was to enable Pension Funds to continue with their Investment Strategies, at the same time as developing economies of scale to push down the costs of those investments. The Treasurer stated that this was still the case and emphasised that pooling arrangements were still in their initial phases, and those benefits were unlikely to be seen in the short term. It was noted that the Pension Fund Committee continued to provide an effective and strong challenge to pooling to ensure that the expected benefits were kept to the forefront of those arrangements.

#### **Resolved -**

That the Treasurer be thanked for his update and the issues raised be noted.

#### **167. Draft Minutes of the Pension Fund Committee Meeting held on 13 September 2018**

The Chairman stated that it would be advantageous to receive comments on any issues raised by Members, from the Treasurer of the NYPF, in relation to the Minutes.

The following issues were raised:-

- ◆ It was noted that the issue of the cash-flow position of the Fund had been raised at that meeting and an update was requested from the Treasurer. In response he stated that monitoring of the cash-flow position was now more robust than previously. He noted that allowing employers to provide an early payment at a discounted rate had boosted the cash flow position initially, but that diminished during the current valuation period. It was expected that the cash-flow position would be restored to a healthy level at the end of the three year period following the initial upfront payments. It was not expected that the cash-flow position would become negative in the short term. It was noted that should the cash-flow position look to be moving towards deficit then appropriate plans were in place to take account of that.

- ◆ Issues around the implementation of a charging policy for employers where they did not meet required data specifications, were discussed. It was noted that this was being brought in alongside the development of a relationship role, between the NYPF's Administration Team and employers, with a view to eliminating the significant problems that had occurred in recent years in relation to the provision of data. It was hoped that the development of relationships between the Pension Fund and employers would assist in ensuring that data was provided appropriately and eliminate the need for charges to be imposed. However, it was emphasised that should employers still fail to meet the necessary targets, then charges would be imposed.

In relation to this the Chairman noted that, in terms of this year, the Pension Fund could have been reported to the Pensions Regulator in respect of a breach of the Regulations for not providing all Annual Benefits Statements in time. It was noted that this was due to data not being provided by employers on time and that the Pensions Regulator could impose sanctions on employers where that was the case. The action outlined had prevented a breach being reported on this occasion, however, going forward, it was likely that a breach would be reported should a similar position occur next year.

It was noted that some employers were very small, which could be why difficulties were being encountered in terms of obtaining data on time or correctly. In response it was emphasised that fees would not be imposed for very small amounts, however, even small amounts of data affected the final outcomes and could still create a breach of the regulations. The Treasurer noted that an employer involved with the NYPF had an SLA in place and it was their responsibility to ensure that this was met, therefore, he had little sympathy in terms of them not providing the necessary data. It was hoped that the development of the relationship role would assist in overcoming those issues.

#### **Resolved -**

That the Treasurer be thanked for his attendance and assistance with the Board's consideration of the Minutes, and the issues raised in relation to those Minutes be noted.

#### **168(a) Minutes**

##### **Resolved -**

That the Minutes of the meeting held on 19 July 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

#### **168(b) Progress on Issues raised by the Board**

In respect of the appointment of a Scheme Member Representative, through co-option process, to the Joint Committee of the Border to Coast Pensions Partnership it was noted that the Joint Committee had agreed in principle for a Scheme Member Representative to be part of the Committee. It was also noted that addressing this matter could prove difficult in reality and it was not expected that further action on this would be in place in the short term. It was therefore agreed that the matter should be left as a progress item to be re-visited and reviewed, to ensure that the matter continued to be addressed.

In relation to the arrangements for a meeting between representatives from the various Pension Boards of the Funds involved in the BCPP and representatives of the BCPP, it was noted that the BCPP Conference was being held on 8 and 9 November 2018, at which the Chairman of the Pension Board would be attending, and a place was available for an additional Pension Board Member to attend. The Chairman asked that should anyone wish to attend that they contact him.

In terms of developing a structure to enable the Board to obtain details of relevant information, enabling them to monitor the development of the pooling arrangements, it was hoped that this would be addressed through contact with the BCPP's appointed Relationship Manager.

The other issues raised within the report had either been addressed earlier in the meeting or would be considered later on the agenda.

#### **Resolved -**

That the report be noted and action identified be undertaken accordingly.

### **169. Pensions Administration**

Considered -

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

The Head of Pensions Administration, Phillippa Cockerill, provided an update on the following:-

#### **Annual Benefit Statements**

The majority of the 2018 Statements had now been issued as follows:-

Active statements - 26,442 - 86.52%

Deferred statements - 36,153 - 99.76%

It was noted that anything less than 100% was seen as a breach of the regulations, however as discussed earlier, it had been suggested that progress on the relationship development would be monitored and returns evaluated for next year. If necessary a breach would be reported if returns were inadequate then. Members suggested that should there be anything less than a 100% return next year then a breach should be reported, as the relationship role would have enabled employers to build an understanding of what they should be providing in terms of data.

A Member asked that the Breaches Log be provided with a column showing which regulation the breach related to. The Head of Pensions Administration agreed to put that in place for future reports.

It was suggested that monthly returns, rather than all at the year end, may help the situation in terms of obtaining data and data quality going forward. A Member suggested that this may be helpful to employers who were particularly busy at year end. The Head of Pensions Administration stated that she is considering implementing this as a way to address the issue however, the impact on resource needs to be carefully considered.

### Letter Review Project

The Head of Pensions Administration stated that progress was continuing with the review of letters, with ten now in the new format replacing 29 existing letters. Work continued to streamline the suite of letters, however, there had been a small setback as the new version of Altair had resulted in the new letters no longer working correctly. Work was being undertaken to find a solution to this.

### Employer Discretions Policy

A first draft of the revised Employer Discretions Policy was provided for review and comment. It was noted that the next stage was to work with the largest two employers to establish their discretions and ensure what had been developed worked as expected. Once this had been confirmed the policy would be rolled out to all employers.

It was expected that the policy would have been tested by the end of March 2019 with a view to rolling out in the next financial year. Members noted that this gave help and assistance to all employers in determining their specific discretions for their own employees.

Some issues in relation to the formatting and colour coding of the report were highlighted, particularly in the printed, rather than the electronic, version. The issues were acknowledged by officers and it was stated that those matters would be addressed.

Clarification was provided in relation to the payment of contributions for a member of staff serving in the Reserve Forces and undertaking a tour of duty.

### Pension Fund Committee Appendices

The attachments that formed part of the Administration Report for the most recent Pension Fund Committee were provided as these allowed access for Pension Board Members who may not have been provided these electronically.

Issues around the difficulties currently faced by officers at the City of York Council and how they were being addressed, in relation to the provision of data to the NYPF were discussed. It was noted that officers from the NYPF would be in close liaison with the City of York Council officers to address this matter and assurance was provided that charging would not be implemented before appropriate liaison had taken place.

### **Resolved -**

- (i) That the contents of the report be noted.
- (ii) That the contents of the Breaches Log be noted and it be stated that no breaches would be reported to the Pensions Regulator at this time, for the reasons outlined earlier in the meeting; and
- (iii) That the Employer Discretions Policy document be noted and the amendments, as identified, be undertaken accordingly.

## 170. Internal Audit Reports

Considered -

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

Internal Audit Manager, Ian Morton, presented the report highlighting the following:-

- ◆ All work in the Internal Audit Plan for 2017/18 had now been completed and reported to the Pension Board.
- ◆ The implementation of agreed actions for 2017/18 was shown in an Appendix to the report and included details for the expenditure 2016/17 audit which had not previously been reported.
- ◆ Details for the individual audits were shown in Appendix 2 to the report.
- ◆ Details of the Audit Plan for 2018/19, approved at the previous meeting of the Pension Board, were outlined and the current status of each audit indicated.
- ◆ Further exploration of what to include in the Pension Fund Investments Audit was being undertaken in respect of pooling arrangements and feedback was being obtained from the CIPFA Investments Workshop and the Lincolnshire Review to determine what would be appropriate in terms of auditing in line with the implementation of those arrangements.

The following issues were raised in respect of the report:-

- ◆ It was noted that there had been delays in the follow-up action to the Internal Audit reports due to a lack of resources and it was asked whether this was a temporary situation or whether the matter should be raised with the Pension Fund's Treasurer. In response, the Head of Pensions Administration stated that this was a temporary issue following a large amount of staff turnover. Recruitment had taken place and, following a short settling in period, it was expected that the situation would settle down and matters would be addressed accordingly.
- ◆ In relation to the corrections to coding currently carried out at year end, the Audit Manager emphasised that it would be better if this could be carried out more frequently, however, due to capacity issues this was not currently the case. He emphasised this was the lowest priority to address and emphasised that it would only be beneficial for this to be carried out rather than necessary.
- ◆ A Member suggested that it would be beneficial to Members if a brief summary, as to why action points had been identified, was provided within the report. The Audit Manager acknowledged this matter, noting that this was a new framework for the report and suggestions for improvements would be taken on board. In relation to this, Members also considered it would be of benefit to have a summary of the action undertaken to address those matters.
- ◆ The wording within the report in relation to reconciliation was considered to be rather forthright, and it was suggested that better wording could have been used in terms of the Pension Fund's administration interaction with other NYCC sections. This was acknowledged and it was again stated that the

reports were evolving to ensure as much information as possible could be related to Members.

- ◆ The Audit Manager stated that he would ensure that the details of the CIPFA Investments Workshop were shared with Members electronically to assist with their consideration of the issues related to transitioning to pooling.

**Resolved -**

That the report be noted.

**171. External Audit Report**

**Resolved -**

That the contents of the External Audit report be noted.

**172. Governance Documents**

**Considered -**

The report of the Treasurer providing Pension Board Members with an update on the governance arrangements of the Fund and with the opportunity to provide their feedback on the governance documents of the Fund.

It was noted that a number of governance documents of the Fund were taken to the Pension Fund Committee held on 5 July 2018 as part of their annual review. There had been a number of additional governance documents produced for the Fund during the year, some for best practice purposes and others required by new regulations. Those governance documents were brought to the meeting of the Board held in July, for review.

The following governance documents were taken to the Pension Fund Committee held in September where they were approved:-

- ◆ Pensions Administration Strategy.
- ◆ Employer Charging Policy.
- ◆ NYPF Annual Reports.
- ◆ NYPF Business Plan.

The governance documents were circulated to Board Members prior to the meeting and Members were asked to provide feedback on these documents as part of their role in ensuring good governance arrangements for the Fund.

An annual governance review was also undertaken by the Independent Professional Observer and his report was presented at the September Pension Fund Committee meeting and was also attached to the report.

Following the review of the draft NYPF statement of compliance with the UK Stewardship Code, at the Pension Board in January 2018, the document had now gained a Tier 1 Assessment by the Financial Reporting Council and had been published. The Admissions and Terminations Policy of the Fund would also be brought to the Board for review in the near future. An updated version of the Risk Register would be brought to the January 2019 Pension Board meeting for review.



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

- ◆ Members debated the use of the word “persistent” in terms of implementing a penalty charging system for employers. Some Members considered that the use of the word “persistent” could open a debate around a definition of that term, whereas others suggested that this provided a degree of flexibility in terms of implementing the penalty system and charging in relation to transgressions of service level agreements.

It was noted that the Pensions Regulator had stated that it would be more actively involved in complaints and implementing regulations with Pension Funds from now, which was why robust policies and procedures were required in terms of potential breaches going forward.

- ◆ Clarification was provided in relation to the staffing numbers which appeared to differ in the Annual Report and the Business Plan for the NYPF, and it was noted that the numbers within the Annual Report reflected the position as of 31 March 2018. Members noted that the establishment, rather than actual numbers in posts were usually reported in Business Plan documents.
- ◆ It was noted that governance reports would normally be reviewed annually by the Pension Board going forward, and Members welcomed their provision and the ability to consider these.
- ◆ A Member particularly welcomed the report of the Pension Fund’s Independent Observer, Peter Scales, noting that he had stated that Pension Boards should be more involved in investment issues and suggested that the matter should be discussed further at a future meeting of the Pension Board. The Chairman stated that he would be happy to have Peter Scales, together with the Treasurer of the Fund, attend a subsequent meeting to discuss issues with Members of the Board. Members stated that this would be welcomed, particularly in relation to discussions around pooling and the role of the Pension Board.
- ◆ It was suggested, therefore, that, dependent upon availability, an item be placed on the next agenda of the Pension Board to discuss the role of the Board going forward with the Independent Observer, Peter Scales, and the Treasurer of the Fund, Gary Fielding.

#### **Resolved -**

That the report be noted and arrangements for Peter Scales and Gary Fielding to attend the next meeting of the Board be developed.

### **173. Pension Board Projects**

#### **Resolved -**

That the update reports for the three projects be deferred to the next meeting of the Pension Board.

### **174. Training, including Feedback from any courses attended and Skills Matrix/Self-Assessment**

#### **Considered -**

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training and requesting Members to consider and approve, skills matrix and self-assessment questionnaires.

Members noted that their training details were up-to-date.

It was noted that, at the Pension Fund Committee held in September 2018, Members of that Committee agreed to adopt a Training Policy. A Member noted that within that report an on-line programme of training for Pension Board Members was identified. He noted that he had attempted to access that training but was unable to as he had previously undertaken the trustees' course. He asked whether Pension Board Members would be able to access that training. In response it was stated that this matter was acknowledged and confirmation would be provided to Members as to whether they could access the training outlined in due course.

#### **Skills Matrix/Self-Assessment**

As part of the policy adopted by the Pension Fund Committee a skills matrix/self-assessment questionnaire had been developed, to enable them to identify required training needs. The questionnaires had been adapted specifically for Board Members and details were provided in an Appendix to the report for Members to comment upon. Should Members be satisfied with the questionnaires then these would be circulated, electronically, allowing a more effective evaluation exercise to be undertaken.

Members welcomed the new questionnaires and considered these to be more appropriate than the previous versions that had been circulated. It was noted that there was sufficient space within the questionnaires to identify any specific training needs required by Pension Board Members. The questionnaires would be circulated and results would be collated and reported back to a subsequent meeting.

#### **Resolved -**

- (i) That Members noted that their training details were currently up-to-date;
- (ii) That the skills matrix and self-assessment questionnaires be circulated for completion, allowing an effective evaluation exercise to be undertaken; and
- (iii) That Members continue to identify any appropriate training needs.

**175. Work Plan**

Considered -

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

It was noted that the current projects, as detailed earlier in the meeting, would be updated and reviewed at the next meeting of the Board.

The Chairman noted that the Annual Review of the Board's Work Programme would be undertaken at the next meeting.

**Resolved -**

That the Work Plan, as detailed in the report, be agreed and a review of that Plan be undertaken at the next meeting of the Board.

The meeting concluded at 11.55 am

SL/JR

**North Yorkshire County Council**

**Pension Board**

**24 January 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/ 12 April 2018/ 19 July 2018/ 11 October 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.	<p>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 matter was discussed at the Pension Fund Committee meeting held on 13 September 2018, the draft Minutes of which will be considered at this meeting.</p> <p>There has been some progress on this issue and an update will be provided at the meeting.</p> <p>The issue would continue to be monitored by the Pension Board.</p>

18 January 2018 / 12 April 2018/ 19 July 2018/ 11 October 2018	Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 145 – Pooling / Minute no. 166 - Pooling	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 will continue to liaise with the Treasurer of NYPF as to how that would be co-ordinated and has discussed the issue with representatives of other Pension Boards whose Funds are part of BCPP, who are also keen to establish such a group.
11 October 2018	Minute No 163 (b) – Vacancy for Employer and Scheme Member representatives	A recruitment exercise have been undertaken and one application for a Scheme Member representative has been submitted	An update will be provided at the meeting.
20 July 2017/18 January 2018/ 19 July 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.	The Board was provided with details of the relevant information, to enable them to monitor the development of the pooling arrangements. An appropriate reporting mechanism has yet to be established and further information in relation to this was awaited.
18 January 2018 / 12 April 2018/ 19 July 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

11 October 2018	Minute no 172 – Governance Arrangements	Review of Pension Fund Governance Documents by the Pension Board	It was suggested that the Pension Fund's Independent Observer, Peter Scales and Treasurer, Gary Fielding, be invited to discuss the Pension Board's role in this process and to give an annual appraisal of the overall function of the Board, however, given that the meeting is to be held away from County Hall on this occasion and the Treasurer's current involvement in the County Council's Budget process, it was considered appropriate to put back the invitations to the April Meeting.
11 October 2018	Minute no 174 – Skills Matrix / Self- Evaluation Questionnaire	A revised skills matrix/self-assessment questionnaire, adapted from that provided to the Pension Fund Committee had been circulated to Members following the meeting.	The results from the returned questionnaires would be evaluated at today's meeting.

### 3.0 Recommendation

3.1 That the report be noted and further action be undertaken where required.

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

October 2018

Background Documents – None



# North Yorkshire County Council

## Pension Fund Committee

Minutes of the Meeting held on 22 November 2018 at County Hall, Northallerton commencing at 10.00 a.m.

### Present:-

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

Councillor Ian Gillies - City of York Council.

Councillor Jim Clark - North Yorkshire District Councils.

David Portlock - Chair of the Pension Board.

### In attendance:-

Brian Hazeldine (Unison)

Apologies were received from County Councillors Andy Solloway and Angus Thompson

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

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### 89. Exclusion of the Public and Press

#### Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 94 - Investment Strategy - Transition of Funds, on the grounds that this involves 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.

### 90. Minutes

#### Resolved -

That the Minutes of the meeting held on 13 September 2018, and the special meeting held on 31 October 2018, be taken as read and confirmed and signed by the Chairman as a correct record.

### 91. Declarations of Interest

The Monitoring Officer attended the meeting to explain the current position of County Councillor John Weighell OBE, Chairman of the Committee. He noted that the Chairman had recently been appointed as a non-Executive Director of Border to Coast Pensions Partnership (BCPP), the company formed to pool the assets of a number of Local Government Pension Funds, including North Yorkshire Pension Fund (NYPF). He noted that, as a remunerated post, the position became a disclosable pecuniary interest when issues relating to the BCPP were discussed. In relation to this matter

County Councillor Weighell had submitted a request for a dispensation, allowing him to continue to chair the meeting and take part in the consideration of issues relating to the BCPP. At this stage the Monitoring Officer had granted County Councillor Weighell a temporary dispensation, for the purposes of this meeting only, with the position being referred to the Standards Committee, allowing it to be determined whether a dispensation would be granted on a more permanent basis, and outlining the terms of that.

In relation to the advice provided by the Monitoring Officer, County Councillor John Weighell declared a disclosable pecuniary interest in respect of items that referred to the BCPP, however, he also declared a temporary dispensation, for the purposes of this meeting only, allowing him to take part and chair the meeting during those items.

## **92. Public Questions or Statements**

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

## **93. Pensions Administration Report**

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

- ◆ The Performance Indicator statistics had taken a slight dip due to the high work volumes and high demand being experienced by the team.
- ◆ Issues relating to AVCs had been addressed through the NYPF AVC provider, Prudential.
- ◆ The issues raised within the complaints item were being addressed.
- ◆ All the files had now been received in relation to the 2018 Annual Benefit Statements. Issues around delays to the receipt of the necessary information were being addressed directly with those involved.
- ◆ A draft of the amended Admissions and Terminations Policy was attached to the report and it was noted that this had been fundamentally changed to bring it in line with new regulations and processes of the Fund.
- ◆ The GMP reconciliation project was progressing, however, it was very likely that this would extend beyond the expected conclusion date as a large number of responses were still awaited from HMRC.
- ◆ Issues around the publication of the Annual Benefits Statements for 2018 were considered and it was noted that the matter had been discussed at the Pension Board
- ◆ The letters project had re-commenced and progress was being made.
- ◆ The contract for the existing administration software was due to expire on 31 December 2019. A full review of requirements was underway to determine

whether the current software and its provider were capable of meeting the needs of the Pension Fund going forward. The review would not be completed in time for the expiry of the contract, therefore, it had been agreed that at least one year of a possible two year extension would be invoked.

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

- ◆ The Chairman welcomed the amended Admissions and Terminations Policy, noting that the amendments ensured that the policy met the current regulations.
- ◆ Clarification was provided in relation to the current position of the GMP reconciliation and the need to extend the deadline for completion.
- ◆ The Chairman of the Pension Board provided details of the discussion relating to the publication of the Annual Benefit Statements that had taken place at the recent meeting of the Pension Board and the implications of not issuing these in line with the prescribed deadlines. It was noted that positive action was being taken to ensure that the deadlines were met

**Resolved -**

- (i) That the contents of the report be noted.
- (ii) That the Admissions and Terminations Policy, as appended to the report, be approved.
- (iii) That the contents of the Breaches Log, as appended to the report, be noted.

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**Minute No. 94 - Investments Strategy - Transition of Funds - included confidential details, as outlined at Minute No. 89, and, as such, the Minute below reflects the confidential nature of some of that information.**

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**94. Investments Strategy - Transition of Funds**

Considered -

The report of the Treasurer requesting Members to:-

- (i) approve, in principle, the transition of funds into the BCPP externally managed global equity alpha fund, subject to further due diligence;
- (ii) determine the indicative level of investment in the BCPP externally managed global equity alpha fund;
- (iii) review the allocation to UK equities;
- (iv) consider the transition of UK equities to BCPP; and
- (v) consider the initial investment to private equities.

Members initially raised concerns regarding the provision of the information for this item, suggesting that when a large amount of complex data was to be considered by the Committee it would be more appropriate for this to be provided as a printed version, rather than expecting Members to scroll through the details on a relatively small

screen. In response it was stated that the issue raised would be taken account of for future meetings.

The Treasurer and Members, assisted in their discussions by relevant officers, representatives of the investment consultants (AON Hewitt) and the independent investment adviser, considered the issues in the order highlighted below, with the discussions outlined accordingly.

### Private Equities

Pension Fund Committees had been asked to indicate the level of private equity investment they would be undertaking with the BCPP in 2019, by the end of the calendar year.

It was noted that, currently, private equity investments did not feature in the Investment Strategy of the NYPF and, given the current de-risking of the investments, it was considered not to make strategic sense to introduce these investments at this stage.

During a discussion of this matter the following issues and points were raised:-

- ◆ Private equities did not form part of the Investment Strategy currently, however, this did not mean that they could not be considered as part of the Strategy in future, therefore, it would be appropriate to inform the BCPP that there would be no investment at this time.
- ◆ A much more detailed consideration of private equities would be required should the NYPF wish to undertake investments within that portfolio.
- ◆ Private equity investments were not seen as de-risking investments, in line with the current Strategy.
- ◆ A discussion took place in relation to the transition to the Pool and it was noted that, following recent discussions, Pension Funds would not necessarily have to transfer all their investments into the pooling arrangements, should there be no facility or portfolio that was appropriate for their specific needs. In respect of this it was emphasised that it was still expected that the majority of investments would be undertaken by the Pool, and that there could be some pressure from Central Government to ensure that all investments were undertaken through the pooling arrangements. It was expected that there would be contributions from each of the Pension Funds to the various asset classes available through the pooling arrangements, and an expectation that, eventually, investments would be exclusively through the Pool. However, in the interim, Pension Funds were expected to indicate a substantial contribution towards the asset class investments, rather than dedicate 100% of their investments over to those. It was stated that providing the Pool with a high level of funding enabled them to approach the market for investments from an appropriate trading position. Members welcomed the clarification in relation to this position.
- ◆ Members agreed that they would not wish to undertake an initial investment in private equities at this stage, as the asset class was not currently within the NYPF's Investment Strategy, and had not been considered, in-depth, in view of that.

### UK Equities

The Fund currently had a 5.1% allocation to UK equities invested with Standard Life. In November 2017 the Pension Fund Committee agreed to fully dis-invest from the mandate to invest in alternative asset classes, in particular insurance link securities and property debt. A further review in September 2018 agreed that the 5% allocation to property debt should come from global equities.

In September 2018 an Investment Strategy Workshop considered the allocation split between UK and global equities. This outlined the preference to retain an allocation to UK equities in the Strategy, with 5% being recommended in terms of that allocation.

The options available for the UK equity allocation were detailed as follows:-

- ◆ Transition into the BCPP internally managed UK equity sub-fund.
- ◆ Transition into the BCPP externally managed UK equity sub-fund.
- ◆ Retain the Standard Life mandate outside of the BCPP.
- ◆ Invest passively outside of BCPP.
- ◆ Invest in a new mandate outside of the BCPP.

Members' discussions in relation to those options highlighted the following:-

- ◆ Members agreed that they would wish to continue with an exposure to UK equities, but did not wish to retain the Standard Life mandate.
- ◆ Presentations at the recent BCPP Conference had provided details of the managers for the internally and externally managed UK equity sub-funds within the BCPP, which had been informative.
- ◆ Investment consultants, AON Hewitt, provided Members with the structured breakdown of potential Funds and the "pros and cons" of each option. Details of fees were also outlined. The independent investment adviser also provided his opinion in respect of the potential allocation to UK equities and the potential Fund Managers operating within the BCPP.
- ◆ Details of how the investment, currently managed by Standard Life, would be split between different styles, should the Committee decide to undertake the transition into the BCPP externally managed UK equity sub-fund, were outlined.
- ◆ Consideration was also given to transition into the BCPP internally managed UK equity sub-fund, however, it was suggested that this would not be in line with what was required from the exposure to UK equities.

### Global Equities

It was stated that the BCPP externally managed global equity alpha fund was due to be launched in July 2019 and a detailed timeline was provided in relation to that. A tender process for the external managers was due to start early in the new calendar year and each Fund was requested to indicate how much they intended to commit to the externally managed global equity alpha fund to help inform that particular process.

It was stated that the decision around that would not be considered in isolation as there were a number of options available for the Fund's global equities allocation. These were detailed as follows:

- ◆ Transition into the BCPP externally managed global equity alpha fund.

- ◆ Transition into the BCPP internally managed overseas developed markets equity fund.
- ◆ Retain some or all of the current investments outside of the BCPP.
- ◆ Invest passively outside of the BCPP.

The options had been evaluated and details were provided within the report. Discussions took place in relation to the options

The following issues and points were highlighted:-

- ◆ Any decision undertaken would be subject to due diligence and, therefore, would be “in principle” at this stage.
- ◆ Clarification was provided as to what was meant by the global equity alpha fund as opposed to the overseas developed markets equity fund and it was explained that the global equity alpha fund would cover the current global equity investments held by the NYPF.
- ◆ Concern was expressed that Members were being asked to make a decision on this matter before the appointment of the Fund Managers within the BCPP portfolio. It was explained that, similar to UK equities, the BCPP would require knowledge of the sum likely to be invested so as to fully inform the procurement process that would take place in relation to the appointment of Fund Managers. The BCPP would be unable to go into the market without an approximate figure in place.
- ◆ Clarification was provided as to the current value of global equity investments held by the NYPF - around £1.7bn as of October 2018.
- ◆ A further discussion took place in relation to committing to investment without Fund Managers being in place. It was noted that it was unlikely that the Fund Managers would be appointed until March/April 2019 and that the BCPP required details of the funding that they would be investing with the managers, in advance of the appointments, to minimise costs and fees. Members reaffirmed their concerns regarding making a commitment without full details in place, however, it was emphasised that due diligence would be undertaken before the funds were transitioned and the decision for Members was to provide an “in principle” figure at this stage.
- ◆ Details provided by the investment consultant, AON Hewitt, outlined the Investment Strategy in relation to global equities and the move to de-risk those investments in view of the current solvency position of the Fund.

Clarification was provided in relation to a difference in figures within AON Hewitt's reports in terms of global equities allocation. It was noted that there had been changes to the allocation between the two figures set out, following the decision to invest in property debt and hold the allocation in cash until an investment took place. It was also noted that there had been significant movements in the market since the end of June leading to a diminishing position in terms of global equity investments. The decrease in global equity investments since 2010 was outlined and it was noted that there had been a substantial drop, in a move to de-risk the Fund's investments. Members discussed how previously the Fund had adopted a high risk Investment Strategy and was now moving to lower that risk in view of the solvency position.



- ◆ A discussion was undertaken in relation to committing to an amount of funding from the global equities portfolio, in principle, to enable the BCPP to move forward with their Procurement Strategy, whilst at the same time retaining an amount of funding to be invested directly by the NYPF. Further discussions around the principle of that arrangement and the likely investment figures were undertaken, together with the potential Fund Managers that would be retained by the NYPF. Within these discussions it was noted that should Central Government intervene, insisting that transition to the pooling arrangement should be 100%, then a robust defence of the action taken by the NYPF would be provided.
- ◆ It was suggested that, in principle, £1bn be committed to the BCPP's externally managed global equity alpha fund, subject to due diligence, with the NYPF retaining £700m to invest accordingly. Further discussions would then be undertaken with regards to where the dis-investments would be undertaken to fund the commitment to the BCPP and how the retained funds would be invested. The Fund's independent investment adviser outlined his slight concerns regarding the amount to be retained, rather than transitioned, in terms of maintaining the Investment Strategy and returns for investments, particularly given the current nature of the markets and potential impacts that could increase volatility. In response to the issues raised Members indicated that they were comfortable with the Strategy outlined in terms of the commitment and retention of investments in relation to global equities, emphasising the need to undertake a decision that was right for the NYPF and its members.
- ◆ As a safeguard, the Fund's investment consultants suggested that the commitment to the £1bn to the BCPP's externally managed global equity alpha fund should have the proviso that this amount was based on current market conditions.

#### Aberdeen Standard Investment - GARS

The Fund's investment consultants, AON Hewitt, provided details of the Aberdeen Standard Investment - GARS, which had been undertaken as a de-risking investment by the Pension Fund.

They outlined a number of issues of concern that had arisen in respect of the investment which had resulted in them placing the GARS Strategy "in review".

As a result AON Hewitt were recommending to the Pension Fund Committee that Aberdeen Standard Investment - GARS be subject to dis-investment and an alternative strategy for re-investing those funds was outlined.

The Fund's independent investment adviser concurred with the views set out by the investment consultant and outlined his concerns with regards to the GARS investment.

#### **Resolved -**

- (i) That the transition of funds into the BCPP externally managed global equity alpha fund, subject to further due diligence, be approved in principle;
- (ii) That the sum of £1bn be committed, in principle, to the BCPP externally managed global equity alpha fund;
- (iii) That a 5% allocation to UK equities be retained within the Fund

- (iv) That the current 5% allocation to UK equities with Standard Life be dis-invested;
- (v) That the transition of the 5% UK equities allocation to the BCPP into the externally managed UK equity sub-fund be approved, subject to due diligence, this being delegated to the Treasurer, in consultation with the Chairman of the Pension Fund Committee;
- (vi) That the BCPP be informed that the NYPF are not to invest in private equities at this stage;
- (vii) That the Treasurer be delegated authority to carry out the dis-investment from the Aberdeen Standard Investment - GARS and to determine an appropriate strategy for the re-investment of that money.

## 95. **Budget/Statistics**

Considered -

The report of the Treasurer on the following:-

- (a) 2018/19 Budget - cost of running the Fund.
- (b) The three year cash-flow projection of the Fund.

### 2018/19 Budget

The outturn was forecast to be £1.2m over budget at £23m, due to an increase in the estimated management fees for the year.

### Three year Cash-Flow Projection

The cash flow projection included the contribution income and benefits payable, the main inflow and outflow of the Fund, which would determine when the Fund would turn cash-flow negative.

The estimated cash-flow of the Fund in 2018/19 was a £8.6m deficit. This had increased from the last quarter where a £6.8m deficit was reported. The deficit was due to the £13m pre-payment of deficit contributions relating to 2018/19, in 2017/18. The increase in deficit was due to a decrease in the forecasted contributions cash-flow which had resulted from a further decrease in active members and an increase in benefit payments due to an increase in pensioner numbers. It was expected that the Fund would be back in a surplus cash position during 2020/21 assuming that employer contribution rates remained the same following the forthcoming triennial valuation, therefore, this position could be subject to change.

The following issues were raised:-

- ◆ A Member asked, given that the solvency of the Fund was currently at 115%, whether contribution rates could be lower following the triennial valuation. In response the Treasurer stated that the position would be negotiated and would continue to be monitored and reported to the Pension Fund Committee in terms of how that may affect the cash-flow position, going forward. It was noted that, as had happened previously, employers may decide to make larger initial contributions, at a discounted rate, which would provide an enhancement to the cash-flow position initially, but, similar to this time, would result in cash-flow diminishing towards the end of the valuation period. Again it was emphasised

that the position would continue to be monitored and reported to the Pension Fund Committee.

**Resolved -**

That the report be noted.

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

Considered -

The report of the Treasurer reporting the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 September 2018. The report indicated that the absolute overall return for the quarter (+1.6%) was below the customised benchmark for the Fund (+2.2%) by -0.6%.

The 12 month absolute rolling return was +10.5%, +2.8% above the customised benchmark of 7.7%.

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

- ◆ Overseas equities.
- ◆ Global equities.
- ◆ UK equities.
- ◆ Fixed income.
- ◆ Property.
- ◆ Diversified growth funds.
- ◆ Private debt.
- ◆ Insurance linked securities.

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

It was noted that the details in relation to the performance of the Fund were extensively discussed during an earlier item on the agenda (Minute No. 94 - Investment Strategy - Transition of Funds).

**Resolved -**

That the investment performance of the Fund for the period ending 30 September 2018 be noted.

**97. 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.

The BCPP Annual Conference had been held in Leeds on 8 and 9 November 2018 and was well attended by the partner funds.

A Joint Committee meeting had been held on 21 November 2018.

It was noted that the Chair of the Pension Fund Committee, County Councillor John Weighell OBE, had now been formally appointed as a shareholder nominated

non-Executive Director of the Board of the BCPP. As a result he had been required to stand down from the Joint Committee. In relation to that, County Councillor Patrick Mulligan had attended the most recent meeting of the Joint Committee to represent the Pension Fund Committee.

The latest versions of the BCPP Responsible Investment Policy and Corporate Governance and Voting Guidelines had been taken to the Joint Committee on 21 November 2018 and would be brought to Pension Fund Committee for consideration in due course.

The next meeting of the BCPP Joint Committee would be on 11 March 2019.

A Member asked whether it would be possible for Members of the Pension Fund Committee to view the offices of the BCPP and proposed that a meeting of the Pension Fund Committee take place there, to accommodate this. The Chairman and the Treasurer stated that they would approach the BCPP with a view to this proposal taking place.

The Chair of the Pension Board stated that he had attended the BCPP Conference and was concerned that there had been little discussion in relation to the role of Pension Boards and the governance arrangements of the Pool. He considered that Pension Boards should have an opportunity to consider the process being adopted by the Pool and have an opportunity to comment on that. He noted the matter would be raised at a forthcoming meeting of the Pension Board and, following discussions, was aware that other Pension Boards, from the other Pension Funds involved in the Pool, had similar concerns. The Chairman acknowledged the concerns raised and stated that the matter would be raised with the BCPP to determine how to address this. The Treasurer noted the issue raised and indicated that the correct checks and balances needed to be in place, particularly as this was a Teckal company and would be expected to operate accordingly. The importance of this issue was appreciated and would be taken back to the BCPP.

A Member referred to the dispensation issue, discussed earlier in the meeting, and noting the Chairman's new appointment, asked that the matter be considered fully by the Standards Committee. He stated that he had full confidence in the Chairman and was delighted that he had been appointed to the Board, but emphasised the need for transparency in terms of the arrangements, and how those were perceived publicly, in terms of the continued Chairmanship of the Pension Fund Committee. It was noted that the issue was to be referred to the Standards Committee and that it would further consider the dispensation matter.

**Resolved -**

- (i) That the report be noted.
- (ii) That arrangements be made for a meeting of the Pension Fund Committee at the BCPP headquarters.
- (iii) That further consideration be given to how the Pension Board would be involved in the consideration of the governance arrangements for the BCPP.
- (iv) That it be noted that the dispensation issue in relation to the Chairman of the Pension Fund Committee, as detailed earlier in the meeting, would be considered further by the Standards Committee.

**98. Pension Board - Draft Minutes of the Meeting held on 11 October 2018**

Considered -

The draft Minutes of the Pension Board held on 11 October 2018.

The Chairman of the Pension Board stated that the significant issues that had been considered at the Pension Board meeting, the issuing of Annual Benefits' Statements and the lack of oversight of the governance of the Pool, had been discussed, in full, earlier in the meeting.

**Resolved -**

That the Minutes be noted.

The meeting concluded at 12.40 pm

SL/JR

DRAFT

**North Yorkshire County Council****Pension Board****24 January 2019****Review of Terms of Reference****1.0 Purpose of the Report**

To provide Pension Board members with an opportunity to review the Board's Terms of Reference.

**2.0 Background**

2.1 At the inaugural Meeting of the Pension Board, held on 30<sup>th</sup> July 2015, Members adopted the Terms of Reference for the Board, as approved by County Council on 18<sup>th</sup> February 2015, detailed in **appendix 1**.

2.2 It was envisaged that Members would undertake a periodic review of the Terms of Reference to ensure that these remained relevant, going forward, and took account of any changes in legislation and working practices.

2.3 The Terms of Reference were previously reviewed on 18 January 2018.

**3.0 LGPS guidance**

3.1 To assist Members with their review of the Terms of Reference, attached is the LGPS guidance on the creation and operation of local Pension Boards in England and Wales (**Appendix 2**)

**4.0 Review of Terms of Reference**

4.1 Pension Board members are invited to make comments on the Terms of Reference and make recommendations for changes if appropriate. Any such changes to the Terms of Reference will need to be approved by the Council, as described in Section 17 of that document.

**5.0 Recommendations**

- (i) Pension Board members make recommendations for changes to the Terms of Reference, to be considered by the County Council.

OR

- (ii) Pension Board members re-affirm the Terms of Reference as detailed in **Appendix 1**.

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

Background Documents:

# Pension Board of the North Yorkshire Pension Fund

## Terms of Reference and Delegated Authorities

### 1) Role of the Local Pension Board

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

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

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

These Regulations provide that the Pension Board has the general power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

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

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

The Pension Board will determine the precise timing of its own meetings, which will take place at suitable intervals between PFC meetings so that PFC activity relevant to the Board can be considered and responses to recommendations reviewed prior to the next meeting of the PFC.

### 2) Membership and Appointment Process

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

- i) 4 scheme member representatives, of whom
  - a. 2 shall represent and be drawn from active members of the Fund
  - b. 1 shall represent and be drawn from pensioner and deferred pensioner members of the Fund



c. 1 shall represent and be drawn from either the active or deferred/pensioner members of the Fund  
ii) 4 employer representatives, of whom

a. 1 shall be nominated by NYCC who shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority

b. 1 shall be nominated by the City, Borough and District Councils, the Police and Fire bodies and the National Parks which are employers within the Fund

c. 1 shall be nominated by all other employers within the Fund

d. 1 shall be nominated by any employer other than NYCC

iii) 1 independent member, who shall be appointed as Chair of the Pension Board

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

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

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

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

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

i. for scheme member representatives if they cease to be a member of the relevant group

ii. for employer representatives who are councillors if they cease to hold office as a councillor

iii. for employer representatives who are not councillors when they cease to be employed by their nominating employer

iv. for a councillor member who is appointed to the PFC

v. for a scheme member or employer representative who is appointed to a role with responsibility for the management or administration of the Fund

vi. where there is a conflict of interest which cannot be managed in accordance with the Pension Board's Conflicts of Interest Policy

vii. where a member fails to attend meetings, undertake training or otherwise comply with the requirements of being a Pension Board member

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

Given the nature of the Pension Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest, substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Administering Authority.

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

### **3) Conflicts of Interest**

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

### **4) Standards of Conduct**

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

These are:

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

### **5) Knowledge and Skills**

A member of the Pension Board must be conversant with:

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

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

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

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

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

## **6) Board Review Process**

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

## **7) Accountability**

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

## **8) Remit of the Board**

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

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

## **9) Decision making**

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

## **10) Quorum**

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

## **11) Board Meetings – Notice, Minutes and Reporting**

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

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

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

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

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

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

## **12) Reporting Breaches**

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

## **13) Publication of Pension Board information**

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

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

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

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

## **14) Advice to the Board**

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

## **15) Expense Reimbursement, remuneration and allowances**

The Administering Authority will determine remuneration and allowances to be paid to Pension Board members based on recommendations made by the Independent Panel on Members Remuneration. These arrangements are reviewed annually. Expenses in connection with fulfilling Pension Board responsibilities will be met by the Fund based on the Council's Members Scheme of Allowances and officers Travel and Expenses Policy as appropriate. The costs of appropriate training will also be met by the Fund.

## 16) Insurance

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

## 17) Updating the Pension Board Terms of Reference

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

## 18) Definitions

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

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

## **Local Government Pension Scheme (LGPS)**

### **Guidance on the creation and operation of Local Pension Boards in England and Wales**

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## 1. Introduction

- 1.1 The LGPS is a common pension scheme throughout England and Wales, administered locally by 90 separate Administering Authorities.
- 1.2 In the context of the UK public service pension schemes, the LGPS is the largest funded occupational pension scheme in the UK.
- 1.3 Administering Authorities are required to establish a new body to be known as a Local Pension Board to assist the Administering Authority in its role as the Scheme Manager of its Fund in accordance with the requirements of the 2013 Act.
- 1.4 This Guidance is designed to assist Administering Authorities in the creation and operation of Local Pension Boards in line with relevant legislation and in particular the 2013 Act and the Regulations.
- 1.5 This Guidance should not be taken as a definitive interpretation of legislation and it should always be read in conjunction with the relevant legislation. Administering Authorities are advised to secure their own legal advice on the interpretation and application of the legal framework.
- 1.6 Unless otherwise stated, this Guidance is correct as at 28 January 2015.
- 1.7 The following is an explanation of defined terms used in this Guidance:

<b>1972 Act</b>	The Local Government Act 1972.
<b>1989 Act</b>	The Local Government & Housing Act 1989.
<b>2000 Act</b>	The Local Government Act 2000.
<b>2004 Act</b>	The Pensions Act 2004.
<b>2011 Act</b>	The Localism Act 2011.
<b>2013 Act</b>	The Public Service Pensions Act 2013.
<b>Administering Authority</b>	A body listed in Part 1 of Schedule 3 of the Regulations who maintains a fund within the LGPS.
<b>Code of Practice</b>	The Regulator's Code of Practice no. 14 entitled " <i>Governance and administration of public service</i> "



	<i>pension schemes".</i>
<b>DCLG</b>	The Department for Communities and Local Government.
<b>DPA</b>	Data Protection Act 1998.
<b>FOIA</b>	Freedom of Information Act 2000.
<b>Investment Regulations</b>	The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
<b>IPSPC</b>	Independent Public Service Pensions Commission.
<b>LGPS</b>	The Local Government Pension Scheme - a scheme for the payment of pensions and other benefits to or in respect of persons working in local government service in England and Wales or for other bodies that participate in the LGPS.
<b>Local Pension Board</b>	The board established to assist the Administering Authority as the Scheme Manager for each Fund.
<b>Pension Committee</b>	A committee or sub-committee to which an Administering Authority has delegated its pension function.
<b>Regulations</b>	The Local Government Pension Scheme Regulations 2013 (as amended).
<b>Regulator</b>	The Pensions Regulator.
<b>Responsible Authority</b>	The Secretary of State for Communities and Local Government being the person who makes regulations for a pension scheme established under section 1 of the 2013 Act.
<b>Rules of Procedure</b>	The rules governing the decision making process of the Administering Authority as set out in its constitution.

<b>Scheme Advisory Board</b>	The Local Government Pension Scheme Advisory Board established under the Regulations.
<b>Scheme Manager</b>	A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.
<b>Secretary of State</b>	The Secretary of State for Communities and Local Government.
<b>Transitional Regulations</b>	The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

## **2. Background**

### **LGPS Governance Structure Prior to April 2015**

- 2.1 The LGPS is a statutory funded public service pension scheme. It differs in legal status from trust based pension schemes in the private sector because it is established under statute and not set up under a trust. It also differs from most other statutory public service pension schemes which are unfunded schemes. Matters of governance in the LGPS therefore need to be considered on their own merits and with proper regard to the unique legal status of the LGPS.
- 2.2 Prior to 1 April 2015, the LGPS has had a relatively straightforward governance structure which includes the Secretary of State and the Administering Authority.
- 2.3 Each Administering Authority is responsible for managing and administering the LGPS in relation to any person for which it is the appropriate administering authority under the Regulations. The Administering Authority is responsible for maintaining and investing its own Fund within the LGPS.
- 2.4 How an Administering Authority delegates its LGPS function is largely a matter for each Administering Authority. The majority of Administering Authorities are local authorities and therefore operate in accordance with local government law. However some Administering Authorities are not local authorities such as the Environment Agency, the London Pensions Fund Authority and the South Yorkshire Pensions Authority. Such bodies operate in accordance with their own legal constitutions.

### **The Road to Reform**

- 2.5 June 2010: Lord Hutton of Furness is appointed by Government to chair the IPSPC and undertake a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary to the Treasury on future pension arrangements.
- 2.6 October 2010: The IPSPC produces its interim report.
- 2.7 March 2011: The IPSPC produces its final report making 27 recommendations for the reform of public service pension schemes including:

- properly constituted, trained and competent pension board with member nominees, responsible for meeting good standards of governance including effective and efficient administration;
- a pension policy group for each public service pension scheme at national level for considering major changes to scheme rules; and
- independent oversight of the governance, administration and data transparency of public service pension schemes.

- 2.8 December 2011: Following a meeting in November 2011, the Local Government Association and lead members and officials from GMB, UNISON and Unite conclude that discussions should be progressed with the aim of reaching agreement on a set of high level principles for the LGPS.
- 2.9 May 2012: The Local Government Association, GMB, UNISON and Unite announce the outcome of their negotiations on new LGPS proposals to take effect from 1 April 2014.
- 2.10 April 2013: The 2013 Act implementing most of the IPSPC's recommendations receives Royal Assent.
- 2.11 April 2014: The new career-average LGPS comes into force.
- 2.12 April 2015: The new governance structure for the LGPS and other public service pension schemes come into force.

### **3. Legislative background and structure of governance arrangements from 2015**

#### **Legislative requirements for governance in the LGPS**

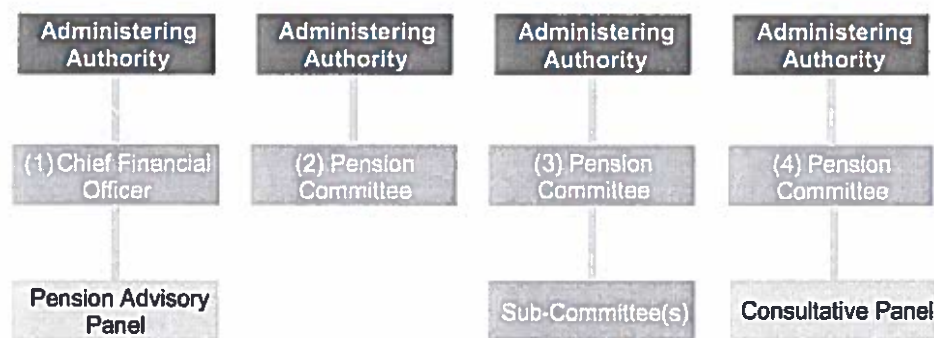
- 3.1 The Regulations require each Administering Authority to establish a Local Pension Board for the purposes of assisting the Administering Authority in line with the requirements set out in paragraph 3.27.
- 3.2 Local Pension Boards must be established no later than 1 April 2015. Established in this context means that the Administering Authority must have approved the establishment of the Local Pension Board, its composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However, it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).
- 3.3 The Regulations set out the requirements relating to the new Local Pension Boards.

#### **Governance structure in the LGPS**

- 3.4 Each Administering Authority is responsible for managing and administering the LGPS in relation to any person for which it is the appropriate administering authority under the Regulations. The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS.
- 3.5 Administering Authorities are defined in Part 1 of Schedule 3 of the Regulations.
- 3.6 The majority of Administering Authorities are local authorities and therefore operate in accordance with local government law requirements. However some Administering Authorities are not local authorities such as the Environment Agency, the London Pensions Fund Authority and the South Yorkshire Pensions Authority. Such bodies operate in accordance with their own legal constitutions.
- 3.7 In some instances, two or more Administering Authorities may share their administration function, for example through a shared service arrangement, or in other ways. However, where this happens each local authority still retains its own individual Administering Authority status and therefore legal responsibility for its own Fund.

- 3.8 The membership structure for the Local Pension Board required by regulation 107 of the Regulations does not fit neatly into the standard arrangements which exist for decision making on pensions issues and existing established governance arrangements for Administering Authorities. This section of the Guidance sets out the general legal provisions which will assist in placing the Local Pension Board in the context of decision making on wider pensions and financial matters.
- 3.9 For local authority Administering Authorities it is not permissible for decisions about pension allowances or the amount of pension to be paid to employees to be an executive decision (see The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and The Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001. This means that the executive (usually cabinet or the elected mayor) cannot make decisions in relation to LGPS matters, for example, how to exercise discretions under the Regulations.
- 3.10 This means in practice that decisions about pensions are delegated in accordance with Section 101 of the 1972 Act to:
- 3.10.1 committees or sub-committees made up of that Administering Authority's councillors from all the political groups and will be politically balanced (and some of these committees or sub-committees also have additional co-opted members such as employer and scheme member representatives); or
- 3.10.2 Administering Authority officers.
- Some decisions will be reserved for full council, for example decisions which have an impact on the budget.
- 3.11 Regulation 105 also provides that Administering Authorities may delegate functions under the Regulations. This confirms the authority in Section 101 of the 1972 Act.
- 3.12 The delegation of pension functions varies from Administering Authority to Administering Authority depending on local circumstances. The Regulations require an Administering Authority's governance compliance statement to set out whether the Authority delegates its functions and the detail of the delegation given. This includes the terms, structure and operation of the delegation, the frequency of meetings, membership and voting rights.

- 3.13 Examples of delegation structures used by Administering Authorities can be summarised as follows:



### ***Governance compliance statements***

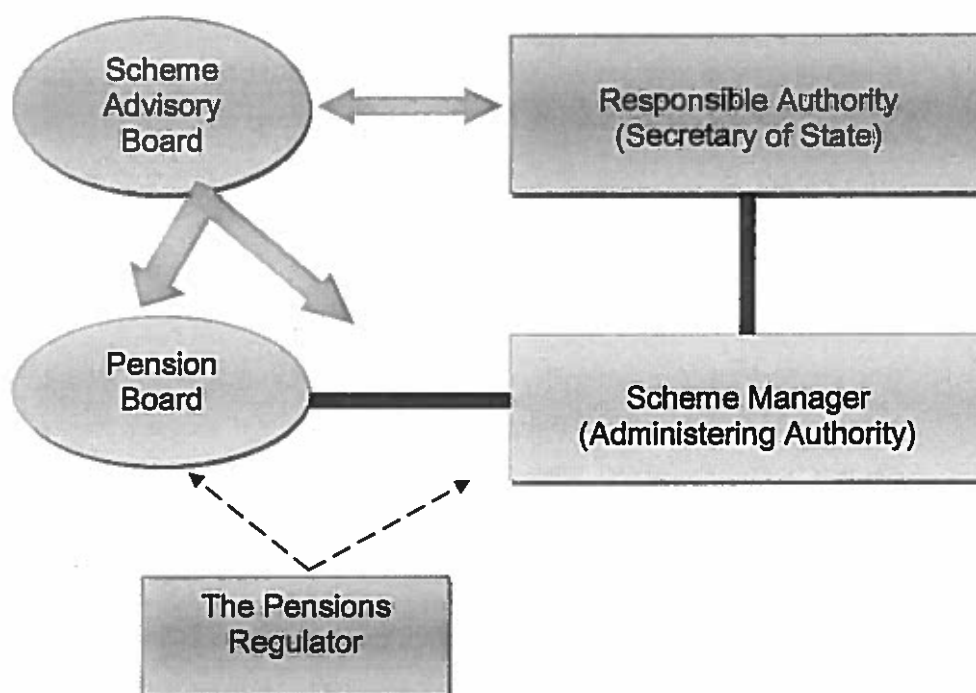
- 3.14 To ascertain how an individual Administering Authority actually delegates its pension function it is necessary to review its governance compliance statement. Each Administering Authority must have in place a statement setting out whether the Administering Authority delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority.
- 3.15 Where the Administering Authority does delegate its functions, the statement must include:
- 3.15.1 the terms, structure and operational procedures of the delegation;
  - 3.15.2 the frequency of any committee or sub-committee meetings;
  - 3.15.3 whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
  - 3.15.4 the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - 3.15.5 details of the terms, structure and operational procedures relating to the Local Pension Board.
- 3.16 Current governance compliance statements will need to be revised to include the new information referred to in paragraph 3.15.5. The

Administering Authority will firstly need to consult with such persons as it thinks necessary about the revised statement and then publish it once it has been revised.

### **New governance structure in the LGPS**

- 3.17 From 1 April 2015, the new governance structure of the LGPS can be summarised in the following diagram:

#### ***Post April 2015 LGPS Governance Structure***



#### ***The Responsible Authority***

- 3.18 In accordance with section 2 of the 2013 Act, each pension scheme established under section 1 of the 2013 Act must have a 'responsible authority' which is the person who may make regulations for that scheme.
- 3.19 In the case of the LGPS, the Responsible Authority is the Secretary of State.

#### ***Administering Authority/Scheme Manager***

- 3.20 Section 4 of the 2013 Act requires that, in the case of a pension scheme established under section 1 of that Act, regulations must provide for a 'scheme manager'. The scheme manager is the person who is responsible for managing or administering the scheme.



- 3.21 The Regulations specify that the 'scheme manager' responsible for the local administration of pensions and other benefits payable under the LGPS shall be each Administering Authority.
- 3.22 In the case of the LGPS, each Fund therefore has a Scheme Manager which is the Administering Authority. This contrasts with other public service pension schemes administered on a national basis, such as the Teachers' Pension Scheme, where there is a single scheme manager for the whole scheme.
- 3.23 As noted at paragraph 3.4 an Administering Authority is responsible for managing and administering the LGPS in relation to any person for which it is the appropriate administering authority under the Regulations. The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS. This means the Administering Authority is responsible for making all decisions relating to the operation of the Fund.
- 3.24 The creation of new Local Pension Boards does not change the core role of the Administering Authority or the way it delegates its pension functions. However, when establishing its Local Pension Board, the Administering Authority may wish to take the opportunity to review its current delegation structure to see if it remains fit for purpose.
- 3.25 For example, where there is an advisory panel advising a Pension Committee, the Administering Authority may wish to consider the extent to which the advisory panel's functions are superseded by the new Local Pension Board. An existing panel of this nature is not a Local Pension Board and should not be re-badged as such. A new Local Pension Board should be properly established and the existing arrangements then reviewed.

#### ***Local Pension Boards***

- 3.26 Section 5 of the 2013 Act requires that, in the case of a pension scheme established under section 1 of that Act, regulations must provide for the establishment of a board with responsibility for assisting the scheme manager(s) in relation to specified matters. In turn, this has resulted in the requirement for Local Pension Boards for each Administering Authority in the LGPS under the Regulations.

3.27 Regulation 106(1) of the Regulations specifies that each Administering Authority shall establish its own Local Pension Board with responsibility for assisting the Administering Authority:

3.27.1 to secure compliance with:

3.27.1.1 the Regulations;

3.27.1.2 other legislation relating to the governance and administration of the LGPS; and

3.27.1.3 the requirements imposed by the Regulator in relation to the LGPS, and

3.27.2 to ensure the effective and efficient governance and administration of the LGPS.

3.28 Assisting the Administering Authority should be interpreted as helping the Administering Authority, including doing work requested by the Administering Authority. The role of the Local Pension Board should be interpreted as covering all aspects of governance and administration of the LGPS, including funding and investments. However, the Local Pension Board does not replace the Administering Authority or make decisions which are the responsibility of the Administering Authority under both the Regulations and other overriding legislation. The Administering Authority can choose to delegate duties to the Local Pension Board within the parameters of the Regulations.

3.29 The role and remit of a Local Pension Board is considered in more detail in Schedule A.

3.30 Regulation 106(9) of the Regulations specifies that the expenses of a Local Pension Board shall be regarded as part of the costs of administration of the Fund. This is considered in more detail in section 9, Resourcing and Funding.

#### ***Scheme Advisory Board***

3.31 Section 7 of the 2013 Act requires that, in the case of a pension scheme established under section 1 of that Act, regulations must provide for the establishment of a board with responsibility for providing advice to the responsible authority, at the authority's request, on the desirability of

changes to the scheme. The responsible authority must have regard to such advice.

- 3.32 Where a scheme has more than one scheme manager (and accordingly there is more than one pension board for the scheme), regulations may also provide for the Scheme Advisory Board to provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards in relation to the effective and efficient administration and management of the scheme or any pension fund of the scheme.
- 3.33 In turn, Section 7 has resulted in the requirement for the Scheme Advisory Board for the LGPS under the Regulations. The Scheme Advisory Board for the LGPS is established by the Regulations and is responsible for providing advice:
- 3.33.1 to the Secretary of State on the desirability of making changes to the LGPS; and
  - 3.33.2 to the Administering Authorities and Local Pension Boards in relation to the effective and efficient administration and management of the LGPS and the Funds.
- 3.34 In both cases, the Secretary of State and Administering Authorities (including those with delegated responsibility, i.e. Pension Committees (or sub-committees) and Officers) or Local Pension Boards must have regard to advice issued by the Scheme Advisory Board in accordance with section 7(3) of the 2013 Act.

#### **4. The Pensions Regulator**

- 4.1 The regulatory powers of the Regulator were extended under section 17 and Schedule 4 of the 2013 Act to cover some aspects of public service pension schemes, including the LGPS.
- 4.2 The Regulator is an existing body corporate established by the 2004 Act. Prior to 1 April 2015, the Regulator regulated occupational and personal pension schemes provided primarily through private sector employers.
- 4.3 The Regulator has a number of statutory objectives including to:
  - 4.3.1 protect the benefits of pension scheme members,
  - 4.3.2 promote, and improve understanding of, the good administration of work-based pension schemes,
  - 4.3.3 maximise compliance with the duties and safeguards of the Pensions Act 2008; and
  - 4.3.4 minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the Regulator's functions under Part 3 of the Pensions Act 2004 only).
- 4.4 The 2013 Act introduces a framework for the regulatory oversight of aspects of the governance and administration of public service pension schemes by the Regulator from 1 April 2015, through expanding its current role.
- 4.5 The Regulator has oversight in areas such as those listed in paragraph 4.6 below and may issue codes of practice for public service pension schemes in these areas.
- 4.6 The Regulator has issued the Code of Practice which covers:
  - 4.6.1 knowledge and understanding required by pension board members (see paragraphs 33 to 60 of the Code of Practice);
  - 4.6.2 conflicts of interest and representation (see paragraphs 61 to 91 of the Code of Practice);
  - 4.6.3 reporting breaches of the law (see paragraphs 241 to 275 of the Code of Practice);
  - 4.6.4 publishing information about schemes (see paragraphs 92 to 99 of the Code of Practice);

- 4.6.5 internal controls (see paragraphs 101 to 120 of the Code of Practice);
  - 4.6.6 scheme record-keeping (see paragraphs 122 to 146 of the Code of Practice);
  - 4.6.7 maintaining contributions (see paragraphs 147 to 186 of the Code of Practice);
  - 4.6.8 providing information to members (see paragraphs 187 to 211 of the Code of Practice) ; and
  - 4.6.9 internal dispute resolution (see paragraphs 213 to 240 of the Code of Practice).
- 4.7 However, only the areas of knowledge and understanding, conflicts of interest and representation and reporting breaches of the law have direct application to Local Pension Boards. The other areas apply to Administering Authorities, although there are areas that a Local Pension Board will need to be aware of in order to assist the Administering Authority.
- 4.8 This Guidance takes into account the principles of the Code of Practice where relevant and applies them to the LGPS.
- 4.9 For the avoidance of doubt the powers of the Regulator were not extended to cover areas such as the funding and investment of Funds.

#### **The Regulator's Powers**

- 4.10 The Regulator will have a range of enforcement powers under the 2013 Act including:
- 4.10.1 the power to appoint a person to assist a Local Pension Board in the discharge of its functions if the Regulator considers it desirable for the purpose of ensuring compliance with relevant "pensions legislation";
  - 4.10.2 the power to issue an 'improvement notice' to an Administering Authority or to a member(s) of a Local Pension Board directing them to take, or refrain from taking, such steps as are specified in the notice in order to remedy or prevent a recurrence of a contravention of "pensions legislation";

- 4.10.3 the power to issue a 'third party notice' directing a third party to take, or refrain from taking, such steps as are specified in the notice in order to remedy or prevent a recurrence of a contravention of "pensions legislation";
  - 4.10.4 the power to issue a 'report notice' to an Administering Authority or to a member(s) of a Local Pension Board requiring them to provide a report on a specified matter(s) which are relevant to the exercise of any of the Regulator's functions;
  - 4.10.5 the power to require Administering Authorities and members of Local Pension Boards to produce documents and information;
  - 4.10.6 the power to inspect premises;
  - 4.10.7 the power to apply for an injunction;
  - 4.10.8 the power to apply for restitution where there has been a misuse or misappropriation of any Fund assets;
  - 4.10.9 the power to recover unpaid contributions on behalf of an Administering Authority; and
  - 4.10.10 the power to impose civil penalties for breaches of certain pensions legislation including the duty for Administering Authorities and members of Local Pension Boards to report breaches of the law, the duty for Administering Authorities to report the late payment of employer contributions and the failure to comply with an 'improvement notice' or a 'report notice'.
- 4.11 As noted above, certain powers of the Regulator are limited to contravention of "pensions legislation". For this purpose, "pensions legislation" has a specific meaning and includes certain pieces of core pensions legislation which apply to both public and private sector schemes (the Pension Schemes Act 1993; parts of the Pensions Act 1995; the Pensions Act 2004; and statutory provisions on pension sharing on divorce). In terms of the legislation contained in the 2013 Act, "pensions legislation" only includes sections 5(4) (pension board: conflicts of interest and representation), 6 (pension board: information), 14 (information about benefits) and 16 (records).

- 4.12 Of the 2013 Act provisions, only section 5(4) (pension board: conflicts of interest and representation) has direct relevance to a Local Pension Board, as the other sections relate to Scheme Manager responsibilities.
- 4.13 The other listed statutory provisions are relevant to the extent that a Local Pension Board is responsible for assisting the Administering Authority to comply with legislation relating to the governance and administration of the LGPS (which will include certain elements of the listed statutes). In all cases, the term "pensions legislation" covers both the statutory provisions listed and any secondary legislation made under those provisions.

#### **Reporting Local Pension Board Members to the Administering Authority**

- 4.14 If the Regulator has reasonable grounds to suspect or believe that a member of a Local Pension Board:
- 4.14.1 has misappropriated any assets of the Fund or is likely to do so;  
or
  - 4.14.2 has a conflict of interest in relation to the investment of assets of the Fund

the Regulator must report the matter to the Administering Authority. However, given that a member of Local Pension Board should not have access to Fund assets or be involved in the investment of Fund assets then the exercise of this duty should be rare in practice.

## **5. Constitution and Membership of a Local Pension Board**

- 5.1 As noted at paragraph 3.2, Local Pension Boards must be established no later than 1 April 2015. Established in this context means that the Administering Authority must have approved the establishment of the Local Pension Board, its composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However, it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).
- 5.2 The responsibility for establishing a Local Pension Board rests with the Administering Authority of each Fund. This is something the Administering Authority must do; it is not optional.
- 5.3 For many Administering Authorities, all existing pension functions are likely to be delegated to a Pension Committee or an officer. However, it is open to an Administering Authority to exercise directly any function which it has delegated.
- 5.4 In light of the fact that the role of the Local Pension Board is to assist the Administering Authority, the Administering Authority will need to carefully consider the establishment of the Local Pension Board and the appointment of its members. It should therefore be a function undertaken by the Administering Authority (for example full council) rather than by the delegated Pension Committee or officer.
- 5.5 An Administering Authority is given power under regulation 106(6) of the Regulations to determine the procedures applicable to its Local Pension Board, including the establishment of sub-committees and the payment of expenses. When exercising this power (as provided for in the 2013 Act), the Administering Authority must do so in accordance with usual local government principles, acting reasonably and within the powers set out in the Regulations.
- 5.6 Regulation 106(2) of the Regulations provides that where a local authority Administering Authority delegates its pension functions to a Pensions Committee, then with Secretary of State approval, the Pensions Committee may also undertake the role of the Local Pension Board. Please see section 10 of this guidance for further details.



## **Membership of a Local Pension Board**

- 5.7 A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. In addition, the Regulations do not preclude that other members may also be appointed to the Board.
- 5.8 No officer or councillor of an Administering Authority who is responsible for the discharge of any function under the Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board) may be a member of the Local Pension Board of that authority.
- 5.9 The officers of the Administering Authority who would be precluded from being a member of the Local Pension Board would be any officer named in the scheme of delegation for that Administering Authority, for example the section 151 officer and the head of investments. It would also be appropriate to consider whether officers of the Fund at a senior level, who are not named in the formal scheme of delegation but who are responsible for discharging functions under the Regulations should also be precluded from being a member of the Local Pension Board.
- 5.10 Where an elected member of the Administering Authority is appointed as a member of the Local Pension Board this can only be as either an employer or member representative under the provisions of regulation 107(3)(b).
- 5.11 When determining the size of its Local Pension Board, the Administering Authority should consider the capacity of the Board to undertake its role in assisting the Administering Authority with the governance and administration of the scheme. The Administering Authority will need to consider a number of factors including (without limitation):
- 5.11.1 the number of scheme members, the number and size of employers;
  - 5.11.2 the breadth and diversity of scheme members and employers,
  - 5.11.3 the assets within the Fund and any collective arrangements in place for them to make decisions or provide input in relation to Fund matters;
  - 5.11.4 the cost of establishing and operating the Board;
  - 5.11.5 the existence or proposal to form any other advisory groups; and

5.11.6 the scope of the Board's remit and workplan.

- 5.12 As indicated in the Code of Practice the Administering Authority should consider providing high quality pre-appointment training to proposed members of the Local Pension Board.

#### **Appointment of Local Pension Board Members**

- 5.13 Each employer or member representative on a Local Pension Board will potentially represent a significant range of employers or members (as appropriate). It is therefore important that the methodology for appointment ensures that representative Board members are truly representative.
- 5.14 All employers and members within a Fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.
- 5.15 The Regulations also allow for the appointment of other Local Pension Board members i.e. members who are not there to represent employers or scheme members, this would include for example where an Administering Authority wishes to appoint an independent chairperson to the Local Pension Board.

#### **Capacity of Representative Members**

- 5.16 Regulation 107 of the Regulations also requires that the Administering Authority must ensure that any person it wishes to appoint as an employer or member representative has the capacity to represent the employers or members (as appropriate) of the Fund.
- 5.17 It will be important to appoint members who have the time to commit to attend meetings, undertake training and effectively represent employers and members (as appropriate).
- 5.18 Whilst it is the responsibility of those members appointed to have the capacity to represent employers and members respectively consideration should also be given by employers to reasonable time off or 'facilities time' to allow employees who are members of the Local Pension Board to effectively carry out their role. Administering Authorities should highlight to employers the work needed to carry out the role to encourage employers to allow for reasonable time off for Local Pension Board members. Administering Authorities could for example reimburse employers who provide their employees (who are members of the Board) with paid time off

for and to attend Board meetings. See section 9 for more information on the resourcing of Local Pension Boards. In addition whilst no member of the Board should be better or worse off by undertaking a role on the Local Pension Board the Administering Authority should encourage policies which enable active participation on the Board and therefore help in developing an effective Board.

- 5.19 The Regulations specify a Local Pension Board member should not have a conflict of interest, and then go on to clarify that a financial or other conflict of interest will not arise merely by virtue of a member of a Local Pension Board being a member of the LGPS and/or Fund. The potential for conflicts of interest is considered in section 7 of this guidance.
- 5.20 An individual's ability to properly represent the interests of employers or members (as appropriate) and channel information back to those persons effectively should also be a key factor in selecting members of the Local Pension Board. This needs to take account of the wide range of membership of the Fund to ensure all employers and members are represented.

#### **Appointment of Other Members**

- 5.21 As noted at paragraph 5.8, no officer or councillor of an Administering Authority who is responsible for the discharge of any function under the Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board) may be a member of the Local Pension Board of that authority.
- 5.22 The requirement for capacity does not explicitly apply to other (i.e. non-representative) members appointed by the Administering Authority. Nevertheless, the Administering Authority should have an open and transparent process for the appointment of such members.
- 5.23 As noted at paragraph 5.10 an elected member of the Administering Authority cannot be appointed to the Local Pension Board as an 'other member'.
- 5.24 Where an Administering Authority decides to appoint an independent chair to the Board, that chair would be considered an 'other member'.

## **The Process for Appointing Employer and Member Representatives**

- 5.25 The methodology for appointing employer and member representatives is not prescribed by the Regulations. It will therefore fall to each Administering Authority to establish an appropriate process. Options may include (but are not limited to):

### **Direct Appointment Process**

- 5.25.1 Selecting employer representatives through existing employer forums, for example nominations and voting at employer AGMs.
- 5.25.2 Selecting member representatives through existing representative organisations for example recognised trade unions, staff committees, member representative committees, pensioner organisations or nominations and voting at member AGMs (this could include active, deferred and pensioner members of the scheme).

### **Two Stage Nomination and Selection Process**

- 5.25.3 Administering authorities may wish to consider methodologies used by private sector trust based schemes to appoint member-nominated trustees ("MNTs"). MNTs must be:
- 5.25.3.1 nominated as the result of a process which includes at least all the active and pensioner members of the scheme (or an organisation which adequately represents them); and
  - 5.25.3.2 selected as a result of a process which involves some or all of the members of the scheme.
- 5.25.4 Seeking nominations by advertising in local newspapers and on websites (including employer and member representative bodies websites).
- 5.25.5 Encouraging partner organisations or admission bodies to nominate members.
- 5.26 When selecting members, proper regard must be given to the obligations of the Administering Authority in relation to equal opportunities in any recruitment process. In practice, this means having an open and

transparent process, with a role specification. Depending on the appointment process used by the Administering Authority, it may also be necessary to have a formal interview process before appointments are made (if for example more nominations are received than available places on the Board). The interview process should assess the ability of the individual to meet the requirements of the role and make appointment on merit.

- 5.27 It is also important to ensure that those who are appointed have a range of experience so that there is a good balance and breadth of experience on the Local Pension Board.

### **Making Appointments**

- 5.28 As noted in other sections, the appointment process provides an ideal opportunity for the Administering Authority to obtain confirmation from the appointee in the form of a written undertaking that they understand the requirements of the role and to commit to those requirements, for example by:

- 5.28.1 disclosing all interests and responsibilities which have the potential to become conflicts of interest (see paragraph 7.36);
- 5.28.2 committing to attend a minimum number of meetings a year;
- 5.28.3 committing to undertake and attend the necessary knowledge and understanding training (see paragraph 6.23); and
- 5.28.4 undertaking to abide by the Board's terms of reference and wider constitutional documents.

### **Term of Office**

- 5.29 Consideration should be given to the term of office so that experience is retained on the Local Pension Board. This could be by a proportion of members retiring on a rolling basis so that the Local Pension Board has the benefit of gaining new members with new experience whilst also retaining existing experienced members and stability for the Local Pension Board.
- 5.30 The ability of members to seek re-appointment for a further term needs to be considered. Given the complexity of the subject matter there is a case for renewing membership over an extended period.

## Termination

- 5.31 As well as dealing with the terms of appointment, the Administering Authority should also consider the circumstances in which a member of a Local Pension Board should cease to be a member.
- 5.32 Clearly this will arise at the expiry of a member's term of office, although there may well be other circumstances in which a member's term of office may end, for example the Administering Authority should consider suitable provisions if:
- 5.32.1 a member has a conflict of interest which cannot be managed in accordance with the Board's conflicts policy;
  - 5.32.2 a member dies or becomes incapable of acting;
  - 5.32.3 a member who is a councillor of the Administering Authority is appointed to a Pensions Committee;
  - 5.32.4 a member is appointed to the role of an officer of the Administering Authority with responsibility for the discharge of functions under the Regulations;
  - 5.32.5 a member wishes to resign, for example how much notice should be given and in what form;
  - 5.32.6 a representative member ceases to represent his constituency, for example if an employer representative leaves the employment of his employer and therefore ceases to have the capacity to represent the Fund's employers; and
  - 5.32.7 a member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training. The Administering Authority should consider who would decide this, whether the member should be given an opportunity to change their behaviour and how much notice should be given and in what form. Where issues of this nature arise, the chair of the Local Pension Board should have lead responsibility for an initial informal discussion with the member about the concerns. It would be helpful for the chair of the Local Pension Board to be supported and advised by professional advisers with that discussion. This could be an Administering Authority officer provided there was no conflict

of interest. The matter could also be raised with any body which had nominated the individual for appointment.

- 5.33 Where a vacancy arises for a representative member mid-term, the Administering Authority should consider the process to be used to fill that vacancy.

#### **Terms of Reference**

- 5.34 The Administering Authority when establishing its Local Pension Board should create terms of reference for the Board on the basis that the Board is a stand-alone body. The terms of reference are the rules setting out how the Board will be constituted and operate on a day to day basis. The terms of reference for a Local Pension Board should be reviewed periodically and at each material change in regulations impacting on Local Pension Boards.

- 5.35 It is worth noting that under regulation 106(8) of the Regulations a Local Pension Board shall have the general power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. However, as a minimum a Board's terms of reference should include areas such as:

5.35.1 **Function of the Board** – The terms should set out the function of the Board to assist the Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS in line with the requirements set out at paragraph 3.27 and Schedule A.

5.35.2 **Membership** – This should include the number of each category of Board member (including other representatives), the appointment and selection process, term of office and procedures for termination of office.

5.35.3 **Code of Conduct** – The terms of reference should refer to the requirement for the Local Pension Board to have a code of conduct for its members and that members of the Board should abide by the code (see paragraph 7.9).

5.35.4 **Voting Rights** – The terms should set out that employer and member representatives of the Board have equal voting rights. The terms should also indicate where the chair is from either the employer or member representatives whether the chair has a

casting vote. It should be noted that other members do not have voting rights on the Board.

- 5.35.5 Conflict of Interests** – The terms should refer to the requirement for the Board to always act within the terms of reference. The Local Pension Board should have a conflicts policy for its members and that members should abide by the policy and provide information that the Administering Authority may reasonably require from time to time to ensure that members do not have a conflict of interest (see paragraph 7.40).
- 5.35.6 Appointment of a Chair/Vice-Chair** – The terms should specify whether the Board is to have a chair and/or vice-chair and if so specify the roles of the chair and/or vice-chair, how they are appointed and whether the chair is to be given a casting vote (only where the chair is from the member or employer representatives on the Local Pension Board). This should include the leadership responsibilities of the chair to ensure that meetings are properly conducted, decision making is clear and professional advice is followed. It will also set out the role of the chair in agreeing the agenda and approving the minutes for each meeting.
- 5.35.7 Role of Advisors** – The terms should set out the role of professional advisers, or other advisors to the Board and the process for their appointment and agreeing their fees. In addition the process for the Board accessing existing advisors to the Administering Authority should also be set out. Administering Authorities may wish to use a shared pool of potential advisors, for example having access to an agreed pool of senior pension fund officers from other (possibly neighbouring) authorities.
- 5.35.8 Role of Officers** – The terms should set out the role of officers of the Administering Authority to the Board, for example in the provision of secretariat services to the Board or providing pension fund information to the Board.
- 5.35.9 Administration, Papers, Communication and Obtaining Information** – The terms should specify the terms for notice of Board meetings, the circulation of papers in advance of meetings, how meetings are to be run, the decision making process, recording minutes of meetings, a procedure for dealing with urgent items of business and the publication of information if considered relevant.



In addition where specific information may be required by the Board details of where such information may be obtained from should be provided to the Board. As the Local Pension Board is considered a committee of the Administering Authority for certain overriding statutory purposes such as FOIA and the Administering Authority is a FOIA public authority, minutes should be carefully dealt with and separated as appropriate into open and closed business, so that open minutes (including agendas and relevant papers) can be promptly published in the Administering Authority's FOIA publication scheme (see paragraph 8.22 to 8.23).

**5.35.10 Organisation of meetings:** The terms should specify how meetings will be organised. It is anticipated that meetings will take place separately from those of the Pension Committee. Should both bodies choose to meet at the same time to consider the same agenda, the terms should specify how those concurrent meetings are chaired as well as acknowledging that the statutory roles and function of the Pension Committee and the Board are separate

**5.35.11 Number of Meetings –** The terms should specify whether there should be a minimum number of meetings in a year. The frequency of Pension Committee meetings may serve as a useful benchmark for how often the Board should meet. There should also be an ability for a specified number of Board members or the Administering Authority to require a special meeting to be convened on notice.

**5.35.12 Location and time of meetings –** The terms should specify any restrictions in relation to the time (for example, during working hours only), and location of meetings and whether the meetings are to be public or not. Decisions about the time and location of meetings should be made whilst also being aware of the capacity requirements placed upon Board members.

**5.35.13 Quorum –** The terms should specify a quorum for meetings and in particular whether the quorum should include a minimum number of employer and member representatives.

**5.35.14 Attendance Requirements –** The terms should specify the requirements for attending meetings and the consequences of continued failure to attend Board meetings.

- 5.35.15 Role of Substitutes** – The terms should specify whether members are allowed to send substitutes to meetings where they are unable to attend themselves. This may be more appropriate for employer and member representatives. Training requirements should also be considered where substitutes are permitted.
- 5.35.16 Creation of Working Groups/Sub-Committees** – The terms should specify whether the Board has the power to set up working groups or sub-committees and if so on what terms (including terms of reference for those working groups or sub-committees).
- 5.35.17 Allowances/Expenses** – The terms should specify the policy in relation to the payment of allowances and expenses to Board members (see section 9 of this guidance for further information).
- 5.35.18 Budget** – The terms of reference should also set out a process for the Local Pension Board to have access to a budget for specified purposes, for example seeking professional advice, training for members, accommodation costs or meeting the costs of any claim for expenses and the timetable for approving that Budget.
- 5.35.19 Knowledge and Understanding** – The terms should refer to the requirement for the Board to have a policy and framework to meet the knowledge and understanding requirements of the 2004 Act (see section 6 of this guidance).
- 5.35.20 Reporting** – The terms should include arrangements for the reporting of information to the Administering Authority, including direct reporting arrangements where the Board has material concerns (see section 8 of this guidance). In addition the methods used to communicate to scheme members and employers should be included.
- 5.35.21 Data Protection** – The terms should take account of the Administering Authority's role as a 'data controller' under data protection legislation and any policies, such as a data protection policy, with which it must comply as well as ensuring personal data processing by the Local Pension Board is within the Administering Authority's notification registered with the Information Commissioner from time to time (which should be reviewed and updated as necessary) – see paragraphs 8.17 to 8.21 for further details.

- 5.36 The terms of reference should be approved by the Administering Authority. The terms of reference should also be formally adopted by the Local Pension Board once it is established. This would normally be expected to occur at the Board's first meeting.

#### **Chair of the Local Pension Board**

- 5.37 As per 5.34.6 the appointment of a chair/vice chair should be detailed in the Local Pension Board's terms of reference.

- 5.38 A chair could be appointed in a number of ways including:

5.38.1 a chair may be appointed by the employer and member representatives of the Board from amongst their own number or on a rotating basis with the term of office shared between an employer and a member representative on an equal basis.

5.38.2 an independent chair may be appointed by the Administering Authority. Such a chair would count in the number of other representatives on the Board. An independent chair would have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in a fund or funds administered by the Administering Authority or would not be a scheme member of the LGPS in a fund administered by the Administering Authority. The appointment of an independent chair should be subject to the passing of a motion to confirm this by a majority of the employer and member representatives of the Board.

- 5.39 In their role the Chair of the Board:

5.39.1 shall ensure the Board delivers its purpose as set out in the Board's terms of reference,

5.39.2 shall ensure that meetings are productive and effective and that opportunity is provided for the views of all Board members to be expressed and considered, and

5.39.3 shall seek to reach consensus and ensure that decisions are properly put to a vote when that cannot be reached ensuring that instances of a failure to reach a consensus position will be recorded and published.

- 5.40 Where an Administering Authority appoints an independent chair consideration should be given to a clause within their contract for the role where they must agree to treat any confidential information as such and not to use for any potential financial or material gains.

#### **Other Constitutional Documents**

- 5.41 In addition to the terms of reference a Board is likely to have other key documents which would be included in its wider constitution. These may include:

5.41.1 A code of conduct (see paragraphs 7.9 to 7.11);

5.41.2 A conflicts policy (see paragraphs 7.40 to 7.41);

5.41.3 A knowledge and understanding policy document (see paragraph 6.8) including a list of the core documents recording policy about the administration of the Fund; and

5.41.4 Policies dealing with data protection, information security, acceptable use (and monitoring) and subject access request (see paragraph 8.21).

#### **Failure to Establish a Local Pension Board**

- 5.42 If an Administering Authority fails to establish its Local Pension Board by 1 April 2015, or having done so the Board fails to exercise its role, the question then arises as to what steps might be taken and by whom to challenge the action or lack of action of the Administering Authority. There are a number of potential possibilities:

5.42.1 Intervention by the Regulator.

5.42.2 Intervention by legal action - In principle an action by way of judicial review could be launched to ensure compliance where there has been failure to comply with a statutory obligation. It will be necessary to consider who might have interest or standing to bring such an action. Potentially this could be a body or person who has been denied representation by the failure to establish the Local Pension Board.

5.42.3 Complaint to the Local Government Ombudsman or Pensions Ombudsman. A failure by the Administering Authority to establish a

Local Pension Board is likely to constitute maladministration on the part of the Administering Authority.

5.42.4 Adverse comment by the Administering Authority's external auditor in the context of the Annual Audit letter.

5.42.5 Adverse comment by the Scheme Advisory Board.

5.43 The Secretary of State has overarching responsibility for the Scheme as the Responsible Body - with a clear interest in the successful implementation of local pension boards.

**Action Points:**

- Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.
- The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).

## **6. Board Knowledge and Understanding**

### **Legal requirements**

6.1 In accordance with section 248A of the 2004 Act, every individual who is a member of a Local Pension Board must:

6.1.1 be conversant with:

6.1.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and

6.1.1.2 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and

6.1.2 have knowledge and understanding of:

6.1.2.1 the law relating to pensions; and

6.1.2.2 such other matters as may be prescribed.

6.2 A Local Pension Board member should be aware that their legal responsibilities begin from the date they take up their role on the Board and so should immediately start to familiarise themselves with the documents as referred to in paragraph 6.1.1 and the law relating to pensions.

6.3 In accordance with section 248A, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

### **General Principles**

6.4 Administering Authorities should also take account of this Guidance to support them in understanding the requirement and to enable them to help members of the Local Pension Board to meet their knowledge and understanding obligations.

6.5 Administering Authorities should make appropriate training available to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training. Where Local Pension Board members do not demonstrate their

capacity to attend and complete training then the Administering Authority may need to consider whether that Local Pension Board member has the capacity to undertake their role on the Board. See paragraph 5.31.7 for further information.

- 6.6 Knowledge and understanding must be considered in light of the role of a Local Pension Board to assist the Administering Authority in line with the requirements set out at paragraph 3.27.
- 6.7 However, members of a Local Pension Board clearly need to understand the duties and obligations of the Administering Authority, including funding and investment matters, in order to be able to assist it.
- 6.8 Once created, a Local Pension Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to its members. Where the Pensions Committee has an existing knowledge and understanding policy already in place, it may be sensible to see if this could be incorporated to cover both the Pensions Committee and the Local Pension Board to avoid unnecessary duplication. However the knowledge and understanding requirements of a Local Pension Board and a Pension Committee may differ, especially given the former's statutory requirements.
- 6.9 The Local Pension Board may wish to designate a person to take responsibility for ensuring that the knowledge and understanding framework is developed and implemented. This could be a member of the Local Pension Board or an external person, for example an officer of the Administering Authority or a professional adviser.

#### **Knowledge and Understanding for Pension Committee Members**

- 6.10 The legal requirement for knowledge and understanding for members of a Local Pension Board does not apply to members of a Pension Committee. However, the requirement serves as a useful benchmark for the knowledge and understanding that a member of a decision-making Pension Committee should have.

#### **The Regulator's Code of Practice**

- 6.11 The issue of knowledge and understanding is dealt with in the Regulator's Code of Practice (see paragraphs 34 to 60 of the Code of Practice). This Guidance is intended to reflect the principles of the Code of Practice and apply them in a LGPS context.

## **Degree of Knowledge and Understanding**

- 6.12 Being conversant with the rules of the LGPS and any document recording policy about the administration of the Fund means having a working knowledge (i.e. a sufficient level of familiarity) of them so that members of a Local Pension Board can use them effectively when carrying out their role of assisting the Administering Authority.
- 6.13 In particular members of a Local Pension Board should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.
- 6.14 In order to assist the Administering Authority, it is implicit that members of a Local Pension Board understand the duties and obligations that apply to the Administering Authority as well as to themselves.
- 6.15 The rules of the LGPS would include:
- 6.15.1 the Regulations;
  - 6.15.2 the Investment Regulations; and
  - 6.15.3 the Transitional Regulations (including any earlier Regulations as defined in the Transitional Regulations to the extent they remain applicable),
- and any statutory guidance referred to in these regulations.
- 6.16 A Local Pension Board should prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members.
- 6.17 Part 1 of Schedule B of this Guidance contains a list of documents which are likely to be regarded as recording policy about the administration of a Fund. This list should not be relied upon as being definitive and actual lists are likely to vary from Fund to Fund. This Schedule has been added to this guidance to assist Administering Authorities and Local Pension Boards to quickly identify documents which record policy about the administration of a Fund.
- 6.18 Members of a Local Pension Board should also be aware of the range and extent of overriding law which applies to the LGPS and have sufficient



knowledge and understanding of the content and effect of that law to recognise when and how it impacts on their role, responsibilities and duties.

- 6.19 Part 2 of Schedule B of this Guidance contains a summary of some of the key areas of law relating to pensions generally and the LGPS in particular. This summary should not be relied upon as being a definitive list of all the areas of law that members of a Local Pension Board need to know about and understand. This Schedule been added to this guidance to assist Administering Authorities and Local Pension Boards to quickly identify key areas of law that may be relevant.
- 6.20 Given the role of the Local Pension Board to assist the Administering Authority, members of a Local Pension Board should have sufficient knowledge and understanding to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the LGPS (which should be interpreted as including the Regulations and other legislation relating to investment and funding matters) and/or any failure to meet the standards and expectations set out the Code of Practice.
- 6.21 Members of a Local Pension Board should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Local Pension Board is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Local Pension Board's duty to assist the Administering Authority.

#### **Acquiring, Reviewing and Updating Knowledge and Understanding**

- 6.22 A Local Pension Board's knowledge and understanding policy and framework should provide for the acquisition and retention of knowledge and understanding for its members.
- 6.23 Members of the Local Pension Board should commit sufficient time in their learning and development alongside their other duties. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations to assist the Administering Authority.
- 6.24 Members of the Local Pension Board must be aware that their knowledge and understanding responsibilities technically begin from the date they take up their post. Therefore, members should immediately start to familiarise

themselves with the Regulations, key Fund documents and relevant pensions law.

- 6.25 The Administering Authority should offer high quality induction training and should provide relevant ongoing training for Board members. This could be included in the normal training programme for members of the Pensions Committee as well as a specific training programme for the Local Pension Board.
- 6.26 It may also be useful for the Local Pension Board to have shared training events with the Pensions Committee and/ or Pension Committees and Local Pension Boards from other Funds to share knowledge and experience.
- 6.27 There must be a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding (see paragraph 6.1). Consideration should also be given to permitting newly appointed Local Pension Board members to overlap with the outgoing member to allow them to shadow that Board member for at least one Board meeting (where possible) as well as providing them with high quality induction training.
- 6.28 A Local Pension Board's knowledge and understanding policy and framework should require its members to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 6.29 Part 2 of Schedule B contains examples of areas of knowledge and understanding that a member of a Local Pension Board might be expected to have. These examples may assist a Board member in undertaking a personal training needs analysis.
- 6.30 A personalised training plan should then be used to document and address these promptly. This would be supported by any person the Local Pension Board has designated to implement the knowledge and understanding policy and framework.
- 6.31 Learning programmes should be flexible, allowing members of the Local Pension Board to update particular areas of learning where required and acquire new areas of knowledge in the event of any change. For example, members of the Local Pension Board who take on new responsibilities in

their role will need to have knowledge and understanding which is relevant to carry out those new responsibilities.

- 6.32 Learning programmes should deliver the appropriate level of detail to ensure that Local Pension Board members have the required level of knowledge and understanding specific to the LGPS.
- 6.33 The Regulator will be providing an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. It is not anticipated that this e-learning module alone would provide the sufficient level of LGPS specific training required for Local Pension Board members.
- 6.34 Members of a Local Pension Board and the Administering Authority should investigate what other third party learning tools and courses are available both for initial training requirements and any ongoing training needs identified for members of the Local Pension Board. Administering Authorities and Local Pension Boards should contact relevant advisors to identify any training resources being made available. For example the LGPS Secretariat will be providing training events for Local Pension Board members with details available from their website.
- 6.35 Once a Local Pension Board is in operation and new appointments are made in the future, mentoring by existing members could also be considered. This could also help to ensure that historical and scheme specific knowledge is retained when members of a Local Pension Board change.

#### **Demonstrating Knowledge and Understanding**

- 6.36 The Local Pension Board should keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps. For example a good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place, which can be provided to the Local Pension Board.

**Action Points:**

- Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).
- A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.
- The Administering Authority should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.
- A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.
- Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

## **7. Conduct of Members and Conflicts of Interest**

### **Introduction**

- 7.1 There are various legal requirements which need to be considered to make sure that sound governance principles are followed, and in particular that conflicts of interest are properly managed. These include:
- 7.1.1 Section 5(5) of the 2013 Act, which defines “conflict of interest” for the purpose of a Local Pension Board;
  - 7.1.2 Regulation 108 of the Regulations, which places duties on the Administering Authority to satisfy itself that Local Pension Board members do not have conflicts of interest on appointment or whilst they are members of the Board;
  - 7.1.3 The 2011 Act, which requires councillors to comply with the code of conduct of their local authority and to disclose interests;
  - 7.1.4 The ‘Seven Principles of Public Life’, also known as the ‘Nolan Principles’, with which any holder of public office is also expected to comply; and
  - 7.1.5 The expectations contained in the Code of Practice.
- 7.2 This section of the Guidance takes account of the above requirements and gives guidance on how the different duties can be reconciled in a practical way.
- 7.3 The importance of following these requirements needs to be clearly appreciated at the outset. Failure to follow applicable codes of conduct or declare a conflict of interest can impact on good governance in various ways. For example, such failure may result in a Local Pension Board actually acting improperly, may lead to a perception that the Local Pension Board has acted improperly, or may result in a challenge to the work carried out by the Board.

### **Codes of Conduct and Disclosure of Interests for Councillors**

- 7.4 The elected and co-opted members of a local authority (referred to as “councillors” for the purposes of this section of the Guidance) are governed by their local authority’s code of conduct for councillors. This code is required of every local authority by the 2011 Act and sets out the standards of behaviour expected of individuals in their capacity as councillors.

7.5 In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act.

7.6 Both of these requirements will apply to any members of a Local Pension Board who are also councillors of a local authority (whether that is the Administering Authority or another local authority). They will not apply to members of a Local Pension Board who are not councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Local Pension Board.

### **Seven Principles of Public Life**

7.7 The members of a Local Pension Board should have regard to the 'Seven Principles of Public Life' (known as the Nolan Principles), which are:

7.7.1 **Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

7.7.2 **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

7.7.3 **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

7.7.4 **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

7.7.5 **Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

7.7.6 **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to

resolve any conflicts arising in a way that protects the public interest.

**7.7.7 Leadership** - Holders of public office should promote and support these principles by leadership and example.

- 7.8 As members of a publicly-funded body involved in the discharge of public business, all members of a Local Pension Board should comply with these principles in the exercise of their functions. They require the highest standards of conduct.

### **Code of Conduct for Local Pension Boards**

- 7.9 When establishing its Local Pension Board, the Administering Authority should prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the Seven Principles. An Administering Authority may wish to effectively adopt some or all of an existing Code of Conduct for the Local Pension Board. Once adopted, the Local Pension Board should keep this code of conduct under regular review.
- 7.10 The code of conduct should also make reference to the need for members of the Local Pension Board who are councillors to comply with any separate code of conduct and disclosure requirements which apply to them in their capacity as councillors (in other words, the Local Pension Board's code should make it clear that it is not an exhaustive statement of the standards of behaviour required of Board members).
- 7.11 It is important that individual members of the Local Pension Board are familiar with and understand the importance of following the principles in the Board's code of conduct, and the Board should arrange appropriate training for members on this issue.

### **Conflicts of Interest – General Comments**

- 7.12 As an introductory point, although there is a requirement for Local Pension Board members not to have a conflict of interest, it is important to note that the issue of conflicts of interest must be considered in light of the Local Pension Board's role, which is to assist the Administering Authority. The Local Pension Board does not make decisions in relation to the administration and management of the Fund: these rest with the Administering Authority. As a result, it is not anticipated that significant conflicts will arise in the same way as would be the case if the Board were

making decisions on a regular basis (compared, for example, to a Pensions Committee). Nevertheless, steps need to be taken to identify, monitor and manage conflicts effectively.

### **The Regulator's Code of Practice on Conflicts of Interest**

- 7.13 The Regulator has a particular role in relation to members of a Local Pension Board and conflicts of interest. Whilst members of a Local Pension Board may be subject to other legal requirements, when exercising functions as a member of a Local Pension Board, the Regulator expects the requirements which specifically apply by virtue of the 2013 Act to be met and the standards of conduct and practice set out in its Code of Practice to be complied with.
- 7.14 The Code of Practice offers guidance about managing potential conflicts and the identification, monitoring and management of actual conflicts. This Guidance is intended to reflect the principles of the Code of Practice and apply them in a LGPS context.

### **What is a Conflict of Interest?**

- 7.15 For the purposes of a member of a Local Pension Board, a 'conflict of interest' is defined in section 5(5) of the 2013 Act as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of a Local Pension Board.
- 7.16 The 2013 Act also specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS and/or Fund (or any connected scheme).
- 7.17 Therefore, a conflict of interest may arise when a member of a Local Pension Board:

7.17.1 must fulfil their legal duty to assist the Administering Authority;  
and

7.17.2 at the same time they have:

7.17.2.1 a separate personal interest (financial or otherwise); or

7.17.2.2 another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility as a Local Pension Board member.



## **Examples of Conflicts of Interest**

7.18 Some examples of potential conflicts in this context would include:

7.18.1 A finance officer appointed as a member of a Local Pension Board may, from time to time, be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as a member of the Local Pension Board to review a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending.

7.18.2 A member representative who works in the Administering Authority's internal audit department may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the Local Pension Board.

7.18.3 An employer representative from the private sector may also have a conflict of interest as a decision-maker in their own workplace. For example, if an employer representative is drawn from a company to which the Administering Authority has outsourced its pension administration services and the Board are reviewing the standards of service provided by it.

## **Identifying, Monitoring and Managing Conflicts – The Role of the Administering Authority**

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

7.20 There is a corresponding duty on any person who is proposed to be appointed to a Local Pension Board, and on an appointed member of a Local Pension Board, to provide the Administering Authority with such information as the Administering Authority reasonably requires to satisfy itself that such person has no conflicts of interest.

7.21 To comply with its duty in relation to conflicts, the Administering Authority needs to put procedures in place in respect of the appointment of members and establish policies to be included in the Board's constitution to ensure

that interests are declared, potential conflicts are identified and members of the Board are trained and receive advice on conflicts. In doing so, the Administering Authority may wish to delegate its duty in relation to conflicts to a particular officer or officers, for example, the monitoring officer.

- 7.22 Looking first at the process of appointments, the Administering Authority should ensure that members of a Local Pension Board are appointed under procedures that require them to disclose any interests or responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed. The appointment process should facilitate scrutiny of potential areas of difficulty by eliciting relevant information. The fact an individual could potentially have a conflict of interest at some point in the future should not preclude an individual being appointed provided he or she does not have an actual conflict of interest when appointed.
- 7.23 All terms of engagement (for example, appointment letters and any contracts for services) should include a clause requiring disclosure of all interests and responsibilities which have the potential to become conflicts of interest, as soon as they arise. All interests and responsibilities disclosed should be recorded.
- 7.24 As regards the Administering Authority's ongoing obligation to ensure that members of the Local Pension Board do not have a conflict of interest, the Administering Authority will need to keep appointments under review and also monitor whether appointed members have potential conflicts of interest and are declaring them appropriately. This could be achieved by requesting reports from the Local Pension Board, perhaps annually.

#### **Identifying, Monitoring and Managing Conflicts – The Role of the Local Pension Board**

- 7.25 Local Pension Boards should cultivate a culture of openness and transparency. The need for continual consideration of conflicts should be recognised. Disclosure of interests and responsibilities, which have the potential to become conflicts of interest, should not be ignored.
- 7.26 The Local Pension Board should ensure that its members have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed. Many Local Pension Board members are likely to be familiar with the concept of a conflict of interests

and it should not be difficult to adapt established procedures to meet the obligations in the 2013 Act and the Regulations.

- 7.27 Local Pension Boards should identify, monitor and manage dual interests and responsibilities which are or have the potential to become conflicts of interest.
- 7.28 Local Pension Boards should evaluate the nature of any dual interests and responsibilities and assess the impact on their operations and good governance were a conflict of interest to materialise.
- 7.29 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of a Local Pension Board, the Board should consider obtaining professional legal advice when assessing any option.
- 7.30 A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities.
- 7.31 Local Pension Boards should also capture decisions about how any identified potential conflicts of interest should be managed – ideally, in their register of interests.
- 7.32 Options for managing a potential conflict of interest from becoming an actual conflict of interest, include:
  - 7.32.1 a member withdrawing from the discussion and any decision-making process;
  - 7.32.2 the Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
  - 7.32.3 a member resigning from the Board if the conflict is so fundamental that it cannot be managed in any other way.
- 7.33 The Local Pension Board's register of interests should be circulated to the Local Pension Board for ongoing review it should be made available to the Administering Authority and it should be published (for example, on the Fund's website). The Local Pension Board should report any concerns to the Administering Authority and include in an annual report a section on good governance and management of conflicts.
- 7.34 Conflicts of interest should be included as an opening agenda item at Local Pension Board meetings, and revisited during the meeting where

necessary. This provides an opportunity for those present, including non-Board members, to declare any dual interests and responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed so as to prevent an actual conflict arising.

- 7.35 Local Pension Boards should take time to consider what key decisions are likely to be made during, for example, the year ahead and identify and consider any conflicts of interest that may arise in respect of these future decisions.

### **Considering Conflicts of Interest – Responsibilities of Board Members**

- 7.36 It is important that individual members of the Local Pension Board know how to identify when they have a potential conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision-making. They also need to appreciate that they have a legal duty under the Regulations to provide information to the Administering Authority in respect of conflicts of interest.
- 7.37 Individual Local Pension Board members should seek professional advice from a nominated officer (for example, the monitoring officer or the chief finance officer) or external advisers where necessary and the importance of doing so should be emphasised in the Local Pension Board's conflicts policy.

### **Managing Adviser and Officer Conflicts**

- 7.38 A Local Pension Board may need to seek specialist advice or support, for example legal advice. The Board may use an officer of the Administering Authority or a third party adviser. However, in both cases the Board should be confident that such advice is independent and any potential or actual conflicts are disclosed by the officer or adviser on a timely basis to the Board. For example, an adviser may have a conflict of interest if he or she (or the same firm) is also advising the Administering Authority.
- 7.39 The risk to the Local Pension Board is that the adviser does not provide, or is not seen to provide, independent advice. Where there is likely to be a conflict of interest in giving advice, the Board should consider carefully whether it is appropriate to appoint the adviser in the first place. It may also be necessary to consider carefully whether they should take steps to remove an adviser who has already been appointed.

### **Conflicts Policy**

- 7.40 When establishing its Local Pension Board, the Administering Authority should prepare and approve a conflicts policy for the Board to adopt. The conflicts policy should cover the points discussed in the preceding paragraphs relating to the identification, monitoring and management of potential conflicts of interest (including adviser conflicts). Once adopted, the Local Pension Board should keep this policy under regular review.
- 7.41 The conflicts policy should include as a minimum:
- 7.41.1 examples of scenarios giving rise to conflicts of interest (which may include those set out at paragraph 7.18 above);
  - 7.41.2 how a conflict might arise specifically in relation to a member of a Local Pension Board; and
  - 7.41.3 the process to be followed by members of a Local Pension Board and the Administering Authority to address a situation where members are subject to a potential or actual conflict of interest.

**Action Points:**

- An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.
- Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.
- A Local Pension Board should establish and maintain a register of interests for its members.

## **8. Reporting**

### **Internal Reporting**

- 8.1 Each Administering Authority has the prime responsibility for establishing its Local Pension Board and it is therefore appropriate and consistent with good governance for the Local Pension Board to report to the Administering Authority.
- 8.2 The reporting requirements will be for each Administering Authority to determine and could include reporting and communicating with a range of individuals and decision making bodies. This could include communication with internal and external audit as well as reporting to the audit committee, scrutiny or a corporate resources committee, as well as full council or equivalent where appropriate. The agreed reporting requirements should be reflected in the Local Pension Board's terms of reference.
- 8.3 There should also be more frequent reporting (perhaps quarterly or after the Local Pension Board meets) to the Administering Authority/Pension Committee and the chief finance officer and/or monitoring officer for example, this could be achieved through sharing the minutes of Board meetings in a timely manner.
- 8.4 The Local Pension Board should take responsibility in conjunction with the Administering Authority for ensuring the necessary reports are prepared and delivered.
- 8.5 Whilst the process for internal reporting will need to be determined locally, the following examples may assist Administering Authorities and Local Pension Boards when formalising their reporting lines:
  - 8.5.1 The Local Pension Board should in the first instance report its requests, recommendations or concerns to the Administering Authority/Pension Committee based on the remit of the Board (see paragraph 3.27 and Schedule A).
  - 8.5.2 The Local Pension Board could report any concerns over a decision made by the Pension Committee to that Committee within a reasonable period of the decision coming to the Board's attention.

- 8.5.3 On receipt of a report from the Local Pension Board the Pension Committee should consider and respond to it within a reasonable period.
- 8.5.4 The Local Pension Board could report any concerns over a decision made by the Pension Committee to that Committee and where it considers that a decision was in breach of the Regulations (or overriding legislation) they may seek to challenge that decision. Such requests for a motion to review or challenge a decision must be subject to the agreement of the majority of the voting Board members.
- 8.5.5 The Pension Committee should within a reasonable period, consider and respond to a motion to review or in the case of a motion to challenge to revisit the original decision.
- 8.5.6 Where the Local Pension Board is satisfied that there has been a breach of the Regulations which has been reported to the Pension Committee which has not been rectified within a reasonable period of time the Local Pension Board is under an obligation to escalate the breach using the appropriate route for reporting breaches within that Administering Authority.
- 8.5.7 In addition where the Board fail to reach consensus on a decision this should be recorded as such and noted in the minutes of the meeting.
- 8.6 A report to full council (or equivalent) or another committee/officer the Administering Authority has delegated to receive it, could include:
  - 8.6.1 a summary of the work of the Local Pension Board;
  - 8.6.2 details of areas reported to the Board to be investigated by the Local Pension Board and how they have been dealt with;
  - 8.6.3 details of any conflicts of interest that have arisen in respect of individual Local Pension Board members and how these have been managed;
  - 8.6.4 whether there are any risks or other areas of potential concern which the Board wishes to raise with the Administering Authority (although legal advice to the Local Pension Board should not be shared with a full council meeting and nor should a summary of

it, since once legal advice goes beyond the intended 'client' and / or confidentiality is lost, privilege will be waived and this would also have an impact on the availability of the FOIA exemption for legally privileged information);

- 8.6.5 details of training received and future training needs;
  - 8.6.6 the work plan for the last year and a draft of the work plan for the following year; and
  - 8.6.7 details of any expenses and other costs incurred by the Local Pension Board and anticipated expenses for the forthcoming financial year. These costs will be met as part of the administration costs of the Fund.
- 8.7 The above topics should also form the basis of ongoing regular reports to the Administering Authority/Pension Committee who should be asked to comment on the draft work plan, for views on how complaints and risks reported to the Board have been managed and confirm that the Local Pension Board is acting within its terms of reference and in accordance with good governance principles.
- 8.8 Information being reported from the Local Pension Board should also be communicated to members and employers of the scheme to encourage engagement and promote a culture of transparency.

#### **Escalation by the Local Pension Board of more serious concerns**

- 8.9 The terms of reference for the Local Pension Board should include procedures for the Local Pension Board to report concerns which are sufficiently serious to be reported directly at a higher level, or where a concern has been raised with the Pension Committee and the Local Pension Board consider the Pension Committee have not taken appropriate action to rectify the issue (or appropriate action within a reasonable time period). Such concerns may include a fundamental breach of the Regulations or a fundamental failure by the Administering Authority to ensure the effective governance of the Fund.
- 8.10 The terms of reference would need to identify to whom such concerns are reported to. This could be to named officer(s), a sub-committee or Council (or equivalent), or combination of these to avoid issues having to be reported immediately to full Council.



- 8.11 Escalation via the Scheme Advisory Board or the Responsible Authority where internal channels are not appropriate or considered to have failed may also be an option used by the Local Pension Board. In addition it may be appropriate to report serious concerns to the Regulator.

#### **Internal Reporting - Conflicts of interest**

- 8.12 All members of the Local Pension Board must provide the Administering Authority with such information it reasonably requires for the purposes of satisfying itself that none of the members of the Local Pension Board has a conflict of interest. This is considered in more detail in section 7 of this guidance.

#### **Internal Reporting - Record-keeping**

- 8.13 Where the Local Pension Board is established as a local authority committee with the Secretary of States consent, in accordance with regulation 106(2) of the Regulations, the usual provisions about transparency in respect of access to information and reports will apply. In that case, the terms of reference for the Local Pension Board should include provisions dealing with the provision of agendas and reports in advance of Local Pension Board meetings and making those publically available (with the exception of confidential or personal information).
- 8.14 As a Local Pension Board is considered a committee of local government it should consider publishing information as would be required by committees of local government. The Regulator's Code of Practice advises that the Local Pension Board should consider publishing reports, agendas, papers and minutes, see paragraph 97 of that Code for further information. Any confidential or personal information should not be published.
- 8.15 Minutes of meetings should also be available and published in accordance with procedures for other meetings, for example on the website of the Administering Authority.
- 8.16 All papers and records should be prepared to minimise personal data, to separate all general confidential information and should be drafted wherever possible as if they may be made public (whether directly or, if received by the Administering Authority, through them).

## Data Protection

- 8.17 For legal purposes a Local Pension Board is considered a committee of and part of the Administering Authority legal entity (but a Local Pension Board is not a committee created under section 101 of the 1972 Act). The Administering Authority is and remains the data controller responsible for DPA compliance, including for processing carried out by the Local Pension Board, where processing is carried out as a data controller, or where personal data use by the Local Pension Board is not carried out for and on behalf of any other separate legal entity.
- 8.18 Since the Local Pension Board is not a separate legal entity processing personal data, it cannot be a data controller itself under the DPA (even to the extent that the Local Pension Board independently uses personal data of its Board members, processes information about its relationships with other individuals and scrutinises records containing personal data of Fund members from the Administering Authority).
- 8.19 The Administering Authority must already comply with DPA data protection principles and must (amongst other requirements):
- 8.19.1 **Notification** – notify the DPA regulator, the Information Commissioner's Office ("ICO"), of all of the purposes for which they may be using personal data (including Local Pension Board purposes) and renew this annually (unless exempt).
  - 8.19.2 **Fair and lawful processing** – provide privacy notices to individuals whose personal data is processed (including by the Local Pension Board) in most but not all cases.
  - 8.19.3 **Disclosures** – if using data processors (service providers using personal data on behalf of the Local Pension Board), have an appropriate written contract in place containing legally required and ICO recommended provisions to protect personal data.
  - 8.19.4 **Transfers** – not directly or indirectly 'export' personal data to a country outside the European Economic Area and European Commission's 'white list' countries unless "adequate safeguards" have been put in place (such as entering into a data transfer agreement on the basis of the EU Commission's model clauses).
- 8.20 To better comply with the ICO's expectations and evidence compliance with data protection principles, it is recommended that (to the extent not yet done)

the Administering Authority implement additional measures (also covering their Local Pension Board and their staff and operations), including:

- 8.20.1 adopting policies such as a data protection policy, information security policy, acceptable use (and monitoring) policy and subject access request policy; and
  - 8.20.2 training on key DPA issues, requirements and policy compliance. This should form part of the knowledge and understanding requirements (see paragraph 6.1 for further information).
- 8.21 Given that the Local Pension Board is not considered a separate legal entity, the Administering Authority remains the responsible data controller. Accordingly:
- 8.21.1 the Administering Authority's notification registered with the Information Commissioner should be reviewed and, if necessary amended to cover proposed personal data processing by the Local Pension Board (failure to have a current up to date notification being a criminal offence);
  - 8.21.2 the Local Pension Board and Administering Authority should liaise to understand the Authority's requirements and controls and policies for data protection compliance so that the Local Pension Board is aware of them and can comply with them (avoiding duplication and inconsistency of approach) and where necessary so that appropriate changes can be made to such requirements, controls and policies before adoption and implementation by the Local Pension Board;
  - 8.21.3 the Local Pension Board and Administering Authority should be able to discuss and agree appropriate procedures for dealing with material data protection compliance issues, such as a potential security breach.

### **Freedom of Information**

- 8.22 To be bound by the FOIA a body must be a FOIA public authority. Administering Authorities are already FOIA public authorities.
- 8.23 Local Pension Boards are not legal entities in their own right and so cannot be FOIA public authorities in their own right (and do not meet any of the FOIA public authority criteria as a Local Pension Board at present). However, Local

Pension Boards will be part of that same legal entity as the Administering Authority, and so the Local Pension Board will already be part of that FOIA public authority. Accordingly, information records created or obtained by the Local Pension Board will be accessible from it, or any part of its Administering Authority under FOIA. The Local Pension Board must liaise with the Administering Authority to:

- 8.23.1 understand the Authority's requirements and controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them (avoiding duplication and inconsistency of approach) and, where necessary so that appropriate changes can be made to such requirements, controls and policies before adoption and implementation by the Local Pension Board;
- 8.23.2 agree what details are made available through the Administering Authority's publication scheme and so that it can be updated as necessary;
- 8.23.3 agree what procedure applies in relation to FOIA information requests received by the Local Pension Board and / or received by the Administering Authority about the Local Pension Board to ensure proper and consistent consultation, action and response within applicable time limits.

#### **External Reporting - Breaches of Law**

- 8.24 In accordance with section 70 of the 2004 Act, certain individuals must report to the Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:
  - 8.24.1 a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with; and
  - 8.24.2 the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.
- 8.25 This obligation directly applies to each individual who is a member of the Local Pension Board. In addition, it also extends to the Administering Authority, participating employers in the LGPS, any person who is otherwise involved in the administration of the LGPS, any person who is otherwise

involved in advising the Administering Authority and, in some circumstances, professional advisors of the Administering Authority.

#### **Implementing adequate arrangements**

- 8.26 The Local Pension Board should have effective arrangements in place to meet its duty to report breaches of law. Please refer to paragraphs 245 to 246 of the Code of Practice as to the procedures that should be established and operated to ensure that members of the Local Pension Board are able to meet their legal obligations.

#### **Judging whether a breach must be reported**

- 8.27 The decision whether to report requires two key judgments:
- 8.27.1 Is there reasonable cause to believe there has been a breach of law?
  - 8.27.2 If so, is the breach likely to be of material significance to the Regulator?
- 8.28 Paragraphs 248 to 262 of the Code of Practice provides guidance as to what is meant by 'reasonable cause' and how to judge whether a breach is likely to be of 'material significance' to the Regulator.

#### **Submitting a report to the Regulator**

- 8.29 Reports must be submitted in writing. Paragraphs 263 to 271 of the Code of Practice specifies how and the format in which a report should be submitted.
- 8.30 The requirement to report applies to all those subject to the reporting duty who become aware of a breach that is likely to be of material significance to the Regulator; it is not automatically discharged by another party reporting the breach. However, in practice, where the Local Pension Board considers there has been a breach it may be appropriate to inform and review this with the Administering Authority and (where appropriate) the Fund advisor(s) so that a collective report can be submitted. Details on how such a report should be submitted can be found in the Regulator's Code of Practice (paragraphs 263 to 271). An exception to this arrangement will apply in cases where there is a suspicion or dishonesty or other serious wrongdoing by the Administering Authority and/or the Fund advisor(s).

### **Non-compliance**

- 8.31 Failure to comply with the obligation imposed to report breaches of law without 'reasonable excuse' is a civil offence under section 10 of the Pensions Act 1995. An individual member of a Local Pension Board could be fined up to £5,000.

### **External Reporting - Annual Report**

- 8.32 It would be good practice for the Local Pension Board to consider publishing an annual report of the Local Pension Board's activities for that year.
- 8.33 The Local Pension Board should consider with the Administering Authority whether it would be appropriate to detail these activities as part of the Fund's annual report.

### **External Reporting - Governance Compliance Statement**

- 8.34 Section 6 of the 2013 Act requires a scheme manager to publish information about its pension board.
- 8.35 In terms of the LGPS, this requirement is dealt with under regulation 55 of the Regulations which requires the Administering Authority to include within its governance compliance statement details of the terms, structure and operational procedures relating to its Local Pension Board. This Governance Compliance Statement must be published by the Administering Authority.
- 8.36 Current governance compliance statements will need to be revised to include this new information. The Administering Authority will firstly need to consult with such persons as it thinks necessary about the revised statement and then publish it once it has been revised.

### **External Reporting - The Regulator**

- 8.37 If the Regulator has reasonable grounds to suspect or believe that a member of a Local Pension Board:
- 8.37.1 has misappropriated any assets of the Fund or is likely to do so;  
or
  - 8.37.2 has a conflict of interest in relation to the investment of assets of the Fund,

the Regulator must report the matter to the Administering Authority. However, given that a Board member should not have access to Fund assets or be involved in the investment of Fund assets then the exercise of this duty should be rare in practice.

**Action Points:**

- An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.
- A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.
- A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.
- A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.
- An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board.

## **9. Resourcing and Funding**

### **Resourcing of Local Pension Boards**

- 9.1 It is appropriate that a Local Pension Board is given adequate resources to fulfil its task, in the same way that statutory officers of the Administering Authority and scrutiny committees are entitled.
- 9.2 As a minimum, the Board will require:
- 9.2.1 allowances and expenses for Board members (where this has been agreed and confirmed in the Board's terms of reference);
  - 9.2.2 accommodation and administrative support to conduct its meetings and other business;
  - 9.2.3 training; and
  - 9.2.4 legal, technical and other professional advice (where required).
- 9.3 Regulation 106(8) provides that the Board has the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. In line with the provisions of this regulation when determining its budget, consideration will need to be given to whether the Board requires an allocation for using advisors. Advisors, if used may be called upon on an adhoc or ongoing basis to assist in areas of technical, legal or policy matters. Such advisors would not be members of the Local Pension Board.
- 9.4 Given the role of a Local Pension Board to assist the Administering Authority to secure compliance with legal and regulatory matters and to ensure the effective and efficient governance and administration of the LGPS, the need for the Local Pension Board to seek its own legal, technical and other professional advice cannot be discounted.

### **Funding of Local Pension Boards**

- 9.5 Regulation 106(9) of the Regulations specifies that the expenses of a Local Pension Board shall be regarded as part of the costs of administration of the Fund.
- 9.6 These expenses will include (but are not limited to) the cost of secretarial support and any necessary advisory support, overheads attaching to the arranging of meetings and, if the Administering Authority makes provision,



payment of allowances and/or expenses to members of the Local Pension Board (see paragraph 5.34.17).

- 9.7 The Administering Authority will also need to give early consideration to how the arrangements for meeting the Local Pension Board's expenditure will be administered. The options include:

9.7.1 allocating a budget which is managed by the Local Pension Board; or

9.7.2 requiring the Local Pension Board to seek approval from the Administering Authority for expenditure.

- 9.8 Given the statutory responsibilities of the Local Pension Board and its relationship with the Administering Authority, it will be a matter for early consideration by the Local Pension Board as to compiling its budget.

- 9.9 In considering the budget for a Local Pension Board that budget should also set out to whom the Local Pension Board will be financially accountable to. This would be expected to be the Administering Authority (rather than the Pensions Committee). In addition a timetable for approving the Local Pension Board's budget should be set out in the Board's terms of reference.

- 9.10 Consideration should be given by the Administering Authority to whether or not members of the Local Pension Board are paid allowances or reimbursed expenses. One option would be to set levels of allowance in a similar way to the elected members allowances scheme, perhaps with regard to allowances for co-opted members, and in accordance with established processes for declaring allowances which have been received in an open and transparent way. In deciding whether to award an allowance, and if so how much, the Administering Authority may wish to consider some or all of the following matters:

- whether the Board members are carrying out duties (including preparation and/or training) during personal time or whether it is during a period of authorised paid absence,
- whether a Board member who has taken on the role of Chair is carrying out a range of additional responsibilities that merit additional payment,

- whether an annual or per meeting allowance is more appropriate, and how a per meeting allowance should be extended to attendance at training and
- whether employers whose staff sit on a Local Pension Board and spend work time on Local Pension Board matters wish to reclaim that cost from the Local Pension Board through allowances/expenses.

## **10. Other possible structures**

### **Combining a Local Pension Board and a Pension Committee**

- 10.1 Where an Administering Authority discharges its pensions functions through a committee, it can, with the approval of the Secretary of State, appoint the existing committee as the Local Pension Board.
- 10.2 Where an Administering Authority chooses to use an existing committee (subject to the approval of the Secretary of State) careful consideration will need to be given to the membership of the committee so that it complies with the requirement in regulation 107 of the Regulations, to designate an equal number of employer and member representatives and to include at least two employer and two member representatives. These individuals must have the capacity to represent members and employers, as appropriate. It is likely that the employee representatives will be co-opted members.
- 10.3 As well as complying with the Regulations, a Local Pension Board which is established as a local authority Pensions Committee will be subject to general requirements in the 1972 Act and the 1989 Act. We have summarised in Schedule C the key legal requirements which need to be considered where an authority wishes to seek approval from the Secretary of State to use an existing committee. This is a complex area and any authority intending to follow this route will need to take legal advice from their monitoring officer to make sure the plans comply with the different legal duties and their own Constitution.
- 10.4 At first sight it might seem attractive to combine the functions of a Local Pension Board and a Pension Committee to enable the Board to be included in existing decision making processes, including delegation to officers and publication of agendas and minutes. However, in practice it may be difficult to meet the requirements of the 1972 Act, the 1989 Act, the 2013 Act and the Regulations when combining a Local Pension Board and a local authority Pension Committee.
- 10.5 Firstly, if the Local Pension Board is to be a Pension Committee this can only be where written approval has been obtained from the Secretary of State.
- 10.6 Secretary of State approval may be given subject to such conditions as the Secretary of State thinks fit and equally may be withdrawn if such conditions

are not met. The Secretary of State may also withdraw approval if in his or her opinion it is no longer appropriate for the Local Pension Board to be the Pension Committee.

- 10.7 Where an Administering Authority has delegated pension functions to more than one committee and it does not wish to create a separate Local Pension Board, it will be necessary to determine which of its committees is most appropriate to undertake the function of the Board.
- 10.8 It will also be necessary to review the membership of the existing Pension Committee as regulation 107 of the Regulations says that the Pension Committee must designate at least two employer and two member representatives to act as Local Pension Board members.
- 10.9 If the Local Pension Board is to be a Pension Committee, it is difficult to see how the Local Pension Board can effectively and objectively fulfil its statutory function of assisting itself (as the Pensions Committee) to secure compliance with legal and regulatory matters and to ensure the effective and efficient governance and administration of the LGPS (which is the prime responsibility of the Pension Committee).

#### **Joint Pension Boards**

- 10.10 Where the administration and management of a scheme is wholly or mainly shared by two or more Administering Authorities, those Administering Authorities may establish a joint local pension board, with the approval of the Secretary of State.
- 10.11 In practice there are no current situations which meet the requirement of regulation 106(3).
- 10.12 In order to meet the regulation two or more Administering Authorities will have to demonstrate to the Secretary of State that either the entirety or the significant elements of the management and administration (including investments) are formally delegated (with appropriate legal arrangements) to a single body. For example, this could be best evidenced by the existence of a joint committee established under section 102 of the 1972 Act which exercises the functions on behalf of constituent authorities.
- 10.13 In support of the above the Administering Authorities will need to provide documentary evidence of the existence of and the delegations to the joint committee. Such evidence should also include details of how such a joint pension board fully represents the members and employers of all the

constituent Administering Authorities as well as the structure of the reporting lines necessary to ensure that all relevant stakeholders fully aware of the work of the Joint Pension Board.

- 10.14 Where the Secretary of State is satisfied by this evidence then approval for the formation of a Joint Pension Board to cover the functions of the constituent Administering Authorities may be granted.
- 10.15 Secretary of State approval may be given subject to such conditions as the Secretary of State thinks fit and equally may be withdrawn if such conditions are not met. The Secretary of State may also withdraw approval if in his or her opinion it is no longer appropriate for the Local Pension Board to be a Joint Pension Board.

## 11. Other guidance

- The Pensions Regulator's Code of Practice no. 14 Governance and Administration of public service pension schemes.

<http://www.thepensionsregulator.gov.uk/public-service-schemes/regulating-public-service-pension-schemes.aspx>

- The Pensions Regulator's website:

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

- Dedicated Public Service Pension Scheme area on the Pensions Regulator's website:

[www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)

- The Pensions Regulator's Pension Board member toolkit:

[www.trusteetoolkit.com/arena/index.dfm](http://www.trusteetoolkit.com/arena/index.dfm)

## **SCHEDULE A**

### **Example of a remit of a Local Pension Board**

Administering Authorities should remember that the Local Pension Board does not replace the Administering Authority or make decisions or carry out other duties which are the responsibility of the Administering Authority.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.
- c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Assist with the application of the Internal Dispute Resolution Process.
- h) Review the complete and proper exercise of Pensions Ombudsman cases.

- i) Review the implementation of revised policies and procedures following changes to the Scheme.
- j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k) Review the complete and proper exercise of employer and administering authority discretions.
- l) Review the outcome of internal and external audit reports.
- m) Review draft accounts and scheme annual report.
- n) Review the compliance of particular cases, projects or process on request of the Committee.
- o) Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services.
- b) Monitor performance of administration, governance and investments against key performance targets and indicators.
- c) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- d) Monitor investment costs including custodian and transaction costs.
- e) Monitor internal and external audit reports.
- f) Review the risk register as it relates to the scheme manager function of the authority.
- g) Assist with the development of improved management, administration and governance structures and policies.
- h) Review the outcome of actuarial reporting and valuations.



- i) Assist in the development and monitoring of process improvements on request of Committee.
- j) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
- k) Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.

In support of its core functions the Local Pension Board may make a request for information to Committee with regard to any aspect of the Administering Authority function. Any such request should be reasonably complied with in both scope and timing.

In support of its core functions the Local Pension Board may make recommendations to Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

**\*Schedule A has been added as an example only - it should not be considered an exhaustive list and full consideration should be given locally to the remit of the Local Pension Board.**

## Schedule B

### PART 1

**Examples of documents recording policy about the administration of the scheme (please read in conjunction with paragraphs 6.16 and 6.17)**

1.	Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedures (including any separate AVC guides) including documents available on the Fund's website	
2.	Any relevant policies of the Administering Authority and/or Pension Committee, for example policies on: <ul style="list-style-type: none"> <li>• conflicts of interests</li> <li>• record-keeping</li> <li>• data protection and freedom of information</li> <li>• internal dispute resolution procedure</li> </ul>	

	<ul style="list-style-type: none"> <li>reporting breaches</li> </ul>	
3.	The Administering Authority's governance compliance statement (as required by regulation 55 of the Regulations)	
4.	The Administering Authority's funding strategy statement (as required by regulation 58 of the Regulations)	
5.	The Administering Authority's pension administration statement (as required by regulation 59 of the Regulations)	
6.	The Administering Authority's discretionary policy statement (as required by regulation 60 of the Regulations)	
7.	The Administering Authority's communications policy statement (as required by regulation 61 of the Regulations)	
8.	The Administering Authority's statement of investment principles (as required by regulation 12 of the Investment Regulations)	
9.	The Administering Authority's internal controls risk register (for the purposes of section 249B of the 2013 Act)	
10.	The Fund's actuarial valuation report and rates and adjustment certificate (as required by regulation 62 of the Regulations)	
11.	The Fund's annual report and accounts (as required by regulation 57 of the Regulations) including any summary report (as required by regulation 56 of the Regulations)	
12.	Any accounting requirements relevant to the Fund	
13.	Any third party contracts and service level agreements	
14.	Any internal control report produced by third party service providers and investment managers	
15.	The Fund's standard form of admission agreement and bond and related policies and guidance	

## PART 2

**Examples of knowledge and understanding of the law relating to pensions  
(please read in conjunction with paragraphs 6.18 and 6.19)**

1.	<b>Background and Understanding of the Legislative Framework of the LGPS</b>	
	<ul style="list-style-type: none"> <li>• Differences between public service pension schemes like the LGPS and private sector trust-based schemes</li> <li>• Role of the IPSPC and its recommendations</li> <li>• Key provisions of the 2013 Act</li> <li>• The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers</li> <li>• An overview of local authority law and how Administering Authorities are constituted and operate</li> <li>• LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)</li> </ul>	
2.	<b>General pensions legislation applicable to the LGPS</b>	
	<p>An overview of wider legislation relevant to the LGPS including:</p> <ul style="list-style-type: none"> <li>• Automatic Enrolment (Pensions Act 2008)</li> <li>• Contracting out (Pension Schemes Act 1993)</li> <li>• Data protection (Data Protection Act 1998)</li> <li>• Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights</li> <li>• Freedom of Information (Freedom of Information Act 2000)</li> <li>• Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)</li> <li>• Tax (Finance Act 2004)</li> </ul>	

	<ul style="list-style-type: none"> <li>• IORP Directive</li> </ul>	
3.	<b>Role and responsibilities of the Local Pension Board</b>	
	<ul style="list-style-type: none"> <li>• Role of the Local Pension Board</li> <li>• Conduct and conflicts</li> <li>• Reporting of breaches</li> <li>• Knowledge and understanding</li> <li>• Data protection</li> </ul>	
4.	<b>Role and responsibilities of the Administering Authority</b>	
	<ul style="list-style-type: none"> <li>• Membership and eligibility</li> <li>• Benefits and the payment of benefits</li> <li>• Decisions and discretions</li> <li>• Disclosure of information</li> <li>• Record keeping</li> <li>• Internal controls</li> <li>• Internal dispute resolution</li> <li>• Reporting of breaches</li> <li>• Statements, reports and accounts</li> </ul>	
5.	<b>Funding and Investment</b>	
	<ul style="list-style-type: none"> <li>• Requirement for triennial and other valuations</li> <li>• Rates and adjustments certificate</li> <li>• Funding strategy statement</li> <li>• Bulk transfers</li> <li>• Permitted investments</li> </ul>	

	<ul style="list-style-type: none"> <li>• Restrictions on investments</li> <li>• Statement of investment principles</li> <li>• CIPFA guidance</li> <li>• Appointment of investment managers</li> <li>• Role of the custodian</li> </ul>	
6.	<b>Role and responsibilities of Scheme Employers</b>	
	<ul style="list-style-type: none"> <li>• Explanation of different types of employers</li> <li>• Additional requirements for admission bodies</li> <li>• Automatic Enrolment</li> <li>• Deduction and payment of contributions</li> <li>• Special contributions</li> <li>• Employer decisions and discretions</li> <li>• Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)</li> <li>• TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)</li> </ul>	
7.	<b>Tax and Contracting Out</b>	
	<ul style="list-style-type: none"> <li>• Finance Act 2004</li> <li>• Role of HMRC</li> <li>• Registration</li> <li>• Role of 'scheme administrator'</li> <li>• Tax relief on contributions</li> <li>• Taxation of benefits</li> </ul>	

	<ul style="list-style-type: none"> <li>• Annual and lifetime allowances</li> <li>• Member protections</li> <li>• National Insurance</li> <li>• Contracting out (Pensions Scheme Act 1993)</li> <li>• Impact of abolition of contracting out in 2016</li> <li>• VAT and investments</li> </ul>	
8.	<b>Role of advisors and key persons</b>	
	<ul style="list-style-type: none"> <li>• Officers of the Administering Authority</li> <li>• Fund actuary</li> <li>• Auditor</li> <li>• Lawyers</li> <li>• Investment managers</li> <li>• Custodians</li> <li>• Administrators – in house v. third party</li> <li>• Procurement of services</li> <li>• Contracts with third parties</li> </ul>	
9.	<b>Key Bodies connected to the LGPS</b>	
	<p>An understanding of the roles and powers of:</p> <ul style="list-style-type: none"> <li>• Courts</li> <li>• Financial Services Authority</li> <li>• HMRC</li> <li>• Information Commissioner</li> <li>• Pensions Advisory Service</li> </ul>	

	<ul style="list-style-type: none"> <li>• Pensions Ombudsman</li> <li>• The Pensions Regulator (including powers in relation to Local Pension Boards)</li> </ul>	
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## **SCHEDULE C**

### **Summary of Legal Provisions to consider where an Administering Authority wishes to use an existing pensions committee as its Local Pension Board**

If you wish to use your existing pensions committee as the Local Pension Board you should take legal advice to ensure that the following provisions are complied with:

1. The provisions of Section 101 – Section 107 of the Local Government Act (the 1972 Act) which provides for the arrangements for the discharge of functions by local authorities. This enables non-executive functions to be discharged by a committee, a sub-committee, a joint committee, another local authority or delegated to officers.
2. Section 102 (3) of the 1972 Act allows for people other than elected members to be co-opted to a committee. This is not permitted where a committee is responsible for regulating or controlling the finances of a local authority.
3. Section 102 (4) allows a local authority to appoint an advisory committee.
4. Section 106 provides for the procedures and quorum of meetings to be determined in Standing Orders or where provisions are not made in Standing Orders for the committee to determine its procedures.
5. Section 13 of the Local Government and Housing Act 1989 describes the voting rights for co-opted members of committees and gives rights of voting to co-opted members in specified circumstances. The general proposition is that co-opted members do not have voting rights. The provisions in section 13 which make exceptions to this rule are complex and their application will differ depending on whether functions are discharged by a committee or sub committee and whether a committee is decision making or advisory. There are exceptions for advisory committees and also where committees are established in accordance with regulations under the Superannuation Act 1972 (i.e. co-opted members have voting rights on these committees) and the Public Service Pensions Act 2013.
6. The provisions of regulation 106 (establishment) and regulation 107 (membership) of the LGPS Regulations 2013 (as amended) relating to Local Pension Boards.





**North Yorkshire County Council****Pension Board****24 January 2019****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. Pension Fund Committee paper**

Included for information at Appendix 1 is the administration paper and appendices provided to the Pension Fund Committee at their November 2018 meeting.

**3. Breaches Log**

Included at Appendix 2 is the North Yorkshire Pension Fund's Breaches Log for review. There are no new entries.

**4. Annual Benefit Statements**

The final position relating to the 2018 annual benefit statement exercise is as follows:

Actives: 96.25% issued (29,098 statements produced out of 30,233)

The remaining 1,135 are unable to be issued due to the following reasons:

- 254 – member did not work in post in 17/18
- 881 – record marked as having an issue, could be data query or ongoing task. Queries continue to be pursued with the relevant parties.

Deferreds: 100% issued (36,317 statements produced out of 36,317)

Work is well underway on the 2019 year end and benefit statement process.

**5. Letter Review Project**

The letters review continues with additional resource identified and training being provided. This will enable progress to be made at a quicker pace than currently. 30 letters have been reviewed and reduced into 8 with a further 10 brand new letters being created.

**6. Admissions and Terminations Policy**

Included at Appendix 3, for review and comment, is the updated Admissions and Terminations policy which was formally approved at the October Pension Fund Committee meeting.

**7. GMP Reconciliation Project**

The reconciliation stage of the project is continuing to progress. HMRC have now stopped accepting scheme reconciliation queries and responses to outstanding queries which are already in progress will be received until 6<sup>th</sup> April. ITM are preparing the rectification stage document and this is expected to be received week commencing 14<sup>th</sup> January.

Once this is received the next stages can be planned and scheduled to correct records.

Current position:

Status	Reconciled	Unreconciled
Active	24,542	2,531
Deferred	31,204	2,082
Pensioner	17,536	2,112
Other admin	1,026	2,515
HMRC		4,040
<b>Totals</b>	<b>74,308</b>	<b>13,280</b>

## 8. Data Score & Improvement Plan

In line with the requirement introduced by the Pensions Regulator, to include each fund's data score in the annual return with effect from 2018, NYPF have submitted the following scores:

Common Data: 93.47%

Conditional Data: 85.26%

The valuation data extract was used this year as we are still awaiting clarification from the Regulator regarding which data items should be included. Aon have undertaken a pre valuation data quality check and it was this report we used to measure the data quality against.

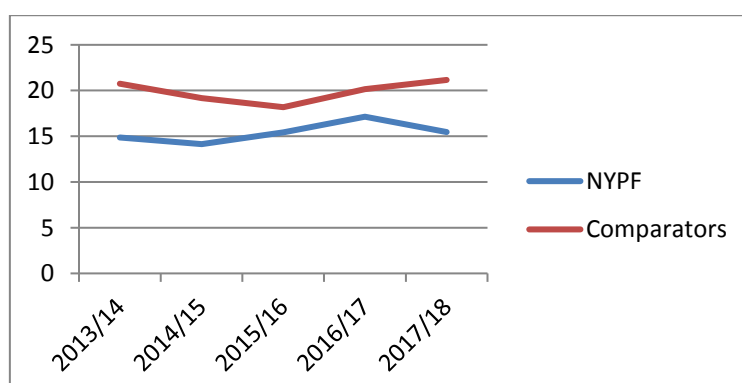
From this a data improvement plan is being created to ensure quality and scores improve from year to year.

Alongside this we are using the Aon report to cleanse the data as much as possible prior to the 2019 valuation.

## 9. CIPFA Benchmarking Return 2017/2018

The benchmarking results for the year 2017/2018 showed the unit cost for NYPF Pensions Administration was £15.46 compared with an average unit cost across the whole of the CIPFA Benchmarking Club of £21.16.

As the graph below demonstrates NYPF continues to provide an efficient, cost effective administration service to it's members.



## **10. Recommendation**

- 10.1. That Pension Board members note the contents of this report.
- 10.2. That Pension Board members note the contents of the Breaches Log.
- 10.3. That Pension Board members provide feedback on the Admissions & Terminations Policy.

Phillippa Cockerill  
Head of Pensions Administration  
County Hall  
Northallerton

16 January 2019  
Background Papers - Nil

## North Yorkshire County Council

## Pension Fund Committee

22 November 2018

## Administration Report

## Report of the Treasurer

**1. Purpose of the Report**

- 1.1. To provide Members with information relating to the administration of the Fund over the year to date and to provide an update on key issues and initiatives which impact the administration team.

**2. Admission Agreements & New Academies**

- 2.1. The latest position relating to Admission Agreements and schools converting to academy status in the year are shown in **Appendix 1**. We have received a total of 14 new admissions and academies and completed 5 since the last update. The numbers in progress have increased.

**3. Administration****3.1. Membership Statistics**

Membership Category	At 30/06/2018	+/- Change (%)	At 30/09/2018
Active	32,337	-0.23	32,263
Deferred	36,374	+0.47	36,545
Pensioner (incl spouse & dependant members)	21,848	+1.29	22,130
<b>Total</b>	<b>90,559</b>		<b>90,938</b>

The number of deferred members is increasing as we clear the outstanding work and establish what benefits members are entitled to. As we progress through clearing the outstanding work a more accurate membership position is being established.

**3.2. Throughput Statistics**

- Period from 1 July 2018 to 30 September 2018

Casetype	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	9	52	55	6
Transfer Out quotes	16	149	143	22
Employer estimates	19	87	97	9
Employee estimates	21	190	178	33
Retirement quotes	59	625	623	61
Preserved benefits	200	781	718	263
Death in payment or in service	29	146	139	36
Refunds	76	905	926	55
Actual retirement procedure	84	519	469	134
Interfund transfers	38	147	134	51
Aggregate member records	101	193	208	86
Process GMP	146	3	14	135
Others	70	187	167	90
<b>Total Cases</b>	<b>868</b>	<b>3984</b>	<b>3871</b>	<b>981</b>

- We saw an increase in leaver notifications in September as the staff turnover in schools was processed for August.
- Alongside the above cases the Pensions team also handled 4,805 phone calls (average 94 per day) and 2,471 emails received via the Pensions Inbox (average 38 per day) in the quarter to 30 September 2018.
- The weekly focussed work days continue and are proving successful in driving down the volume of outstanding work.

### 3.3. Performance Statistics

- The performance figures for the period 1 July 2018 to 30 September 2018 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	89%
Customers surveyed ranking service good or excellent	94%	88%
Increase numbers of registered self-service users by 700 per quarter	700	1,189

- High work volumes and high demand within the team continue to impact our ability to meet the agreed performance indicator for work achieved within target. The administration team continue to focus on reducing the outstanding work and focusing on ensuring the day to day business as usual work is being processed within agreed timescales. We continue to chase employers on a regular basis for all outstanding queries.

### 3.4. Commendations and Complaints

- This quarter the following commendations and complaints were received:

#### Commendations

Date	Number	Summary
Jul 2018	2	Excellent service
Aug 2018	4	Helpful staff
Sept 2018	2	Help and support of staff

#### Complaints

Date	Number	Summary
Jul 2018	1	Administration - Incorrect retirement option provided to member
	1	Regulatory - Benefits automatically combined
Aug 2018	2	Administration - Incorrect retirement option provided to member
	1	- Member unhappy we hadn't updated his wife's name
	1	Regulatory - Member unhappy that only benefit available is a refund
Sept 2018	3	Administration - Incorrect retirement option provided to member
		- Member accusing us of stealing benefits
		- Lack of response to an enquiry
	1	IHER appeal

- The complaint categories are:
  1. Administration - these can relate to errors in calculations, delays in processing and making payment of benefits.
  2. Regulatory - these relate to a complaint where regulations prevent the member being able to do what they want to.
  3. Ill Health Early Retirement appeal - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

## Lessons Learned

Having reviewed the complaints received in the period it is apparent that errors are occurring in the retirement process relating to the need to know which sections of the current letters need to be included or not. Work has recommenced on developing the new 'smart' letters as a priority.

### 3.5. Annual Benefit Statements 2018

- 143 out of 144 files have been received, posted to records and queries raised.
- There was a major issue with the City of York return this year with nearly 50% of members' data being incorrect. We are liaising with them to obtain a revised file but this has meant we have been unable to issue benefit statements for these members yet.
- The latest position regarding the issuing of annual benefit statements as at 30 September 2018 is:
  - Actives: issued 26,413 out of 30,563 = 86.42% (nearly half of those unissued are CYC members)
  - Deferreds: issued 36,153 out of 36,242 = 99.76%
- Work continues on producing statements as we correct data or calculation errors.

## 4. Admissions and Terminations Policy

- 4.1. The draft Admissions and Terminations Policy is attached as **Appendix 2**. The content of the document has been fundamentally changed to bring it in line with new regulation and processes of the Fund. The document has been reviewed by the Fund's Actuary, Aon, and legal advisors, Ward Hadaway to ensure that it complies with regulation. Members are asked to approve the policy. Following approval, employers will be consulted on the updated policy.
- 4.2. This policy does not currently include scheduled employers, for example, academies; this will be included in a later iteration of the policy and will be brought back to PFC for approval at a later date.

## 5. Issues and Initiatives

### 5.1. GMP Reconciliation

- The GMP reconciliation project continues with files of queries being worked on when received from ITM.
- Processing has continued in this period with progress being made on the GMP value reconciliation. This has resulted in 1,000 records requiring manual checking. This work is being undertaken within the pension team.
- Work continues in moving towards the rectification phase.
- Current position:

Status	Reconciled	Unreconciled
Active	22,621	4,452
Deferred	29,891	3,395
Pensioner	16,248	3,400
Other admin	1,026	2,515
HMRC		4,040
<b>Totals</b>	<b>69,786</b>	<b>17,802</b>

### 5.2. Breaches Policy & Log

- Included at **Appendix 3** is the North Yorkshire Pension Fund's Breaches Log for review. There is one new entry relating to the 2018 annual benefit statement exercise. This has been reviewed by the Pension Board at their meeting in October and their response is included.

### 5.3. **Efficiency Initiatives**

- The letters project continues to make progress with new letters being created to support changes to processes. Progress was impacted by the upgrade of the administration system but issues are now resolved and work can recommence.

### 5.4. **Administration System**

- The contract for the existing administration software expires on 31 December 2019 with an option to extend for a further two years.
- A full review of our requirements is underway in order to inform whether the current software and its provider is capable of meeting our needs now and in the future.
- The review will not be completed in time for the contract expiry so it has been agreed we will be triggering at least one year of the two year extension.

## 6. **Member Training**

- 6.1. The Member Training Record showing the training undertaken over the year to 30 September 2018 is attached as **Appendix 4**.
- 6.2. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. Please contact Adam Tennant (01609 535916 or email [adam.tennant@northyorks.gov.uk](mailto:adam.tennant@northyorks.gov.uk)) for further information or to reserve a place on an event.

## 7. **Meeting Timetable**

- 7.1. The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 6**.

## 8. **Recommendations**

- 8.1. Members to note the contents of the report.
- 8.2. Members to approve the Admissions and Terminations Policy (**Appendix 2**).
- 8.3. Members to note the contents of the Breaches Log (**Appendix 3**).

Gary Fielding  
Treasurer of North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

14 November 2018



## Academy Conversions – 15 'in progress'

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
Tadcaster East Community Primary School	NYCC	Ebor Academy Trust	1.9.2018	Completed
Baldersby St James CoE Voluntary Controlled Primary School	NYCC deemed to be employer	Hope Learning Trust	1.9.2018	Completed
Stakesby Community Primary School	NYCC	Enquire Learning Trust	1.9.2018	Completed
Braeburn Primary & Nursery School	NYCC	Ebor Academy Trust	1.10.2018	Completed
Archbishop of York's CoE Junior School	COYC	South York Multi Academy Trust	1.11.2018	Completed
Ainderby Steeple CoE Primary School	NYCC	Dales Academies Trust	1.1.2019	Delayed from 1.9.2018. In progress
Danesgate Community School	COYC	South York Multi Academy Trust	1.1.2019	Will be progressed nearer the time
George Pindar School	NYCC	Hope Learning Trust	1.1.2019	Will be progressed nearer the time
Graham School	NYCC	Hope Learning Trust	1.1.2019	Will be progressed nearer the time
Stillington Primary School	NYCC	Hope Learning Trust	1.2.2019	Will be progressed nearer the time
Northallerton School & Sixth Form College	NYCC	Arete Learning Trust	1.4.2019	Will be progressed nearer the time
Sherburn High School	NYCC	Star Multi Academy Trust	1.8.2019	Will be progressed nearer the time
Naburn CoE Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.10.2018. Will be progressed nearer the time
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.11.2018. Will be progressed nearer the time
Fishergate Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.12.2018. Will be progressed nearer the time
Escrick CoE VC Primary School	NYCC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
St Oswald's CE Primary School	COYC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
Elvington CoE Primary School	COYC	South York Multi Academy Trust	Not known	Actuarial calculations provided based on conversion date of 1.7.18. Conversion delayed, new date not yet known

<b>Name of School</b>	<b>Local Education Authority</b>	<b>Multi Academy Trust (MAT) Name</b>	<b>Conversion Date</b>	<b>Current Position</b>
Langton Primary School	NYCC	Evolution Schools Learning Trust	Not known	Original conversion date was 1.10.2016 but MAT advised it has been delayed. New date not yet known.
Thirsk School & Sixth Form College	NYCC	Arete Learning Trust	Not known	Original conversion date was 1.2.2018. MAT has advised no definite agreement in place at present

**Admission Bodies –16 ‘in progress’**

<b>Name of Employer</b>	<b>Name of Contractor</b>	<b>Staff Transfer Date</b>	<b>Current Position</b>
Outwood Primary Academy Greystone (Outwood Grange Academies Trust)	ISS Mediclean	5.11.2018	In progress – transfer of catering staff
NYCC – catering contracts at: Bedale CoE Primary School Colburn Community Primary School Masham CE (VC) Primary School	Mellors Limited	1.9.2018	Not advised of transfers until October! Now in progress
NYCC - catering contracts at: Spofforth CoE Primary School Follifoot CoE Primary School Goldsborough CoE Primary School Sicklinghall Community Primary School	P&A Catering	TBC	Not advised of transfers until October! Now in progress
NYCC - catering contract at: Water Street Community Primary School	Dolce Limited	TBC	Not advised of transfer until October! Now in progress
Baldersby St James CoE Primary Academy (Hope Learning Trust)	Absolutely Catering Limited (part of the CH&Co Catering Group)	5.11.2018	In progress - transfer of catering staff
Tockwith CoE Primary Academy	Hutchison Catering Limited	19.1.2018	In progress - transfer of catering staff
City of York Council	York Mind	1.1.2019	Draft admission agreement provided
City of York Council (Haxby Hall Care Home)	Yorkare Homes Ltd	Early Jan 2019	Future service rate provided, admission agreement will be progressed nearer the time
Barlby High School (Hope Learning Trust)	Hutchison Catering Ltd	1.4.2019	Will be progressed nearer the time
City of York Council libraries	Contract not yet awarded	1.4.2019	Future service rate provided, admission agreement will be progressed nearer the time
Yorkshire Coast Homes			Possible merger with Coast & Country Housing Ltd. Coast & Country Housing Ltd transferred its engagements to YCH on 1.10.2018 and YCH changed its name to Beyond Housing Limited. Waiting to see if a merger goes ahead.

**Exiting Employers – 6**

<b>Name of Employer</b>	<b>Date exited the Fund</b>
Joseph Rowntree Charitable Trust	31.12.17.
Superclean Services Limited	16.7.17
OCS Group UK Limited	Only one member who left 31.3.17 (only told March 18). Exit calculation needed from the actuary once OCS confirm who will pay fees
Be Independent	TUPE transferred back to the City of York Council wef 1.8.18. Exit calculation will be requested once all information has been received from York
York Arts Education (Community Interest Company)	Only two members, last one left 31.3.2018. Exit calculation requested from the actuary
Housing & Care 21	Last member left 31.8.18. NYCC indemnify any exit debt



## North Yorkshire Pension Fund

### Admissions and Terminations Funding Policy



**If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335**

## 1 Introduction

- 1.1 This document details the North Yorkshire Pension Fund's (**Fund**) policy on admissions into the Fund and the methodology for assessment of a deficit or surplus payment on the exit of an employer's participation in the Fund. It supplements the general funding policy of the Fund as set out in the <sup>1</sup>[Funding Strategy Statement \(FSS\)](#).

## 2 Admissions to the Fund

- 2.1 Admission bodies are a specific type of employer under the Regulations that do not automatically qualify for admission into the Local Government Pension Scheme (**Scheme**) and must satisfy certain criteria set out in the Local Government Pension Scheme Regulations 2013 (as amended) (**Regulations**). Admission bodies are required to have an 'admission agreement' with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- 2.2 North Yorkshire County Council (**NYCC**) as the Administering Authority for the Fund will decide which bodies can become an admission body in the Fund. 2.3 The Fund will enter into an admission agreement that is 'open' or 'closed' to new employees depending on the circumstance of the admission. Whether the admission is 'open' or 'closed' is generally at the option of the applicable transferring employer (if any) and admission body, but there might be an impact on the rate of contributions payable.
- 2.4 In general paragraph 1(d) admission bodies will be admitted on a 'fully funded' basis i.e. a funding shortfall will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall is passed to the admission body.
- 2.5 All actuarial and legal fees will be recharged to the transferring employer or the admission body. The Administering Authority will ask for confirmation of who is paying the fee before the invoice is issued.

## 3 Subsumption, guarantor or bond requirements for entry

- 3.1 The Regulations require the admission body to carry out (to the satisfaction of the Fund and where applicable the transferring employer) an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. The Regulations further require that where the level of risk identified by the assessment is such as to require it, the admission body shall enter into an indemnity or bond in a form approved by the Fund with a third party financial services organisation. If for any reason a bond is not desirable the Regulations require that the admission body secures a guarantee in a form acceptable to the Fund.

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<sup>1</sup> The FSS can be found on the Fund's website at [www.nypf.org.uk](http://www.nypf.org.uk) > Pension Fund / Investments > Policies and Strategies.

- 3.2 Whilst each application is assessed on its own merits under the above criteria, the Administering Authority wishes to limit the risk to the Fund and to other employers arising from any proposed admission. The Administering Authority's expectation is that in the substantial majority of all admissions it will require the admission body to provide either a qualifying bond or guarantee. The Administering Authority further considers that the costs inherent in the provision of a third party bond by the admission body is sufficient reason why it may not be desirable for the admission body to secure a bond. Therefore, the Administering Authority will in most cases be prepared to accept that the admission instead proceeds on the basis of a guarantor being offered. This is most often the transferring employer.
- 3.3 Further, when considering applications for admission body status the Administering Authority's clear preference is that there should be a subsumption commitment from a suitable Scheme employer (as well as a guarantor from within the Fund). However, where there is no suitable party willing to give a subsumption commitment and/ or where there is no suitable and willing guarantor, the Administering Authority will still consider applications on a case-by-case basis.
- 3.4 A subsumption commitment means that a Scheme employer in the Fund (usually the transferring employer) agrees that they will take on responsibility for the future funding of the liabilities of the admission body once they have exited the Fund, and (where relevant) the admission body has paid any exit payment as determined by the actuary.
- 3.5 A guarantor provides a commitment to meet any obligation or liability of the admission body under the admission agreement.
- 3.6 The guarantor must be a party permitted to give such a guarantee under the Regulations and must be acceptable to the Administering Authority. Usually, this is the transferring employer.
- 3.7 The Administering Authority will, if it deems appropriate, accept an admission where there is no guarantee or subsumption commitment offered. This acceptance may be subject to additional conditions. Such conditions will often include the following:
- the Fund's actuary will be asked to use the low risk funding target or the ongoing orphan funding target to assess contribution requirements; and/or
  - the admission body must have a bond or indemnity from an appropriate third party in place. Any bond amount will be subject to review on a regular basis in line with the Regulations; and
  - the admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide.

- 3.8 Some relevant factors that the Administering Authority may consider when deciding whether to apply any of the conditions above, in the absence of a guarantor or subsumption commitment, are:
- uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
  - if the admission body has an expected limited lifespan of participation in the Fund;
  - the general trading risk of the proposed admission body and their financial record;
  - the average age of employees to be admitted and whether the admission is closed to new joiners.

### **Admission bodies formerly known as Transferee Admission Bodies (TABs)**

- 3.9 The most frequent category of admission body is those admitted under paragraph 1(d)(i) of Part 3 to Schedule 2 of the Regulations, namely that the proposed admission body is providing (or will provide) a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.
- 3.10 The settlement of commercial terms between the transferring employer and the proposed admission body (including any mitigations that might be offered to the proposed admission body in respect of the usual costs of participation as an employer in the Scheme) are a commercial matter which the Administering Authority will not be involved in.
- 3.11 Deficit recovery periods for these admission bodies will be set in line with the Fund's general policy as set out in the FSS.

### **Admission bodies formerly known as Community Admission Bodies (CABs)**

- 3.12 Where a body believes that it is eligible for admission other than under paragraph 1(d)(i) of Part 3 to Schedule 2 of the Regulations and requests admission into the Fund, the Administering Authority will consider each application on a case-by-case basis.

### **Town and Parish Councils**

- 3.13 New town and parish councils entering the Fund will be treated as follows:
- If there is a subsumption commitment from a suitable Scheme employer then the participation will be approved with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements.
  - If there is no subsumption commitment from a suitable Scheme employer then the town or parish council must pre-fund for termination with contribution requirements assessed using the low risk funding target or ongoing orphan funding target.



- 3.14 Deficit recovery periods will be determined consistent with the policy set out in the FSS. Alternatively, the Administering Authority may determine an employer specific deficit recovery period will apply.

### **Grouped bodies**

- 3.15 The Fund groups the following types of employers for setting contribution rates.
- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 1 April 2008, Drainage and Burial Boards).
  - Local Management of Schools (LMS) Pools (NYCC LMS pool and the City of York Council (CoYC) LMS pool) admitted prior to 1 April 2019.
- 3.16 The LMS pool refers to the grouping of a number of transferee admission bodies relating to catering and cleaning contracts within schools who were admitted to the Fund prior to 1 April 2019. Employers in the LMS pool pay the same aggregate total contribution rate as that payable by NYCC or the CoYC depending on which pool they are in.
- 3.17 At each triennial valuation, the actuary will pool together the assets and liabilities of the council with the other employers within the appropriate LMS pool to determine the employer contribution rate.

## **4 Employer contributions and funding targets**

- 4.1 The Fund's actuary will calculate the employer contributions payable from the start of the admission agreement.
- 4.2 These will consist of the future service rate (FSR) or primary contribution rate and additional (secondary) contributions required to remove any funding shortfall. Where the admission body transfers on a fully funded basis (i.e. the level of notional assets is set to be equal to the full value of the transferring liabilities using the appropriate funding target described below) then the initial contribution rate will be equal to the FSR. This would generally be the case in an outsourcing of a service or function from a Scheme employer.
- 4.3 The FSR is net of employee contributions but includes an allowance for the lump sum death benefit payable on death in service and administration costs.
- 4.4 The actuary will also calculate the funding position of the admission body at the commencement date. This shows the notional assets attributable to the admission body, along with the value of liabilities using the appropriate funding target. This is needed even when the admission body starts fully funded since any accounting figures or calculations at future triennial valuations will use the assets and liabilities at commencement as their starting point. In some cases the asset transfer may need to be re-calculated if the commencement date or data on transferring members is different to that used by the actuary in their initial calculations.
- 4.5 If the transferring employer is providing a subsumption commitment, the subsumption funding target will be used by the actuary when calculating the FSR and the value of liabilities. The low risk funding target can be used where explicitly requested by the transferring employer. The appropriate funding target to be adopted depends on what will happen to the liabilities of the admission body once the contract ends or it has otherwise exited the Fund (e.g. when the last active member has left).

## **Subsumption funding target**

- 4.6 This approach can be used where the admission body has a 'subsumption commitment' from a suitable Scheme employer (usually the transferring employer). It is used to calculate the initial assets allocated to the admission body and its contributions as well as for the exit valuation (updated to allow for financial market conditions at the exit date).
- 4.7 The assumptions used under the scheduled body / subsumption funding target assume investment in assets that are the same as the long term investment strategy of the Fund as a whole.
- 4.8 Therefore the potential outperformance over low risk investment in government bonds (gilts) is factored in, giving a lower contribution rate but also there is exposure to the volatility of equity based investments and the risk of the expected outperformance not being achieved and the impact on the contributions.
- 4.9 This funding target gives a lower contribution rate but less certainty that the liabilities are being fully covered and can therefore lead to volatility in the FSR over the life of the admission agreement and increases the risk of a shortfall or surplus emerging over the period of participation of the admission body in the Fund. This approach results in the same assumptions being used to set contributions for the admission body as apply to the Scheme employer letting the contract (although the assumptions are updated to allow for financial market conditions at the calculation date, whether that is the date of commencement or exit).

## **Ongoing orphan funding target**

- 4.10 This approach is used where the transferring employer is not prepared to offer a subsumption commitment in relation to the admission body. This means that no employer exists in the Fund that would be prepared to take on future responsibility of the liabilities of the admission body once the admission body has exited the Fund.
- 4.11 On the exit of the admission body, its liabilities will become 'orphan liabilities' in the Fund. This means that should a shortfall arise in respect of these liabilities after the admission body has exited the Fund, all remaining employers in the Fund would be required to pay additional contributions to pay off this shortfall.
- 4.12 In that case, the exit valuation of the admission body would be carried out on the low risk funding target in order to protect the other employers in the Fund. This assumes that after the exit of the admission body the Administering Authority would wish to back the orphan liabilities with low risk investments such as government bonds.
- 4.13 The assumptions used under the ongoing orphan funding target are broadly designed to target the low risk funding target at exit of the admission body but reflect the fact that exit of the admission body will occur at some point in the future and allow for the possibility of the expected return on government bonds changing before the exit date.
- 4.14 Prior to the exit date it is still assumed that the assets of the admission body are invested in line with the long term investment strategy of the Fund as a whole and this is reflected in the "in-service" discount rate adopted as part of the ongoing orphan funding target.

- 4.15 This funding target would generally result in a higher initial contribution rate than if a subsumption commitment existed (where the subsumption funding target would be adopted), but a lower initial contribution rate than if the low risk funding target is adopted (see below), although unlike the matched approach described below investment risk underlying the Fund's investment strategy is retained under this approach.

### **Low risk funding target**

- 4.16 This approach is used to reduce the risk of an uncertain and potentially large shortfall being due to the Fund at the exit of the admission body.
- 4.17 The low risk approach assumes a notional investment in government bonds for the admission body. Under this approach the investment risk is substantially reduced and it is expected that the assets and liabilities of the admission body would move broadly in line with either other. It does not eliminate investment risk and other funding risks remain, but it gives more certainty that the employer rate is providing funding to 'match' the liabilities. However it gives a substantially higher contribution rate as no allowance for any expected outperformance of the Fund's assets over the low risk funding target is factored in.

## **5 Termination of an employer**

### **Exit events**

- 5.1 In accordance with Regulation 64 the LGPS Regulations 2013, when an employer (including an admission body) leaves the Fund, an exit valuation is carried out by the Fund's actuary to determine the level of any surplus or deficit in the outgoing employer's share of the Fund. All actuarial and legal fees relating to the exit will be passed on to the exiting employer unless a prior agreement is in place with the transferring employer.
- 5.2 There are a number of events that will trigger an exit:
- when a contract comes to an end;
  - when a contract is terminated early;
  - when the employer no longer has any active members in the Fund;
  - when the admission body is in breach of its obligations under the admission agreement, or the admission agreement is otherwise terminated by one of the parties;
  - the insolvency, winding up or liquidation of the admission body
  - the withdrawal of approval by HMRC to continue as a Scheme employer; or
  - the admission body fails to pay any sums due in a timely manner.
- 5.3 When an admission agreement comes to an end or a scheduled body exits the Fund, any active employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

## **Basis of exit valuations**

- 5.4 An exit valuation is carried out to value the liabilities of the employer at the date of exit. The basis used to calculate the liabilities depends on the circumstances of the exit and in particular who takes responsibility of any future liabilities. The Fund's policy is outlined below; however each exit will be assessed on a case by case basis.
- 5.5 If the employer has a subsumption commitment in place from a suitable Scheme employer within the Fund, the subsumption funding target will be used as the basis of the exit valuation. If the transferring employer requested that the low risk funding target was adopted on admission to the Fund, the same funding target will be used as the basis of the exit valuation. The subsuming employer will, following any termination payment made by the employer, be responsible for any future liabilities that arise in relation to the former employees of the exiting employer. Any liabilities formally attributable to the exiting employer will be assessed at each Triennial Valuation and the subsuming employer's contribution rates will be adjusted to reflect this.
- 5.6 For all other exiting employers where there is no subsumption commitment in place, the Fund's policy is to use the low risk funding target as the basis of the exit calculation. This is to protect the other employers in the Fund who will become responsible for any future 'orphan liabilities' that arise in relation to the former employees of the exiting employer post exit.

### **Grouped Scheduled Bodies - Town and Parish Councils admitted prior to 31 March 2008**

- 5.7 On termination of participation within the grouped scheduled bodies, the exit valuation is based on a simplified share of the group deficit amount, which is calculated on a subsumption funding target. This involves calculating the notional deficit share, as at the last triennial valuation, based on the proportion of payroll that body has within the group. An adjustment to the date of exit will normally be made in line with the assumptions adopted as at the last triennial valuation unless the actuary and Administering Authority consider that the circumstances warrant a different treatment, for example, to allow for actual investment returns over the period from the last actuarial valuation to exit. Any liability that cannot be reclaimed from the exiting employer will be underwritten by the group and not all employers in the Fund.
- 5.8 Following the termination of the grouped body, any residual assets and liabilities will be subsumed by any guarantor body for the group, or in the absence of a guarantor, subsumed by the Fund as a whole.

### **Grouped Bodies - LMS Pools admitted prior to 1 April 2019**

- 5.9 On termination of an admission body within the LMS pool, a termination valuation will generally be calculated on a scheduled body funding target. The assets and liabilities relating to the active employees will, assuming there is a subsumption commitment in place in the admission agreement relating to that admission body, be subsumed by NYCC or the CoYC depending on which pool they are in. If there is no subsumption commitment in place, the parties will be offered the opportunity to put one in place on exit. If this option is not taken then the low risk funding target will be used to calculate any exit debt.

## **Notification of termination**

- 5.10 In many cases termination of an admission agreement can be predicted, for example, because the admission body wishes to terminate their contract. In this case admission bodies are required to notify the Fund of their intention as soon as possible. The Fund requires a minimum of 3 months' written notice for early termination of an admission agreement.
- 5.11 Where termination is disclosed in advance or in the opinion of the Administering Authority there are circumstances which make it likely that an employer will become an exiting employer, the Fund may request a revised certificate from the Actuary that specifies the amount that the rates should be adjusted by prior to exit in line with Regulation 64(4) of the Regulations. This will allow the Fund to address any shortfall or surplus over a period of time rather than requesting a single lump sum payment on exit.

## **Payment of exit debt**

- 5.12 If the Fund actuary has calculated a deficit at the exit date the exiting employer is liable for payment. The Fund will usually require a lump sum payment from the exiting employer in the first instance. Where an exit payment cannot be met in full or in part by the exiting employer the Fund will attempt to recover any outstanding payment from a bond or alternative indemnity that may be in place.
- 5.13 Following the use of any bonds or indemnities (if any), any remaining debt will be recovered in a lump sum payment from the guarantor (if there is one).
- 5.14 If there is no guarantor any outstanding debt will be recovered from any related employer in the case of a Schedule 2, Part 3, 1(d)(i) body. The Fund may request a lump sum payment or it may be agreed, if the related employer is a contributing employer of the Fund, that the rates and adjustment certificate be revised to allow for the recovery of the remaining debt over a reasonable period of time, as determined by the Fund.
- 5.15 In any other case the debt will be subsumed by all other employers in the Fund. The rates and adjustment certificate for all contributing employers will be revised to allow for the recovery of any remaining exit debt over a reasonable period of time, determined by the Fund, at the next triennial valuation following exit.
- 5.16 Any lump sum payments will be required within 30 days following the issue of the revised rates and adjustment certificate showing the exit payment due unless another period is specified by the Fund. Any late payments will incur charges in accordance with the Fund's Charging Policy.
- 5.17 In exceptional circumstances the Fund may consider allowing an exiting employer to pay an exit payment over an agreed period of time, where it is not considered to pose a material risk to the solvency of the Fund.

## **Suspending payment of exit amounts**

- 5.18 At the absolute discretion of the Administering Authority, a suspension notice may be awarded to an exiting employer under Regulation 64(2A) of the Regulations. This can be for a period of up to three years after the exit date (the maximum period permitted by the Regulations).

- 5.19 Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply;
- The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice
  - The employer is not a 'closed' Admitted Body (no new active members are permitted to join the Fund).
  - Any application for the Administering Authority to grant a suspension notice is made within three months of the exit date.
- 5.20 The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the employer.
- 5.21 If a suspension notice is awarded, the exit valuation will be deferred until the earlier of
- the end of suspension period, or;
  - the point at which the suspension notice is withdrawn (for any reason).
- 5.22 If one or more new active members are admitted to the Fund the employer's full participation in the Fund will resume.
- 5.23 During the period of any suspension notice, the employer must continue to make contributions to the Fund as certified in the rates and adjustments certificate.

### **Surplus on Exit**

- 5.24 If the actuary has calculated a surplus at the exit date, Regulation 64(2ZA) requires the Administering Authority to pay the surplus to the exiting employer within three months of exit or, such longer time as the administering authority and the exiting employer may agree.
- 5.25 If the scheme employer and admission body wish to change the default position on the payment of an exit credit then they should include suitable provisions in any service agreement between themselves. The Regulations require the Administering Authority to pay the exit credit to the exiting employer in all circumstances and regardless of whether this might be considered fair in light of the relative risk and cost exposure of the parties.
- | 5.26 When an exit credit payment is made, no further payments are due from the Administering Authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

# Appendix 3

[illegible]

Date	Title or Nature of Course	Blackie J	Mulligan P	Swiers H	Weighell J	Clark J	Portlock D	M Chambers	A Solloway	A Thompson	C Lunn	I Gillies	C Steward	Unison (Vacancy)	Unison (Vacancy)
17 November 2017	Investment Strategy Workshop		✓	✓	✓	✓	✓	✓							
6-8 December 2017	LAPFF Annual Conference, Bournemouth	✓													
20 December 2017	Pension Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
28 February - 2 March 2018	LGC Investment Seminar, Carden Park, Cheshire	✓													
7-9 March 2018	PLSA Investment Conference, Edinburgh	✓	✓	✓	✓	✓									
21-23 May 2018	PLSA Conference					✓									
25 May 2018	Property Debt Workshop	✓	✓	✓	✓	✓	✓	✓			✓				
18 June 2018	CIPFA Pension Board						✓								
27 June 2018	CIPFA Pension Board Annual Event						✓								



## UPCOMING TRAINING AVAILABLE TO MEMBERS

<b>Provider</b>	<b>Course / Conference Title</b>	<b>Date(s)</b>	<b>Location</b>	<b>Themes / Subjects Covered</b>
LAPFF	LAPFF Annual Conference	5-7 December 2018	The Hilton, Bournemouth	'Back to the Future' – Conference to include: Financial regulations, Directors' remuneration, Precarious work, Gender pay gap, Workplace Diversity and Climate change.
LGPS	Annual LGPS Governance Conference	17-18 Jan 2019	Bristol	'Clarity in Confusion' Conference to include: Investment costs, Responsible Investment and Climate Risk, Infrastructure investment, Fund valuation, Upcoming scheme consultations, Investment spotlight, Legal update
LGC	Investment Seminar	28 February - 1 March 2019	Carden Park Cheshire	Keeping the LGPS affordable and accessible through austerity and uncertain times. Content tbc.
PLSA	Investment Conference	6-8 March 2019	EICC Edinburgh	The conference is aimed at trustees, chief investment officers, pension scheme managers, asset managers and investment specialists. The forward looking programme focusses on the major trends and events affecting UK investors and markets. The conference consists of plenary and specialist stream sessions focusing on Defined Benefit, Defined Contribution, Investment & Governance as well as a new stream on Asset Allocation.

PLSA	Local Authority Conference	13-15 May 2019	De Vere Water Park Hotel Gloucestershire	<p>A specialist pension event for Local Authorities, designed to look at the ever-changing Local Authority Pension Scheme.</p> <p>The conference includes keynote speeches, specialist breakout sessions, a Learning Zone, fringe meeting, a welcome drinks reception, conference dinner and exhibitions</p>
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## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2018 AND 2019

Meeting Date	Time & Venue	Event	Fund Managers
22 November 2018	10am, Brierley Room	Pension Fund Committee	
21 February 2019	10am, Brierley Room	Pension Fund Committee	
22 February 2019	10am, TBC	Pension Fund Committee	2 Managers TBC
23 May 2019	10am, Brierley Room	Pension Fund Committee	
24 May 2019	10am, TBC	Pension Fund Committee	2 Managers TBC
4 July 2019	10am, Brierley Room	Pension Fund Committee	
12 September 2019	10am, Brierley Room	Pension Fund Committee	
13 September 2019	10am, TBC	Pension Fund Committee	2 Managers TBC
21 November 2019	10am, Brierley Room	Pension Fund Committee	
22 November 2019	10am, TBC	Pension Fund Committee	2 Managers TBC

## Appendix 2

[illegible]

**North Yorkshire County Council**

**Pension Board**

**24 January 2019**

**Internal Audit update**

**Purpose of Report**

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

**Audit Plan 2018/19**

The audit plan for 2018/19 was approved by the Pensions Board on 19 July 2018.  
The current status of each audit is as shown below

	<u><b>Days</b></u>	<u><b>Status</b></u>
Pension Fund Investments	15	To commence February following initial planning meeting with Senior Accountant (Pensions)
Pension Fund Income	15	In Progress
Pension Fund Expenditure	15	In Progress

The implementation of agreed actions for 2017/18 audits is shown in summary in the attached appendix

**Recommendation**

Pension Board Members are asked to note this report

Ian Morton,

Audit Manager,

Veritau Ltd.

## Follow up of agreed actions

<b>Audit</b>	<b>Finding</b>	<b>Agreed date</b>	<b>Responsible Officer</b>	<b>Name of Officer</b>	<b>Action completed?</b>
Pension Fund Expenditure 16/17	1	31/03/2018	Head of Pensions	Phillippa Cockerill	Done 28/09
	2	31/03/2018	Head of Pensions	Phillippa Cockerill	To follow up from 2017/18 report
	3	31/03/2018	Head of Pensions	Phillippa Cockerill	To follow up from 2017/18 report
Pension Fund Expenditure 17/18	1	31/03/2019	Head of Pensions	Phillippa Cockerill	
	2	31/03/2019	Head of Pensions	Phillippa Cockerill	
	3	31/03/2019	Head of Pensions	Phillippa Cockerill	
	4	31/08/2018	Head of Pensions	Phillippa Cockerill	Done 28/09
	5	30/11/2018	Head of Pensions	Phillippa Cockerill	Follow up in progress
	6	31/05/2018	Head of Pensions	Phillippa Cockerill	Done 28/09
	7	31/03/2019	Head of Pensions	Phillippa Cockerill	
	8			Phillippa Cockerill	Completed at the time of audit
	9	31/03/2019	Head of Pensions	Phillippa Cockerill	
Pension Fund Income 17/18	1	30/09/2018	Head of Pensions/Senior Accountant	Phillippa Cockerill/Amanda Alderson	Done 24/09
	2	30/09/2018	Senior Accountant	Amanda Alderson	Done 24/09
	3	30/09/2018	Senior Accountant	Amanda Alderson	No due to resources
	4	31/07/2018	Head of Pensions	Phillippa Cockerill	Done 24/09
	5	31/03/2019	Head of Technical	John Raine	
	6	01/04/2020	Head of Pensions	Phillippa Cockerill	
	7	31/03/2019	Senior Accountant	Amanda Alderson	
	8	31/12/2018	Senior Accountant	Amanda Alderson	Follow up in progress
	9	31/12/2018	Senior Accountant	Amanda Alderson	Follow up in progress
Pension Fund Governance Arrangements 17/18	1	31/10/2018	Assistant Chief Executive (legal & democratic)	Barry Khan	Follow up in progress
	2	31/10/2018	Senior Accountant	Amanda Alderson	Follow up in progress
	3	31/10/2018	Head of Pensions	Phillippa Cockerill	Follow up in progress
	4	31/08/2018	Head of Pensions	Phillippa Cockerill	Delayed to 31/03/19

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION BOARD

24 JANUARY 2019

## PENSION FUND RISK REGISTER

**1.0 PURPOSE OF THE REPORT**

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

**2.0 BACKGROUND**

- 2.1 The risk register for the Pension Fund is updated every six months and is formally approved annually by the Pension Fund Committee (PFC). It is also reviewed by the Pension Board after each six monthly update. The Risk Register was last approved by the PFC in July 2018 as part of the annual governance review of the Fund.
- 2.2 There are two risks ranked as red, two as amber and six as green on the latest version of the risk register. The assessment of the highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.
- 2.3 The first red risk is on the LGPS Pooling Arrangements; this is currently considered the key risk of the Pension Fund. It is a major change to the way in which the assets of the Pension Fund are managed with a potential risk that the Fund is no longer able to effectively implement its investment strategy.
- 2.4 Pension Fund solvency also remains a red risk, despite the funding level of 115% as at 30 September 2018. This is due to the unpredictable and volatile nature of global financial markets on which both investment returns and actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period. The Fund is currently in the process of de-risking its investment strategy.
- 2.5 A new green risk has also been added as part of this update on the staffing resources within the Pension Fund teams.

**3.0 RECENT EVENTS**

- 3.1 The latest version of the risk register (attached as **Appendix 1 & 2**) was updated by officers in November 2018. The next version of the risk register will be updated in May 2019 and taken to the PFC for approval in the July meeting as part of the Fund's next annual governance review.
- 3.2 Board members are asked to review the risk register and provide any feedback that they have as part of their scrutiny role of the Fund's governance arrangements. Any necessary amendments will be made to the next version that is to go to the PFC.

#### 4.0 **RECOMMENDATION**






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



# North Yorkshire Pension Fund





# Appendix 1

Risk Register: **October 2018 Review – summary**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	44/4 - Pension Fund Solvency	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	M	2	5	31/03/2019	M	M	H	L	M	2	Y	CSD SR Senior Accountant Pensions
	44/201 - LGPS Pooling Transition	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	H	2	6	30/04/2019	M	M	H	L	M	2	Y	CD SR
	44/8 - Investment Strategy	Failure of the investment strategy to achieve sufficient returns from investments	CD SR	CSD SR Senior Accountant Pensions	L	M	H	L	M	3	4	30/04/2019	L	M	H	L	M	3	Y	CSD SR Senior Accountant Pensions
	44/20 - Fraud	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation	CD SR	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	L	L	H	L	M	3	4	30/04/2019	L	L	H	L	M	3	Y	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions
	44/11 - Benefit Payments	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	M	4	4	30/04/2019	L	L	L	L	M	5	Y	CSD SR Head of Pensions Administration
- new -	44/207 - Resources	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	M	M	L	M	L	4	3	30/04/2019	L	M	L	M	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – summary**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Identity			Person		Classification													Fallback Plan		
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	44/10 - Regulations and Legislation	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	L	5	2	30/04/2019	M	L	L	L	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
	44/14 - IT Systems	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism	CD SR	CSD SR Head of Pensions Administration	L	M	L	M	M	5	3	30/04/2019	L	M	L	M	M	5	Y	CSD SR Head of Pensions Administration
	44/7 - Investment Manager	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise	CD SR	CSD SR Senior Accountant Pensions	L	M	M	L	L	5	3	30/04/2019	L	M	M	L	L	5	Y	CSD SR Senior Accountant Pensions
	44/16 - Key Personnel	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	L	M	L	M	L	5	4	30/04/2019	L	M	L	M	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration

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

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

## North Yorkshire Pension Fund

Risk Register: **October 2018 Review – summary**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Likelihood	
Probability	H = > 60% or Probable M = 30% to 60% or Possible L = < 30% or Unlikely
Impact	
Objectives	H = Three or four of the Fund's key objectives adversely impacted M = No more than two of the Fund's key objectives adversely impacted L = No more than one of the Fund's key objectives adversely impacted
Financial	H = Substantial/Over 2% (£48M) increase in contribution rate or loss of major opportunity M = Notable/0.5%-2% (£12M-£48M) increase in contribution rate or loss of notable opportunity L = Minor/Up to 0.5% (£12M) increase in contribution rate or loss of some opportunity
Services	H = Widespread impact, 2/3 services affected, significant project slippage M = Declining Performance, notable inconvenience L = Minor service impact, resolved locally, minor inconvenience
Reputation	H = Significant Member/Employer complaints, national media M = Notable Member/Employer complaints, regional media, L = Some Member/Employer complaints, local adverse media coverage

# North Yorkshire Pension Fund

# Appendix 2

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification														
Risk Number	44/4	Risk Title		44/4 - Pension Fund Solvency				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions		
Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period							Risk Group	Financial		Risk Type			
Phase 2 - Current Assessment														
Current Control Measures				Deficit recovery period; adopt prudent actuarial assumptions; all assumptions reviewed every 3 years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; fixed income review; new rates provided for employers;										
Probability	M	Objectives		M	Financial		H	Services		L	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions														
								Action Manager		Action by	Completed	%		
Reduction	44/6 - Consultation with Actuary re assumptions used and discuss and carry out action where necessary (ongoing)							CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%		
Reduction	44/7 - Regular review of investment strategy to maximise investments; ongoing action linked to triennial valuations							CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%		
Reduction	44/475 - Take appropriate action following the pre-valuation data quality and cash flow analysis by the actuary							CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions		Sun-31-Mar-19		0%		
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level							CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%		
Reduction	44/1912 - Work through transition plan and new operation model for the new Pensions Pool; continuing to work through the transition and implement post pool operating model with a view to beginning fund transfer from June 2019							CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%		
Phase 4 - Post Risk Reduction Assessment														
Probability	M	Objectives		M	Financial		H	Services		L	Reputation	M	Category	2
Phase 5 - Fallback Plan														
											Action Manager			
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period											CSD SR Senior Accountant Pensions		

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/201	Risk Title	44/201 - LGPS Pooling Transition				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.						Risk Group	Change Mgt		Risk Type	CSD SR 32/24
Phase 2 - Current Assessment											
Current Control Measures			Pension Fund Committee involvement in key pooling decisions; NYPF officer involvement in pooling working groups; Periodic reporting of updates to the Pension Fund Committee; further detail behind the plans received; providing updates to the pension board on a quarterly basis around governance; legal advice on behalf on partner funds; key decision agreed by full council; pooling briefing provided to members;								
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/161 - Consultation with advisors on the implication of pooling and advice on setting up arrangements including sub funds; ongoing advice being sought						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Reduction	44/163 - Keeping Members up to date; an update on pooling is on the PFC agenda every quarter						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Reduction	44/166 - Ensure Pension Board and employers are kept up to date on progress						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Reduction	44/167 - Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress as we move towards June 2019						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Reduction	44/447 - Ensure that as the sub-funds are set up that we can invest into and the process of transition is developed, NYPF have as much involvement as possible to shape this and ensure that it is suitable for our needs; establish due diligence prior to fund transfer for each asset class						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Reduction	44/1913 - Ensure post go live reporting and information is as required						CSD SR Senior Accountant Pensions	Tue-30-Apr-19			0%
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/544 - No current alternative to pooling									CD SR	

## North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**

Next Review Due: **April 2019**

Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/8	Risk Title	44/8 - Investment Strategy				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure of the investment strategy to achieve sufficient returns from investments					Risk Group	Strategic		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Strategy reviewed through asset/liability modelling; risk budgeting; experience and knowledge of the market and suitable forms of investment; Member training; Independent Investment Adviser and Consultant reports; PFC workshops and sign off of strategy; regular monitoring of investment performance; fixed income review; impact of MiFID monitored								
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/1876 - Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements					CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Reduction	44/1878 - Quarterly monitoring of appropriateness of strategy against prevailing market conditions (including Brexit)					CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Reduction	44/1879 - Monitor the Advisor and Consultants reports and act on professional advice					CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level					CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets								CSD SR Senior Accountant Pensions		

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification												
Risk Number	44/20	Risk Title		44/20 - Fraud			Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	
Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation						Risk Group	Pers/Capacity		Risk Type		
Phase 2 - Current Assessment												
Current Control Measures				Internal Audit; internal checking and authorisation procedures and levels in both pension section and finance; split between administration and finance; all third parties have regular audits and regulated by FCA; legally binding contracts in place; governance arrangements for the delegation of duties; use of BACS payments; monthly mortality monitoring; participate in National Fraud Initiative								
Probability	L	Objectives	L	Financial		H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions												
							Action Manager		Action by	Completed	%	
Reduction	44/1887 - Continually review processes and procedures including authorisation levels						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%	
Reduction	44/1888 - Ongoing internal audit assessment and annual review by external auditors						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%	
Reduction	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%	
Reduction	44/1894 - Review of external manager audit and risk reports						CSD SR Senior Accountant Pensions		Tue-30-Apr-19		0%	
Phase 4 - Post Risk Reduction Assessment												
Probability	L	Objectives	L	Financial		H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan												
										Action Manager		
Fallback Plan	44/434 - Review incident and update procedures/processes accordingly										CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/11	Risk Title	44/11 - Benefit Payments				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments						Risk Group	Performance		Risk Type	
Phase 2 - Current Assessment											
Current Control Measures			Up to date procedures and procedural checking; pension software up to date; workflow system; authorisation procedures; pro formas; staff training; audit trail; internal and external audits; Pensions Administration Strategy; Manuals available for calculation procedure; action plan for clean data requirements; use of task checklists; ESS; payment timetable flowchart								
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/476 - Create and implement a data improvement plan						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Reduction	44/1893 - Effective communication with employers, with particular regard to customer expectations						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Reduction	44/1896 - Regular liaison with ESS regarding operational arrangements; will be holding monthly meetings to ensure understanding of the issues on both sides leading to continued improvement						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Reduction	44/1911 - Implement the plans for the managed reduction of outstanding work						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	L	Services	L	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/435 - Correct errors and review and amend existing procedures									CSD SR Head of Pensions Administration	



## North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification												
Risk Number	44/207	Risk Title		44/207 - Resources				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
Description	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints						Risk Group	Capacity/performance		Risk Type		
Phase 2 - Current Assessment												
Current Control Measures										Effectiveness		
Probability	M	Objectives	M	Financial	L	Services	M	Reputation	L	Category	4	
Phase 3 - Risk Reduction Actions												
							Action Manager	Action by	Completed	%		
Reduction	44/478 - Assess areas of greatest concern, mapping workload against available resource and engaging with Tech and Change on potential efficiencies from the process mapping exercises						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Reduction	44/479 - Develop plan to deal with identified resource gaps						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Reduction	44/480 - Obtain sign off for any extra resource need identified						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%		
Phase 4 - Post Risk Reduction Assessment												
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	L	Category	5	
Phase 5 - Fallback Plan												
									Action Manager			
Fallback Plan	44/553 - Obtain assistance from 3rd party administration provider.								CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration			

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**

Next Review Due: **April 2019**

Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/10	Risk Title	44/10 - Regulations and Legislation				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge						Risk Group	Performance		Risk Type	
Phase 2 - Current Assessment											
Current Control Measures			Specialist knowledge; designated members of staff; regular updates & comms with CLG; LGPC; Actuarial advice; Employers Forums; NEPOF; section training by specialist staff; specialist software; advice on calculations interpretations; investment mgt agreement; awareness of overriding legislation; broadening of knowledge across MT; LGE advice; nat. technical pension group provide advice; Trustees knowledge and understanding toolkit; Pensions Administration team structure reviewed; training feedback received in order to continually strengthen understanding; GDPR advice and training sessions; mandatory GDPR training for asset owners; impact of MiFID monitored								
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/157 - Ongoing staff training programme						CSD SR Head of Pensions Administration	Tue-30-Apr-19			0%
Reduction	44/1910 - Continue to promote cross skilling within the section to improve resilience						CSD SR Head of Pensions Administration	Tue-30-Apr-19			0%
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/437 - Review existing interpretations, take legal advice and amend procedures as required									CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**

Next Review Due: **April 2019**

Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/14	Risk Title	44/14 - IT Systems				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism						Risk Group	Technological		Risk Type	
Phase 2 - Current Assessment											
Current Control Measures			Manual payments, DR plan and tested, contracts for server maintenance, backups off site, major external providers have DR plans, manual calculation procedures, administration manuals, annual financial check, contingency plan in place, modern council; modern council working to aid resilience,								
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/477 - Ensure business continuity and system resilience matters are appropriately considered with the procurement exercise for the new pension system						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Reduction	44/1884 - Ensure that contingency planning arrangements are regularly reviewed and updates logged on the corporate system						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Reduction	44/1898 - Sense check any IT recovery assumptions with Tech & Change run systems						CSD SR Head of Pensions Administration	Tue-30-Apr-19		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier									CSD SR Head of Pensions Administration	

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**

Next Review Due: **April 2019**

Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/7	Risk Title	44/7 - Investment Manager				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise						Risk Group	Performance		Risk Type	
Phase 2 - Current Assessment											
Current Control Measures			Qrtly review of investment mgr targets; std terms and conds re termination of contract; ext advisers monitor mgrs perf; qrtly repts to Pension Fund Comm; benchmarking against other approp comparators; investment strategy review; risk budgeting exercise via Aon; reporting by Custodian; fund mgr attend at PFC; Member training; best practice procurement process; diversified portfolio of investments;								
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1873 - Continue to monitor and report on investment returns on a regular basis						CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Reduction	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers						CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Reduction	44/1875 - Carry out when appropriate, a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)						CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager									CSD SR Senior Accountant Pensions	

# North Yorkshire Pension Fund

Risk Register: **October 2018 Review – detailed**  
 Next Review Due: **April 2019**  
 Report Date: **19<sup>th</sup> November 2018 (cpc)**

Phase 1 - Identification											
Risk Number	44/16	Risk Title	44/16 - Key Personnel				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
Description	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.						Risk Group	Capacity/performance		Risk Type	
Phase 2 - Current Assessment											
Current Control Measures			Procedure notes; knowledge sharing; file management; deputies; co-operation between departments; pensions management meetings; comprehensive training matrix; PFC action notes; professional advisors; increase resources agreed in finance team;								
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1901 - Ensure effective management and transition arrangements are in place pending any review of management structure						CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Reduction	44/1905 - Continue to build resilience, particularly at Senior Accountant level, to meet current and anticipated future demands and complexity						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Reduction	44/1907 - Carry out appropriate induction and ongoing training for new PFC members						CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Reduction	44/1908 - Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-30-Apr-19		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	L	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/441 - Identify temporary cover arrangements plus additional resources where required									CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	

**NORTH YORKSHIRE COUNTY COUNCIL**

**PENSION BOARD**

**24 JANUARY 2019**

**LGPS POOLING ARRANGEMENTS**

**Report of the Treasurer**

**1.0 PURPOSE OF REPORT**

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

**2.0 TRANSITION OF FUNDS**

- 2.1 Work on the set up of new sub-funds has continued since the Go Live in July 2018. BCPP are keen to work closely with Partner Funds on this and are in the process of holding number of workshops on the different sub-funds. Equity and alternatives workshops were held in Q4 of 2018 and further workshops are to follow.

- 2.2 It is expected that funds will continue to transition over the upcoming months, following the successful transition of the following sub-funds during 2018:

- UK Equities
- Overseas Developed Equities
- Emerging Market Equities
- UK Equity Alpha Fund

- 2.3 The current high level transition timeline for the launch of the remaining sub-funds is as follows:

- Alternatives- Q1 2019 onwards
- Global Equities- Q3 2019
- Fixed Income- Q3 2019 onwards
- Property- Q4 2020

- 2.4 The first sub-funds that NYPF are expected to transfer into are the Global equities and UK equity alpha sub-funds during 2019.

**3.0 SCHEME MEMBER REPRESENTATION ON THE JOINT COMMITTEE**

- 3.1 At its meeting on the 21 November 2018, the Joint Committee (JC) approved the addition to its membership of one non-voting scheme member

representative along with a standing substitute. These roles are to be filled from the scheme member representatives on the Local Pension Boards of the 12 Partner Funds.

- 3.2 To have the representative and substitute in place for the next JC meeting on 11 March 2019, those scheme member representatives that are interested in the role have been asked to submit their nominations by 31 January 2019.
- 3.3 Whilst the decision about nominations lies solely with scheme member representatives, Board members may wish to discuss any nominations from the NYPF Local Pension Board at the meeting.
- 3.4 Voting on nominations from the partner LPBs will be the sole prerogative of scheme member representatives who must agree which one of their number will cast NY LPB's vote.

#### **4.0 MEETINGS AND NEXT STEPS**

- 4.1 The next Officer Operations Group meeting will be held on 21 January 2018.
- 4.2 The last Joint Committee meeting was held on 21 November 2018 and next meeting will be held on 11 March 2019.
- 4.3 The BCPP Annual Conference was held in Leeds on the 8/9 November 2018. The event was well attended by the Committee Members, Board members and Officers of the Partner Funds.
- 4.4 The Chairs of the Partner Fund Local Pension Boards had their first meeting at the BCPP Annual Conference. The Chairs are now considering setting up a formal forum for all BCPP Local Pension Board Chairs to meet and discuss any issues that may arise.
- 4.5 A verbal update will be provided on any meetings held since the last Board meeting at the January meeting.

#### **5.0 RECOMMENDATION**

- 5.1 Members note the content of the report and consider whether issues should be raised with NY PFC.

Amanda Alderson  
Senior Accountant, Strategic Resources  
County Hall  
Northallerton  
January 2019  
Background Papers - Nil

## North Yorkshire County Council

## Pension Board

24 January 2019

## Training and Skills Matrix/Self-Assessment

**1.0 Purpose of the Report**

To provide an update on Pension Board member training and to consider, and approve, skills matrix and self-assessment questionnaires.

**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 Skills Matrix/Self-Assessment**

At the meeting of the Pension Fund Committee held on 10 October 2018 Members of the Committee agreed to adopt a Training Policy, and, as part of that, to complete a skills matrix and self-assessment, to determine their training requirements.

The skills matrix and self-assessment questionnaire for Pension Fund Committee Members was adapted for Board Members and circulated for completion. **Appendix 2**, provides details of the information provided by Members of the Board who have completed the questionnaire.

**5.0 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.

#### **6.0 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 the details from the skills matrix and self- assessment questionnaire be noted, and subsequent training be developed to take account of the results obtained:
- (iv) 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	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
06/15	LGPS Governance	UNISON	Leeds							X
06/15	LGPS Benefits/Administration	UNISON	Leeds							X
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		
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds		X	X			X	
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X	X			X	
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	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	
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	

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
8/11/18 and 9/11/18	BCPP First Annual Conference	BCPP	Leeds	X		X				
10/11/17	Local Pension Boards Autumn Seminar	CIPFA	Liverpool		X				X	
12/10/18	Local Pension Boards Autumn Seminar	CIPFA & Barnett Waddingham	Liverpool		X					
27/06/18	Local Pension Boards Annual Conference	CIPFA & Barnett Waddingham	London	X						
05/07/18	Pension Board, Committee and Officer Training – Governance and Key Legislation	AON	London							X
11/12/18	UNISON Pensions’ Seminar	UNISON	London							X
17/09/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
26/11/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X					
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X					
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	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						
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						

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
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						
24/05/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
05/07/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
13/09/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X						
22/11/18	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						
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						
05/07/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
14/09/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						
22/11/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X						

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
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		
18/06/18	Data – Section 13 – Regional Workshop	Mercer	Manchester	X						
21/06/18	Audit Committee Training Session – Treasury Management	NYCC	County Hall	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 – 01/18	How a DB Scheme works	The Pensions’ Regulator – Toolkit Modules	On-line			X				X

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
<b>Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.	4 5 3 3 to 4		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	4 x 2 3 3 to 4		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	4 x 3 3		
A regularly updated appreciation of the latest changes to the scheme rules.	4 3 x 2 1		
<b>Pensions governance</b>			

Knowledge of the role of the administering authority in relation to the LGPS.	<b>5 x 2</b> <b>3</b> <b>4</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	Training Plan
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	<b>4</b> <b>5</b> <b>3</b> <b>3 to 4</b>		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	<b>4 x 3</b> <b>2</b>		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	<b>5 x 2</b> <b>4 x 2</b>		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	<b>5 x 2</b> <b>3</b> <b>4</b>		

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	4 x 2 3 2		
A detailed knowledge of the duties and responsibilities of pension board members	5 x 2 3 4		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
Knowledge of consultation, communication and involvement options relevant to the stakeholders	4 5 2 3 to 4		
Knowledge of how pension fund management risk is monitored and managed.	4 x 2 5 3		
An understanding of how conflicts of interest are identified and managed.	5 x 2 2 4		
An understanding of how breaches in law are reported.	5 x 2 2 4		



<b>Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.	<b>4</b> <b>5</b> <b>3</b> <b>3 to 4</b>		
Understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>	<b>4 x 2</b> <b>2</b> <b>3 to 4</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
Knowledge of how discretionary powers operate.	<b>4 x 2</b> <b>No answer</b> <b>1</b>	- Discretionary powers in respect of what? Are we talking about retirement, etc.	

Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	<b>4 x 2</b> <b>2 x 2</b>		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	<b>4</b> <b>3</b> <b>1</b> <b>2</b>	- Do we need to know?	
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	<b>3 x 3</b> <b>4</b>	<ul style="list-style-type: none"> <li>- I know what AVCs are but I'd welcome more information about how they operate within NYPF</li> <li>- Do we need to know this in any detail?</li> </ul>	

Pensions accounting and auditing standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	5 4 x 2 2		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
An understanding of the role of both internal and external audit in the governance and assurance process.	5 4 x 2 3		
An understanding of the role played by third party assurance providers.	5 3 x 2 2		
Pensions services procurement and relationship management			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	5 3 x 2 1	- Do we need this?	

A general understanding of the main public procurement requirements of UK and EU legislation.	<b>5</b> <b>3 x 2</b> <b>2</b>	- Do we need this?	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	<b>4 x 3</b> <b>3</b>	- Do we need this?	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	<b>3</b> <b>5</b> <b>4</b> <b>3 to 4</b>	- I'd welcome more information about how NYPF monitors and manages the performance of its outsourced providers - Do we need this?	
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
<b>Investment performance and risk management</b>			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	<b>5 x 2</b> <b>4 x 2</b>		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	<b>4 x 2</b> <b>2 x 2</b>		

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	<b>3 x 3</b> <b>1</b>	- I'd welcome more knowledge and understanding about the who, what and monitoring.	
<b>Financial markets and products knowledge</b>			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc.).	<b>4 x 3</b> <b>2</b>		
An understanding of the role of these asset classes in long-term pension fund investing.	<b>4 x 2</b> <b>5</b> <b>2</b>		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	<b>5 x 2</b> <b>2</b> <b>4</b>		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	4 x 3 3	- Regular updates	
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	3 x 2 4 2	- I'd welcome more knowledge about the relevant regulation and its impact on LGPS schemes - Regular updates	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	4 3 1 2	- Do we need to know this in any detail?	
<b>Actuarial methods, standards and practices</b>			
A general understanding of the role of the fund actuary.	5 4 1 3 to 4		

Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	<b>4 x 3</b> <b>2</b>	- Regular updates	
An awareness of the importance of monitoring early and ill health retirement strain costs.	<b>4 x 3</b> <b>3</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	<b>3</b> <b>4 x 3</b>	- I have some knowledge but would welcome a more detailed understanding	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers	<b>4 x 2</b> <b>3 x 2</b>	- Not sure	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	<b>3 x 2</b> <b>4</b> <b>3 to 4</b>	- I understand what an employer covenant is but I have no idea about the relative covenant strengths across NYPF employers....! - Not sure	

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## North Yorkshire County Council

### Pension Board

24 January 2019

### 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 progress updates, on the previously identified project areas, highlighted below, will have been considered 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 issues.

Members are asked to consider further areas, highlighted in the work programme (**Appendix 1**), in which they would like to undertake in-depth consideration, and provide scoping reports to future meetings, in relation to the development of any issues.

#### 3.0 Meeting Dates

The dates for ordinary meetings of the Pension Board, until the end of the 2019/20 Municipal Year, are as follows:-

All Thursdays at 10am

11 April 2019

18 July 2019

3 October 2019 (date changed from 10 October to avoid clash with BCPP Conference)

16 January 2020

9 April 2020

#### 4.0 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;

- |  |
|--|
| <ul style="list-style-type: none"><li>iii) Consider and request (via the Clerk) supporting resources which may be required to take the reviews forward.</li><li>iv) Note the dates of ordinary meetings as detailed.</li></ul> |
|--|

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

Background Papers - None

## 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 / MHCLG		✓	✓				

### Compliance checks

6	Review the compliance of scheme employers							
7	Review such documentation as is required by the Regulations						✓	
8	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓	
9	Review the outcome of external audit reports				✓			
10	Review annual report			✓				
11	Review the compliance of particular issues on request of the PFC – as required							
12	Review the outcome of actuarial reporting and valuations – every three years							
13	Assist with compliance with the UK Stewardship Code	✓						

### Administration procedures and performance

14	Review and assist with admin/governance procedures/processes-including monitoring performance admin/governance	✓	✓	✓	✓	✓	✓	
15	Review the Internal Dispute Resolution Process							
16	Review cases referred to the Pensions Ombudsman						✓	
17	Review the exercise of employer and administering authority discretions			✓				
18	Assist with the development of improved customer services							
19	Review processes for the appointment of advisors and suppliers							
20	Review the risk register and management of risk processes and procedure	✓		✓		✓		
21	Assist with the development of improved structures and policies							
22	Assist in assessing process improvements on request of PFC							
23	Pooling arrangements and governance	✓	✓	✓	✓	✓	✓	

### Communications

24	Review scheme member and employer communications							

### Training

25	Review Pension Board knowledge and skills self-assessment		✓	✓		✓		
26	Review training log	✓	✓	✓	✓	✓	✓	
27	Review training arrangements for the Board and other groups	✓	✓	✓	✓	✓	✓	