

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 24 January 2019 at White Rose House, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

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

Scheme Members:

Gordon Gresty and Simon Purcell (Unison).

In attendance:-

County Council Officers:

Phillippa Cockerill, Amanda Alderson, Jo Foster-Wade, Steve Loach and Ian Morton.

Copies of all documents considered are in the Minute Book

176(a) Apologies for Absence

Apologies for absence were received from Louise Branford-White (Hambleton District Council).

176(b) Vacancies - Employer Representative and Scheme Member Representative

The Chairman reported that, since the last meeting Mandy Swithenbank (GMB) had resigned from the Pension Board. This left two vacant positions for Scheme Member representatives, however, it was noted that an application form for one of the vacant positions had been submitted, and, subject to the provision of additional details, that person would be interviewed with a view to them filling one of the vacancies.

In terms of the vacant position for an Employer representative it was noted that the application pack sent out to a potential candidate had not been completed as yet, therefore, there was no update to provide in relation to that.

Resolved -

That the issues outlined be noted.

177(a) Minutes

Resolved -

That the Minutes of the meeting held on 11 October 2018, having been printed and circulated, be taken as read and confirm and signed by the Chairman as a correct record.

177(b) Progress on Issues raised by the Board

The issue of the appointment of a Scheme Member representative to the Border to Coast Pensions Partnership (BCPP) Joint Committee was discussed. It was noted that where Funds did not intend to field a potential candidate for this position then a nil return was required by 31 January 2019.

In relation to this matter the Chairman had contacted Scheme Member representatives and the issue had been discussed extensively. It was noted that Gordon Gresty was still undecided as to whether to put his name forward as a candidate for nomination, however, he stated that, at this stage, it was unlikely that he would. If he did not go forward as a nominee, Gordon Gresty indicated that he would discuss the other nominations with the remaining Scheme Member representatives on the Pension Board with a view to potentially supporting one of those nominations. It was noted that Mr Gresty would be the voting member on behalf of the Board, however, his vote would be undertaken through a consensus with other Scheme Member representatives. It was expected that the voting would take place in late February and an appointment to the Joint Committee would take place at its meeting on 11 March 2019.

The possibility of the formation of a Pension Board Forum for the BCPP Pool was further discussed. The Chairman noted that there had been no definite recommendations in terms of forming this body, however, there had been email contact between the various Chairs of the Pension Boards represented in the Pool. It was asked what purpose the Forum would have. The Chairman stated that it would be utilised to clarify issues coming out of the Pool, rather than individual Pension Boards submitting different views unilaterally. Members asked whether this could be done via email rather than formulating an additional body, noting the increasing bureaucracy around the pooling arrangements, with several different bodies now in place meeting to discuss pooling. It was suggested that before such a body was developed clarification was required as to the role of the Pension Board in terms of the Pool, as any additional arrangements would be time consuming for staff at a time when resources were already tight. It was considered that Pension Boards were originally set up to consider the governance arrangements for Pension Fund Committees, but, the changing structure of how Local Government Pension Schemes were operated, particularly following the implementation of investment pooling arrangements, further consideration was required as to the future role of the Boards and how they fit into those arrangements.

In relation to the issue regarding the provision of documentation to the Pension Board from the BCPP it was noted that these items were public, other than those that were designated as confidential due to them complying with exemptions under the Access to Information Regulations. It was noted that the Pension Board were not receiving these documents on a regular basis, as had been anticipated. Officers stated that they would look further into this matter with a view to ensuring that documentation was appropriately provided to the Pension Board. It was also noted that the role of the Scheme Member representative appointed to the BCPP Joint Committee would be to provide feedback reports to the various Pension Boards.

In terms of the Pension Board projects it was noted that there had been little progress in these since the previous meeting and, with Mandy Swithenbank resigning from the Board, there would be no further progress on that project. With the current situation with regards to projects in mind, and the impact that the project work had on officers' time, it was suggested that consideration should be given to a more appropriate method of organising and undertaking specific project work.

In response to the issues raised, officers noted that the project undertaken by Mandy Swithenbank had resulted in a suite of governance documents being developed, which had been to the Pension Fund Committee for adoption and to Pension Board for review. This would be the process for the documents in future and, therefore, it could be considered that the project had been completed. The other projects, that were currently being undertaken, were continuous issues and, therefore, would not have a completion point. It was suggested that these projects be subject to a periodic review, rather than continuous updates. It was noted that there were a number of pressures on the Pension Fund's Administration Section at the present time, with a full scale process review taking place and a review of the software, leaving limited time for assisting with the Pension Board projects.

Members agreed that a different process for projects was required and further exploration of how those could be undertaken would be considered.

The Chairman noted that the Fund's Treasurer, Gary Fielding and Independent Observer, Peter Scales, were due to have been invited to today's meeting, however, given the change of venue it was thought more appropriate that they be invited to the April meeting of the Board.

Resolved -

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

178. Declarations of Interest

There were no declarations of interest.

179. Public Questions or Statements

There were no questions or statements submitted by members of the public.

180. Draft Minutes of the Pension Fund Committee held on 22 November 2018

The following issues were raised:-

- ◆ Clarification was provided in relation to the budgetary overspend of the Fund which had resulted from an increase in management fees as a result of the increase in the value of the Fund. In relation to this, Members questioned whether there were still hidden Investment Management fees, as it was noted that, previously, action had been undertaken to ensure that all fees were open and transparent. In response it was noted that not all Investment Managers had agreed to sign up to the Code of Transparency recommended by the Scheme Advisory Board (as it is not a mandatory requirement). However, work was still being undertaken in respect of this matter. Members emphasised the need to ensure that all fees were open and transparent, particularly with the transition into the pooling arrangements being undertaken, as it would be difficult to make comparisons, going forward, without full knowledge of the fees in place. The Chairman noted that the issue had been raised previously at Pension Fund Committee meetings and

also at the BCPP Conference and there was continuing concern around this matter. He stated that he would highlight the concerns raised by Pension Board Members at the next meeting of the Pension Fund Committee. It was noted that the Pool had signed up to the Code of Transparency.

- ◆ An issue around conflicts of interest had arisen at the Pension Fund Committee, with the Chair, County Councillor John Weighell OBE, having recently been appointed as a non-Executive Director of the BCPP Limited, a remunerated role. The County Council's Monitoring Officer had attended the beginning of the meeting to explain that, initially, County Councillor Weighell had been provided with a temporary dispensation, allowing him to continue to chair the meeting and take part in consideration of issues relating to the BCPP. However, the issue was to be referred to the Standards Committee allowing them to determine whether the dispensation would be granted on a more permanent basis. The Chairman of the Pension Board had submitted his views to the Standards Committee in relation to this request for a dispensation. It was noted that, subsequently, the Standards Committee had considered the dispensation request and had agreed that County Councillor Weighell could continue to take part in Pension Fund Committee meetings, but would not be allowed to chair or vote on issues relating to the BCPP. The Chairman stated that he was comfortable that the correct process had been followed in relation to this matter and that the Standards Committee had fully considered the issue.

Resolved -

That the Minutes, and issues raised, be noted.

181. Review of Terms of Reference

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing Members with an opportunity to review the Board's Terms of Reference. Members were invited to make comments on the Terms of Reference and make recommendations for changes, where appropriate. If changes were recommended these would need to be approved by the County Council, as the administering authority.

A Member considered that the current Terms of Reference were now out of date, as, when they were originally developed, pooling was not in place, therefore the role of the Pension Board was different. It was suggested that the issue be considered at the next meeting, alongside discussions with the Pension Fund's Treasurer and Independent Observer, subject to their availability. It was also suggested that the Pension Board could hold a workshop on the re-development of the Terms of Reference, although, it was considered appropriate that the Treasurer and Independent Observer would be required at the workshop to provide their knowledge and experience as to how these should be developed appropriately. Members considered that the review was necessary to take account of pooling arrangements and the role of the Board in relation to those.

The Chairman also noted that the four year term of appointment for a number of members of the Pension Board would come to a conclusion in July 2019, therefore, unless addressed through the revision of the Terms of Reference, appointments would be required in relation to that. It was suggested that those details should be discussed with the Treasurer and the Assistant Chief Executive (Legal and

Democratic Services) to determine an appropriate way forward in respect of terms of office for Pension Board Members, including the independent Chairman.

Resolved -

That further consideration be given to the Terms of Reference for the Pension Board at a subsequent meeting when the Treasurer and Independent Observer of North Yorkshire Pension Fund (NYPF) could attend, to provide guidance on possible and necessary amendments and, in the interim, the current Terms of Reference continue to be used.

182. Pensions Administration

Considered -

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

The following issues were addressed within the report:-

- ◆ The report and appendices that were submitted to the Pension Fund Committee in November 2018.
- ◆ The Breaches Log.
- ◆ Update on Annual Benefit Statements.
- ◆ Letters Review Project.
- ◆ Admissions and Terminations Policy.
- ◆ GMP Reconciliation Project.
- ◆ Data Score and Improvement Plan.
- ◆ CIPFA Benchmarking Return 2017/18.

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

- ◆ It was noted that the 2018 Annual Benefit Statement exercise had now finished, with preparations for 2019 underway. 96.25% of Annual Benefit Statements had been issued for 2018 with around 1135 not being issued due to scheme members not working in the post in 2017/18 or data queries. It was noted that a great deal of the data queries were in relation to one Scheme employer and that Pensions Administration officers were working closely with the employer to address that situation and a better relationship was being developed between the two parties.

The issues around the non-disclosure of data/provision of unsuitable data were discussed. It was reiterated that should a similar position arise for 2019 the Pension Board would need to give careful consideration as to whether to report the matter as a breach to the Pensions Regulator. It was noted that, if requested, an outstanding Annual Benefit Statement would be provided to an individual.

In view of the issues outlined it was requested that an update on the data provision for the 2019 Annual Benefit Statements be provided to the next Pension Board meeting to determine whether the Statements could be issued by the statutory deadline and that data was being provided effectively.

- ◆ An update was provided in relation to the GMP reconciliation project and it was noted that HMRC had now stopped accepting scheme reconciliation queries, with responses to outstanding queries which were already in progress, being received until 6 April 2019. ITM (the company dealing with the project on behalf of the NYPF) were preparing the rectification stage document which was expected to be received during the week commencing 14 January 2019. Once received the next stages could be planned and scheduled to correct records. Details of the current position were provided.

It was noted that a formal position on underpayment/overpayment when the reconciliation had been completed would be considered and adopted by the Pension Fund Committee.

- ◆ In respect of the data score and improvement plan it was noted that, in line with the requirement introduced by the Pensions Regulator the NYPF had submitted the following scores:-

- common data - 93.47%
- conditional data - 85.26%

The valuation data extract had been used this year as confirmation was still awaited from the Regulator regarding which data items should be included. Aon Hewitt had undertaken a pre-valuation data quality check and this had been utilised to measure the data quality. A Data Improvement Plan was being created to ensure quality and scores improved from year to year. Alongside this the Aon Hewitt report was being used to cleanse the data as much as possible prior to the 2019 valuation. It was noted that no benchmarking exercise had been carried out in relation to the data score as yet, but this may be required by the Pensions Regulator going forward.

- ◆ The CIPFA benchmarking return for 2017/18 showed the unit costs for the NYPF Pensions Administration was £15.46 compared with an average unit cost across the whole of the benchmarking club of £21.16. Members clarified that the £15.46 was per scheme member and considered the position to be very good with the NYPF providing an efficient and effective administrative service at a low cost.

- ◆ It was noted that a draft of the Admissions and Terminations Policy (attached to the report within papers for the Pension Board) had been presented to the Pension Fund Committee and had been approved. A thirty day consultation had been held with employers but no feedback was received. The revised policy had therefore been published on the NYPF website.

Issues around the financial control of schools were discussed in relation to how pension contributions were met. It was noted that where schools moved to academies, and were subsequently unable to pay pension contributions, because of a deficit position, then the administering authority may become responsible for meeting those payments if the Department of Education did not step in. It was noted that this could become a significant issue, particularly as a number of academies were facing difficulties in terms of finances. It was also noted that academies were seeking a single rate for pension contributions, which again would impact on Pension Funds in terms of a potential shortfall of contributions. It was suggested that this matter should be identified within the Risk Register, as going forward, it appeared to be a significant risk to the Fund.

Resolved -

- (i) That the contents of the report be noted.
- (ii) That the revised Admissions and Terminations Policy be noted and the comments made submitted to the next governance review undertaken by the Pension Fund Committee.
- (iii) That the contents of the Breaches Log be noted.

183. Internal Audit Reports

Considered -

The report of Audit Manager, Ian Morton, providing the Board with an update on Internal Audit activity.

The current status of the 2018/19 Audit Plan was detailed as follows:-

- ◆ Pension Fund investments - to commence February 2019 following initial meeting with Senior Accountant.
- ◆ Pension Fund income - in progress.
- ◆ Pension Fund expenditure - in progress.

A summary of the agreed actions for the 2017/18 Audits was appended to the report. An explanation was provided as to the details within the appendix, together with the colour coding. It was noted that none of the actions highlighted as being red, due to them not meeting the action date were vital, however, it was expected that these would be met shortly.

Resolved -

That the report be noted.

184. Risk Register

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services), presented by the Senior Accountant, Strategic Resources, providing Members with an opportunity to comment on the Pension Fund Risk Register.

Following the discussion earlier in the meeting regarding the Admissions and Terminations Policy it was suggested that the "failure of an employer", where there is no guarantor in place should be included as a risk within the Register. It was stated that consideration would be given to the inclusion of that as a risk. It was noted that the Pension Fund Committee undertook an annual review of governance at its July meeting and that it would be an appropriate time for suggestions around alterations to the Risk Register to be submitted. Members considered it appropriate that the matter had been identified as a potential risk by the Pension Board, at this stage. In relation to that the Chairman noted that the overall nature of the matter could be identified at this stage, however, further consideration would be required to determine what level of risk this carried. It was stated that this issue would be given further consideration when the next review of the Risk Register was undertaken.

It was asked whether the risks around investment returns would continue to be risks for the NYPF or whether they would transfer to the BCPP under the pooling arrangements. In response it was emphasised that there would still be a risk to the NYPF

Resolved -

That the report be noted and the issue regarding the additional risk in respect of the “failure of an employer” be considered when the Risk Register was next reviewed.

185. Pension Board Projects

It was noted that this matter had been dealt with earlier in the meeting during the discussion under the heading “Progress on Issues Raised by the Board”.

186. Pooling

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services), presented by the Senior Accountant, Strategic Resources, providing Members with an update on the progress made towards the LGPS pooling arrangements.

The following issues were outlined:-

- ◆ The Officer Operation Group had met in November, December and January with a number of workshops held in relation to the development of sub-funds.
- ◆ Details of the transition timetable were outlined, including the set-up of sub-funds that had already taken place.
- ◆ At its meeting on 21 November 2018, the Joint Committee approved the addition to its membership of a non-voting Scheme Member Representative along with a standing substitute. This matter had been discussed earlier in the meeting under the ‘issues raised by the Board’ item. It was expected that the representative would be in place for the next meeting of the Joint Committee on 11 March 2019.
- ◆ Other issues discussed at that meeting included the Terms of Reference for the Joint Committee, the responsible Investment Policies for the Pool, the global equity and alternatives sub-funds and a budget update which highlighted a small underspend in the implementation budget. It was also expected that there would be an underspend on the 2018/19 annual budget. underspend .

In relation to identifying costs it was asked whether the Pension Board would be provided with appropriate documentation from the Pool, to its subsequent meetings, as had been requested previously. It was stated that further contact would be made with the Pool to determine which documents were considered to be confidential, however, all those in the public domain are shared with relevant bodies, such as the Pension Board. In terms of the operating budget it was noted that this had not yet been published for 2019/20, as it had not yet received final approval, and details would be provided as soon as that was in place.

- ◆ The BCPP Annual Conference had been held in Leeds on 8/9 November 2018 and had been attended by several Members of the Pension Board.
- ◆ The global equities sub-fund would be launched in Quarter 3, 2019 and the NYPF had committed to a substantial investment into that.
- ◆ Clarification was provided as to the holding of cash in terms of pooling and it was noted that any cash investments would continue to be held by the NYPF.
- ◆ It was noted that de-risking of the Investment Strategy would continue prior to the transition of funds into pooling arrangements.

Resolved -

That the content of the report be noted together with the issues raised.

187. Training

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training and asking Members to consider the results of the skills matrix and self-assessment questionnaires that had been returned at this stage.

Details of the training events attended and activities undertaken by Pension Board members were appended to the report and it was noted that these were up-to-date.

In terms of the skills matrix/self-assessment, this had been circulated following the previous meeting, however, not all of these had been returned. It was considered appropriate, therefore, that a full evaluation of the returns would be undertaken when all the details had been submitted. Following that a detailed training plan would be developed to take account of any skills shortages identified from the information provided.

Resolved -

- (i) That the current training record be noted.
- (ii) That further consideration be given to the development of appropriate training when all the skills matrix and self-assessment questionnaires had been returned.

188. Work Plan - Annual Review and Plan for 2019

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) highlighting the reviewed Work Plan for 2019 and providing dates for the ordinary meetings of the Pension Board until the end of the 2019/20 municipal year.

The Chairman stated that he and officers had recently undertaken a review of the Work Plan which was appended to the report. He noted that some of the work items

had been amalgamated and others, which were irrelevant to the Board, had been removed to ensure that the Work Programme was appropriate. He also noted that following earlier discussions in the meeting, the project work by Members would not be continued until an appropriate process for undertaking individual projects had been developed.

Resolved -

- (i) That the Work Plan, as set out in Appendix 1 to the report, be agreed.
- (ii) That any further project work be postponed until an appropriate process, and procedures, had been put in place for undertaking these.
- (ii) That the following dates for ordinary meetings until the end of the 2019/20 municipal year be agreed:

All Thursday at 10 am

11 April 2019
18 July 2019
3 October 2019
16 January 2020
9 April 2020

The meeting concluded at 12.10 pm.

SL/JR