

## 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.

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

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**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

**North Yorkshire County Council**

**Pension Board**

**11 April 2019**

**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/ 24 January 2019	Minute no. 89 – LGPS Pooling update / Minute no. 110 Draft minutes of Pension Fund Committee – Scheme Member representation on the Joint Committee / Minute no 177(b) - progress on Issues raised	To consider the appointment of Scheme Member representation, through a co-option process, to the Joint Committee.	There has been progress on this issue with an appointment having been made and an update will be provided at the meeting.

18 January 2018 / 12 April 2018/ 19 July 2018/ 11 October 2018/24 January 2019	Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 145 – Pooling / Minute no. 166 – Pooling / Minute no 177(b) - progress on Issues raised	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 2018/24 January 2019	Minute No 100 – Risk Register / Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 177(b) – progress on Issues raised / Minute no 186 Pooling	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. A further request for financial information was made at the Board's January meeting to ensure that suitable comparisons could be made to the current costs of the Fund and those in place when Pooling was in place. It had been noted that, once appointed, a specific role of the Scheme Member representative on the JCC would be to report back to Pension Boards on significant issues, and it was expected that the provision of appropriate documentation would be part of this process.
24 January 2019	Minute No 185 – Pension Board projects	Members agreed to consider a different process for undertaking specific projects, going forward.	Following the review of the Terms of Reference at the July 2019 meeting of the Board, further consideration be given as to how best to develop specific projects related to the work plan.

11 October 2018/24 January 2019	Minute no 172 Governance Arrangements and Minute no 181 Review of Terms of Reference	Review of Pension Fund Governance Documents by the Pension Board and a Review of the Board's Terms of Reference given the significant changes to the LGPS since the Board was established.	The Pension Fund's Independent Observer, Peter Scales and Treasurer, Gary Fielding, have been invited to discuss the Pension Board's role in this process, to give an annual appraisal of the overall function of the Board, and to assist with a review of the Board's Terms of Reference given the significant changes to the LGPS since the Board was created. In line with their availability they will be attending the July meeting of the Board to assist with these considerations.
11 October 2018 / 24 January 2019	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 were to be evaluated at the January meeting, however, there some forms had not been returned, therefore, this was postponed. The returns were still outstanding at the time this report was written.
24 January 2019	Minute No 184 – Risk Register	Add "failure of an employer with no guarantor" to the Fund's Risk Register	Board Members considered this to be a significant risk that was not currently identified in the Risk Register. It was stated that the issue would be taken to the July 2019 Meeting of the Pension Fund Committee, when the Risk Register would next be reviewed, for consideration to be given to its inclusion and the potential level of risk that it carries.

### 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

Report Author – Steve Loach

April 2019

Background Documents – None

## North Yorkshire County Council

## Pension Board

11 April 2019

## Membership of the Board

**1.0 Purpose of the Report**

To provide a temporary continuation of the current Membership of the Board until a full review of the Terms of Reference has been undertaken and implemented.

**2.0 Background**

Section 2 of the Terms of Reference for the Board, implemented in July 2015 (**Appendix 1**), outlines the terms of office for the independent Chair of the Board, and Members appointed at that time, as being for four years, with them then seeking to be reappointed or new appointments being made. Those terms of office will come to an end in July 2019, however, this coincides with a substantial review of the Board's Terms of Reference, to take account of the changes that have taken place in respect of the Local Government Pension Scheme since the creation of the Board.

**3.0 Membership**

To enable an effective and consistent approach to the review of the Terms of Reference for the Board it is proposed that the Independent Chair, and those appointed in July 2015, be provided with an extension to their terms of office, until January 2020. This would allow the revised Terms of Reference to be implemented effectively and consistently before commencing a recruitment programme for the reappointment or replacement of the Independent Chair and those Members affected.

**4.0 Recommendation**

That it be recommended to the County Council that the Independent Chair, and Members appointed to the Board in July 2015, be given a temporary continuation to their terms of office, until January 2020, allowing a comprehensive review of the Board's Terms of Reference to be undertaken in a consistent and effective manner.

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

Report author – Steve Loach

Background Documents: None

## 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.

**North Yorkshire County Council****Pension Board****11 April 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 January 2019 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**

Work is well underway on the 2019 year end and benefit statement process. The statement templates have been updated and signed off and year end data is due to be received by the 30 April. A later date of 31 May has been agreed with NYCC for their main payroll with the agreement we receive the other payrolls they manage by 30 April.

The deadline is particularly pertinent this year as it is also the triennial valuation year so data has to be finalised before being sent to the Actuary in mid June.

**5. Letter Review Project**

The additional resource that has been trained is having a positive impact on the delivery of the letter review project. Unfortunately the latest release of the administration software has broken some key functionality. We are in discussions with the supplier, Heywoods, to try and have the issues resolved so we can recommence development.

**6. GMP Reconciliation Project**

The reconciliation stage of the project is continuing to progress and a project plan has been developed to deliver the rectification stage of the project. It is expected the active and deferred member records will be corrected in May 2019 with all pensioners being corrected by the March 2020 pension instalment.

## **7. Pension Team Restructure**

Following a lengthy review of the current pensions team structure and analysis of the flow of work through the team it has been determined that a restructure of the section is required.

The objectives of the restructure are:

- To improve the flow of work through the team
- To re-engage with employers
- To cross skill team members through the operation of rotation between smaller teams
- To improve new staff induction and development
- To develop resilience and cross team capability when activities or demand require it
- To provide a clear career path with the capability to develop the relevant skills along the way

The benefits expected are:

- Better relationships with employers
- Improved customer service through
  - Better data received from employers
  - Better and more timely information from employers regarding member movements
  - Fewer queries being raised resulting in less delays
- Improved efficiency through
  - Smaller task specific teams more targeted on a few key deliverables
  - Cross skilling of staff leading to knowledge transfer & less specialisms
- More time to undertake value added activities like data cleansing, promotion of member self-service and stakeholder presentations
- More time to handle complex cases
- Fewer complaints
- Improved turnaround times
- Improved performance against SLAs
- Rotations enable
  - Cross skilling of staff whilst on the job
  - Removal of knowledge drain when staff leave
  - Keep staff interested reducing turnover

## **8. Recommendation**

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

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

Phillippa Cockerill  
Head of Pensions Administration  
County Hall  
Northallerton

03 April 2019  
Background Papers - Nil

## North Yorkshire County Council

## Pension Fund Committee

21 February 2019

## 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**. Whilst the numbers in progress have decreased we have a large volume of academy conversions in the pipeline.

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

Membership Category	At 30/09/2018	+/- Change (%)	At 31/12/2018
Active	32,263	+2.22	32,979
Deferred	36,545	+0.63	36,774
Pensioner (incl spouse & dependant members)	22,130	+1.11	22,377
<b>Total</b>	<b>90,938</b>		<b>92,130</b>

**3.2. Throughput Statistics**

- Period from 1 October to 31 December 2018

Casetype	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	6	30	27	9
Transfer Out quotes	22	112	125	9
Employer estimates	9	184	178	15
Employee estimates	33	197	230	0
Retirement quotes	61	558	588	31
Preserved benefits	263	725	870	118
Death in payment or in service	36	59	70	25
Refunds	55	676	702	29
Actual retirement procedure	134	429	501	62
Interfund transfers	51	112	120	43
Aggregate member records	86	227	268	45
Process GMP	135	2	5	132
Others	90	420	426	84
<b>Total Cases</b>	<b>981</b>	<b>3731</b>	<b>4110</b>	<b>602</b>

- Alongside the above cases the Pensions team also handled 4,811 phone calls (average 100 per day) and 1,273 emails received via the Pensions Inbox (average 21 per day) in the quarter to 31 December 2018.
- The weekly focussed work days continue and continue to be successful in driving down the volume of outstanding work.

### 3.3. Performance Statistics

- The performance figures for the period 1 October 2018 to 31 December 2018 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	93%
Customers surveyed ranking service good or excellent	94%	85%
Increase numbers of registered self-service users by 700 per quarter	700	627

- 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 however, we have seen an improvement in this quarter compared to the last one. 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
Oct 2018	1	Knowledgeable, approachable and patient
Nov 2018	5	Helpful staff & service was exceptional
Dec 2018	2	Excellent service

#### Complaints

Date	Number	Summary
Oct 2018	1	Regulatory - Incorrect AVC options provided to member by Prudential
	1	IHER appeal
Nov 2018	1	IHER appeal
Dec 2018	2	Administration - Member transferred benefits out in 2014 and it has become apparent it was a scam - Tell Us Once notification not received and pension instalment paid in error
	1	IHER appeal

- The complaint categories are:
  - Administration - these can relate to errors in calculations, delays in processing and making payment of benefits.
  - Regulatory - these relate to a complaint where regulations prevent the member being able to do what they want to.
  - 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 there were no obvious trends or lessons to be learnt. It has however, become apparent that we appear to have a problem receiving some notifications via the Tell Us Once system which we are following up with the DWP.

### 3.5. Annual Benefit Statements 2018

- 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.

## 4. Issues and Initiatives

### 4.1. GMP Reconciliation

- 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 6th April. ITM are preparing the rectification stage document and this was expected to be received week commencing 14th January.
- Once this is received the rectification stage 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>

### 4.2. Data Score and 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%

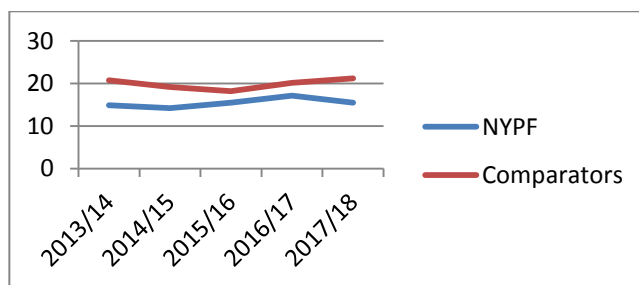
Conditional Data: 85.26%

- Common data is that set of data that is defined as necessary and applicable to all members of all schemes. This data is that required to identify scheme members. For example, surname, date of birth, national insurance number, address, etc. There are 10 data items listed by the Pensions Regulator as being classed as common data.
- Conditional data is that set of data that is defined as additional detailed data required for the administration of a pension scheme. This data is dependent on scheme type, structure and system design. For example, employer, salary history, contributions, transfer in details, etc.
- 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.

- The target set by the Pensions Regulator is 100% for common data created after June 2010 and 95% for common data created after this date. Targets for the standards of conditional data should be set by the Committee in conjunction with the administrators of the scheme. The NYPF proposes a target of 95% as being both reasonable and achievable taking account of the volume and nature of this data.
- Alongside this we are using the Aon report to cleanse the data as much as possible prior to the 2019 valuation.

#### 4.3. 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.
- NYPF continues to provide an administration service at a lower cost than funds of a similar size.



#### 4.4. Breaches Policy & Log

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

#### 4.5. 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. Member Training

- 5.1. The Member Training Record showing the training undertaken over the year to 31 December 2018 is attached as **Appendix 3**.
- 5.2. Members will be asked to complete the CIPFA Skills Matrix by the end of March as agreed in the 13 September 2018 PFC meeting. These responses will be collated and used to produce a training plan that will address any gaps.
- 5.3. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 4**. 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.

### 6. Meeting Timetable

- 6.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 5**.

## **7. Recommendations**

- 7.1. Members to note the contents of the report.
- 7.2. Members to note the contents of the Breaches Log.

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

13 February 2019



Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
Ainderby Steeple CoE Primary School	NYCC	Dales Academies Trust	1.1.2019	Complete
George Pindar School	NYCC	Hope Learning Trust	1.3.2019	Will be progressed nearer the time
Graham School	NYCC	Hope Learning Trust	1.3.2019	Will be progressed nearer the time
Danesgate Community School	COYC	South York Multi Academy Trust	1.3.2019	Will be progressed nearer the time
Northallerton School & Sixth Form College	NYCC	Arete Learning Trust	1.4.2019	In progress
Skelton Primary School	COYC	Hope Learning Trust	1.4.2019	Will be progressed nearer the time
Starbeck Primary School	NYCC	Northern Star Academies 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
Sacred Heart Roman Catholic Voluntary Aided Primary School, Northallerton	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Francis Xavier RC/CofE	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Benedict's Roman Catholic Primary School, Ampleforth	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St George's Roman Catholic Primary School, Scarborough	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Augustine's RC Secondary	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Hedda's Roman Catholic Primary School	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Hilda's Roman Catholic Primary School	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Joseph's Roman Catholic Primary School, Pickering	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Mary's Roman Catholic Primary School, Malton	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
St Mary's Roman Catholic Primary School, Richmond	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Peter's Roman Catholic Primary School	NYCC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St George's RC Primary School, York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
All Saints, York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Wilfrid's RC Primary School	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Aelred's York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
OLQM York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	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
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
Stillington Primary School	NYCC	Not yet known	1.2.2019	Proposed conversion date was 1.2.2019 with Hope Learning Trust. Project now on hold. School no longer converting with Hope Learning Trust and new sponsor being sought

**Admission Bodies –14 ‘in progress’**

<b>Name of Employer</b>	<b>Name of Contractor</b>	<b>Staff Transfer Date</b>	<b>Current Position</b>
City of York Council – Youth Persons Counselling Services	York Mind	1.1.2019	Complete
Tockwith CoE Primary Academy	Hutchison Catering Limited	10.12.2018	Complete
Outwood Primary Academy Greystone (Outwood Grange Academies Trust)	ISS Mediclean	5.11.2018	In progress – transfer of catering staff
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
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
Barlby High School (Hope Learning Trust)	Hutchison Catering Ltd	4.3.2019	In progress - transfer of catering staff
Skelton School (COYC school joining the Hope Learning Trust 1.4.19)	Absolutely Catering Limited (part of the CH&Co Catering Group)	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
City of York Council (Haxby Hall Care Home)	Yorkare Homes Ltd	June 2019	Future service rate provided, admission agreement will be progressed nearer the time. Transfer delayed from January 2019
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>
OCS Group UK Limited	31.3.2017
Superclean Services Limited	16.7.2017
Joseph Rowntree Charitable Trust	31.12.2017
York Arts Education (Community Interest Company)	31.3.2018
Housing & Care 21	31.8.2018
Be Independent	TUPE transferred back to the City of York Council wef 1.8.18. Exit calculation in progress



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)
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>
CIPFA	LGPS Members Spring Seminar	25 February 2019	Barnett Waddingham Leeds	They will provide the latest information updates, training on specific topics and opportunities for discussion and networking with members of other funds' boards.
CIPFA	LGPS Spring Officers Spring Seminar	25 February 2019	Barnett Waddingham Leeds	They will provide the latest information updates, training on specific topics and opportunities for discussion and networking with members of other funds' boards.
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	A specialist pension event for Local Authorities, designed to look at the ever-changing Local Authority Pension Scheme. The conference includes keynote speeches, specialist breakout sessions, a Learning Zone, fringe meeting, a welcome drinks reception, conference dinner and exhibitions
PLSA	Annual Conference & Exhibition 2019	16-18 Oct 2019	Manchester Central, Windmill Street, Petersfield, Manchester, M2 3GX	Our flagship event, a three day conference attracting over 1,500 attendees – the most important event of the year for anyone involved in pensions (trustees, pension scheme managers, administrators, HR specialists, finance directors and their advisers). The event includes a trade exhibition of approximately 80 exhibition stands.
LAPFF	Annual Conference	4,5,6 December 2019	TBC	TBC – Save the date



## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2019

Meeting Date	Time & Venue	Event	Fund Managers
21 February 2019	10am, Oak Room	Pension Fund Committee	
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



**North Yorkshire County Council**

**Pension Board**

**11 April 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>Audit</u>	<u>Days</u>	<u>Status</u>
Pension Fund Investments	15	Delayed until June following request from Senior Accountant (Pensions)
Pension Fund Income	15	In Progress
Pension Fund Expenditure	15	Draft

**Audit Plan 2019/20**

A proposed audit plan for 2019/20 will be presented to the next meeting of the Pensions Board following discussions with officers. A total of 50 days for Pensions audit work has been provisionally agreed by the Audit Committee, and this will allow 45 days for targeted pension's audits, after deduction a 5 day allowance to cover general advice, follow up and Pensions Board attendance.

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 17/18	1	31/03/2019	Head of Pensions	Phillippa Cockerill	Questionnaire sent 01/04
	2	31/03/2019	Head of Pensions	Phillippa Cockerill	Questionnaire sent 01/04
	3	31/03/2019	Head of Pensions	Phillippa Cockerill	Questionnaire sent 01/04
	4	31/08/2018	Head of Pensions	Phillippa Cockerill	Done 28/09
	5	30/11/2018	Head of Pensions	Phillippa Cockerill	Done 23/01
	6	31/05/2018	Head of Pensions	Phillippa Cockerill	Done 28/09
	7	31/03/2019	Head of Pensions	Phillippa Cockerill	Questionnaire sent 01/04
	8				Completed at the time of audit
	9	31/03/2019	Head of Pensions	Phillippa Cockerill	Questionnaire sent 01/04
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	Done 28/09
	4	31/07/2018	Head of Pensions	Phillippa Cockerill	Done 24/09
	5	31/03/2019	Head of Technical	John Raine	Questionnaire sent 01/04
	6	01/04/2020	Head of Pensions	Phillippa Cockerill	Not yet due
	7	31/03/2019	Senior Accountant	Amanda Alderson	To be covered in discussion below
	8	31/12/2018	Senior Accountant	Amanda Alderson	Response Received to be discussed further with AA
	9	31/12/2018	Senior Accountant	Amanda Alderson	Done 28/03
Pension Fund Governance Arrangements 17/18	1	31/10/2018	Assistant Chief Executive (legal & democratic)	Barry Khan	Action completed confirmed at Pensions Board
	2	31/10/2018	Senior Accountant	Amanda Alderson	Done 23/11
	3	31/10/2018	Head of Pensions	Phillippa Cockerill	Done 14/11
	4	31/08/2018	Head of Pensions	Phillippa Cockerill	Delayed to 31/03 Questionnaire Resent 01/04

**NORTH YORKSHIRE COUNTY COUNCIL****PENSION BOARD****11 APRIL 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 is continuing and a number of workshops are being held with Partner Funds on the design of the different sub-funds. The next sub-funds to be launched are the Global Equity Alpha, Alternatives and fixed income sub-funds. The workshops are currently concentrating on these asset classes and decisions on commitment from Funds will be required from Pension Fund Committees over the upcoming months.
- 2.2 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
- 2.3 The first sub-funds that NYPF are expected to transfer into are the UK Equity Alpha and the Global Equity Alpha sub-funds during 2019. Due diligence will be completed in advance of all transitions.

**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. An election was held in February 2019 to fill these posts from the scheme member representatives on the Local Pension Boards of the 12 Partner Funds. The representative, appointed from the Tyne and Wear Pension Board, was therefore able to attend the last Joint Committee meeting on 11 March 2019.

## 4.0 MHCLG ASSET POOLING CONSULTATION

4.1 The Ministry of Housing Communities and Local Government (MHCLG) has prepared new statutory guidance on LGPS asset pooling. This draft guidance sets out the requirements of administering authorities, replacing the previous guidance, and builds on previous Ministerial communication on investment strategies. The guidance covers the following areas:

- **Structure and scale of LGPS Pools-** including the responsibility of appointing investment managers (which now lies with the pool), FCA regulation and the use of internally and externally managed funds within the pool
- **Governance-** including the strategic versus tactical asset allocation and where the responsibility lies
- **Transition of Assets to the Pool-** including timescales for transition, transition costs, temporary retention of existing assets and review of these retained assets
- **Making new investments outside of the pool-** including the circumstances where this would be allowed
- **Infrastructure investment-** including the responsibility of the pool to provide the capability for infrastructure investment
- **Reporting-** including the introduction of new CIPFA guidelines for preparing the annual report that includes new sections on LGPS Pooling

4.2 A 12 week informal consultation was launched on this draft statutory guidance that ended on 28 March 2019. The North Yorkshire Pension Fund drafted a response to this in conjunction with both the Pension Fund Committee and the Pension Board. The final response submitted to MHCLG is attached as **Appendix 1**.

## 5.0 SHAREHOLDER REPRESENTATION ON BCPP BOARD

5.1 To inform Board members, the Chair of the NY PFC has now resigned as a non-executive director of the BCPP Board.

## 6.0 MEETINGS AND NEXT STEPS

6.1 The next Officer Operations Group meeting will be held on 24 April 2019.

6.2 The last Joint Committee meeting was held on 11 March 2019 and next meeting will be held on 4 June 2019.

6.3 Attached is the latest pooling update report that went to the PFC on 21 February 2019 (**Appendix 2**). A verbal update will also be provided on any meetings held since the last Board meeting at the April meeting.

## **7.0 RECOMMENDATION**

7.1 Board members to note the content of the report.

Report Author:

Amanda Alderson  
Senior Accountant, Strategic Resources

April 2019

Background Papers - Nil

## **Local Government Pension Scheme**

### **Statutory guidance on asset pooling**



## **Contents**

### **Foreword**

- 1 Introduction**
- 2 Definitions**
- 3 Structure and scale**
- 4 Governance**
- 5 Transition of assets to the pool**
- 6 Making new investments outside the pool**
- 7 Infrastructure investment**
- 8 Reporting**

## **Foreword**

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

## 1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

## 2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

**'Pool'** the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

**'Pool member'** an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

**'Pool governance body'** the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

**'Pool company'** the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

**'Pool fund'** a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

**'Pool vehicle'** an investment vehicle (including pool funds) made available to pool members by a regulated pool company

**'Pooled asset'** an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

**'Retained asset'** an existing investment retained by a pool member during the transition period

**'Local asset'** a new investment by a pool member which is not a pooled asset

## 3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

**The Fund is supportive of the clarification that the decision to invest internally or externally remains with the individual Funds.**

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

#### *Regular review of services and procurement*

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks ([www.nationallgpsframeworks.org](http://www.nationallgpsframeworks.org)) where appropriate.

#### *Regular review of active and passive management*

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

**We agree that Funds should regularly review the net of fee performance of each of their investments and a reasonable period of time for this assessment should be over a minimum of 5 years. However this clause suggests that passive management provides better net of fee returns than active management and Funds should look to move to passive investments. As a Fund that is currently fully actively managed and has generated significant outperformance from this active management, we do not agree with this statement. It is also not the intention of Pooling to reduce active management; therefore the Fund would question the relevance of this clause in the guidance.**

## **4 Governance**

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic

asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

**The Fund welcomes the clarification that strategic asset allocation remains the responsibility of the individual Fund.**

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

**The Fund is very supportive of the final sentence in this paragraph and agrees that investment decisions should not be made simply to minimise costs in the short term; long term risk adjusted net returns should be the key metric for Funds. However, an individual Fund's fiduciary duty is to its employers, members and local tax payers, not the LGPS scheme as a whole, as set out in the clause.**

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

**We are pleased that there is recognition that Local Pension Boards have a key role in pool governance. However, we feel that the statutory guidance should be more specific about the role of Local Pension Boards in relation to pool governance. As stated in 4.5 above, existing LGPS Regulations set out the responsibilities of Local Pension Boards in relation to administering authorities, so it would seem sensible and bring clarity if the statutory guidance did likewise in relation to a Local Pension Board's role in pool governance.**

**In addition, there is currently uncertainty as to what information and data about a Pool/Pool company can and should be released to Local Pension Boards. The description "Private & not for public circulation" is being used frequently. We suggest that the statutory guidance includes a requirement that Pools should release to Local Pension Boards all information and data which an administering authority is entitled to receive. This could be released on a "Confidential" basis where information is "commercially sensitive".**

**Without the above additions it is not clear how Local Pension Boards will be able "...to provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers."**

### *Strategic and tactical asset allocation*

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

The proposal in this clause is for Funds to agree between them as to what is “strategic” and what is “tactical” in terms of asset allocation. This is a vague solution which does not reflect the differences between Funds. This lack of definition is likely to result in a lot of debate between the different member Funds within the Pool and will be difficult to reach a consensus on. As stated in this guidance, it is the responsibility of each Fund to develop its own investment strategy and it is suggested that it is for them to decide what is strategic and then agree with the pool how this strategy will be implemented. Only where there is a major issue should the pool governance bodies get involved. Each pool member needs to have the flexibility to take a liability based approach, hedge currency, take equity protection or engage in other strategies which are important to meet their objectives, but which may for the foreseeable future, not be offered by the pool. It also needs to be borne in mind that each Pool may have two Funds, for example, one of which with a high funding level and one a low funding level where their approaches to strategic and tactical asset allocation and risk appetite etc. may be very different.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

As set out in paragraph 4.7 of the guidance, asset allocation decisions should always lie with the Fund and is always under review. Therefore the Fund does not believe this proposal for a regular review of where asset allocation decisions lie is required.

## **5 Transition of assets to the pool**

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

Transition costs are likely to be the largest cost to the Fund of pooling; therefore the transition of funds is extremely important to NYPF. It is important to ensure that we get the balance right between the speed, cost and timing of transition to ensure that the Fund does not incur any unnecessary costs.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

#### *Temporary retention of existing assets*

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Whilst the Fund agrees with the ability to retain existing assets outside of the Pool on a temporary basis, this does not take into consideration alternative assets, for example, private equity where commitments last for a number of years. The use of 'temporary' in these circumstances is not helpful. In our case BCPP will, in due course, be offering the ability to transfer legacy assets into the pooled structure but this may not suit all circumstances and may not be the case for all Pools. It should be acknowledged that 'temporary' or 'interim' arrangements may in fact last a number of years, until an investment matures.

#### *Regular review of retained assets*

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

## 6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

**The Fund welcomes the ability to invest in other Pools. This provides additional flexibility and enables Funds to maintain their commitment to the pooling of assets where they are unable to invest in their current Pool for any reason.**

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

**The Fund supports the proposal that new investments in the Pool can be taken following the review of investment strategies as part of the 2019 Triennial Valuation to avoid any unnecessary transition costs. The proposal in 6.4 that the Fund can also continue to make new investments outside of the Pool until suitable sub-funds are available within the Pool is also welcomed as it is essential that Funds operate in a manner consistent with their funding needs and investment strategy rather than being determined principally by Pool timetables.**

## 7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.



The Fund supports the absence of a specific target for infrastructure investment and the recognition that Funds should consider both UK and overseas investments in this asset class.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

*Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:*

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

*Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.*

*Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.*

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

## 8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

Reporting on total investment costs is raised and whilst this is important, especially given that Funds will incur transition costs, the key focus of reporting should be on the long term investment performance of the Pool, net of fees rather than being purely on costs. All reporting, including that of transitions, should also be on an industry best practice basis, so that all the information can be reviewed consistently.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class

- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
  - asset transition during the reporting year
  - transition plans for local assets
  - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
  - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

*For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.*

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

In paragraph 8.1 the requirement for Funds to follow the new CIPFA guidance on *Preparing an Annual Report* is set out. Therefore the further detail on this CIPFA guidance set out in paragraphs 8.2 to 8.5 appear to be unnecessary in this pooling guidance. There is also an issue with the April 2019 publish date for this guidance if they are to be followed for this financial year, as by this time most Funds will be well on the way to producing their Accounts.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

**NORTH YORKSHIRE COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**21 FEBRUARY 2019**

**LGPS POOLING ARRANGEMENTS**

**Report of the Treasurer**

**1.0 PURPOSE OF REPORT**

- 1.1 To update Members on progress towards the Government's announced proposal to pool the assets of LGPS funds.

**2.0 RECENT EVENTS**

- 2.1 The last Joint Committee (JC) meeting was held on 21 November 2018. An update from this meeting was provided in the November PFC meeting. There have been no further JC meetings since the last PFC meeting.
- 2.2 The key focus remains on the setting up of sub-funds and transitioning of funds into the pool. The transition of funds into the Global Equities and UK equities sub-funds is covered in detail within the Investment Strategy item on the agenda.
- 2.3 A verbal update on BCPP developments will be provided at the meeting by the Chairman and Treasurer.

**3.0 RESPONSIBLE INVESTMENT**

- 3.1 As part of the initial pooling submission in July 2016, the Government required each Pool to have an approach to responsible investment (RI) with a commitment that a written RI policy would be in place at Pool level by 1 April 2018. BCPP's Responsible Investment Policy and Corporate Governance & Voting Guidelines were developed in 2017 in conjunction with the twelve Partner Funds to satisfy this. These policies were approved in the November 2017 Committee meeting.
- 3.2 Both policies are reviewed by BCPP annually in conjunction with Partner Funds. The latest revisions of these policies were approved by the Joint Committee at their meeting on 21 November 2018. The revised policies do not contain any changes to the underlying principles. They have been updated following feedback from BCPP's voting and engagement partner, Robeco, to enable clearer implementation of the policies. They also now

reflect the changes required to facilitate BCPP becoming a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI).

- 3.3 The latest Policies are attached as **Appendix 1 & 2**. Members are asked to review the attached policies and consider the adoption of these principles into NYPF's own policies in line with the industry best practice.

#### **4.0 NEXT STEPS**

- 4.1 The next Joint Committee meeting is to be held on 11 March 2019.

#### **5.0 RECOMMENDATION**

- 5.1 Members to note the content of the report and verbal updates provided in the meeting.
- 5.2 Members to consider the adoption of BCPP'S Responsible Investment principles into NYPF'S own policies.

GARY FIELDING  
Treasurer, North Yorkshire Pension Fund  
NYCC  
11 February 2018

# Responsible Investment Policy

**Border to Coast Pensions Partnership**



November 2018

## Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to our Partner Funds in their delegation of responsible investment (RI) and stewardship responsibilities.

### 1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorized investment fund manager (AIFM). It operates investment funds for its twelve shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

Border to Coast believes that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments, both internally and externally managed, across all asset classes. The commitment to responsible investment is communicated in the Border to Coast UK Stewardship Code compliance statement. As a long-term investor and representative of asset owners, we will therefore, hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We will incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation.

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds.

### 2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership, using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance.

### 3. Governance and Implementation

Border to Coast takes a holistic approach to sustainability and as such it is at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines. Border to Coast has a dedicated staff resource for managing RI within the organisational structure.

The RI Policy is jointly owned and created after collaboration and engagement with our twelve Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed and updated as necessary.

### 4. Skills and competency

Border to Coast will, where needed, take proper advice in order to formulate and develop policy. The Board and staff will maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice will be taken from suitable RI specialists to fulfil our responsibilities.

### 5. Integrating RI into investment decisions

Border to Coast will consider material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues will be considered and monitored in relation to both internally and externally managed assets. The CIO will be accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

<b>Environmental</b>	<b>Social</b>	<b>Governance</b>	<b>Other</b>
Climate change Resource & energy management	Human rights Child labour Supply chain Human capital Employment standards	Board independence/ diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Bribery & corruption

### **5.1. Listed Equities (Internally managed)**

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection.

ESG data and research from specialist providers is used alongside general stock and sector research when considering portfolio construction, sector analysis and stock selection. The Head of RI will work with colleagues to raise awareness of ESG issues. Voting and engagement should not be detached from the investment process; therefore, information from engagement meetings will be shared with the team to increase knowledge, and portfolio managers will be involved in the voting process.

### **5.2. Private Markets**

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast will take the following approach to integrating ESG into the private market investment process:

- ESG issues will be considered as part of the due diligence process for all private market investments.
- A manager's ESG strategy will be assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the Head of RI as required.
- Managers will be requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring will include identifying any possible ESG breaches and following up with the managers concerned.

### **5.3. Fixed Income**

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis will therefore be incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

The approach to engagement also differs as engagement with sovereigns is much more difficult than with companies. Third-party ESG data will be used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis will be used to determine a bond's credit quality. Information will be shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.



#### 5.4. External Manager Selection

RI will be incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP will include specific reference to the integration of ESG by managers into the investment process and to their approach to engagement.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI policy.

The monitoring of appointed managers will also include assessing stewardship and ESG integration in accordance with our policies. All external fund managers will be expected to be signatories or comply with international standards applicable to their geographical location. Managers will be required to report to Border to Coast on their RI activities quarterly.

#### 5.5. Climate change

Border to Coast will actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect its investments. These pose significant investment risks and opportunities with the potential to impact the long-term shareholder value of investments across all asset classes. Risks and opportunities can be presented through a number of ways and include: physical impacts, technological changes, regulatory and policy impact, transitional risk, and litigation risk. Border to Coast will therefore look to:

- Assess its portfolios in relation to climate change risk where practicable.
- Incorporate climate considerations into the investment decision making process.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)<sup>1</sup> recommendations.
- Encourage companies to adapt their business strategy in alignment with a low carbon economy.
- Support climate related resolutions at company meetings which we consider reflect our RI policy.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies.
- Monitor and review its fund managers in relation to climate change approach and policies.
- Participate in collective initiatives collaborating with other investors including other pools and groups such as LAPFF.
- Engage with policy makers with regard to climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).

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<sup>1</sup> The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) - The TCFD developed recommendations on climate-related financial disclosures that are applicable to organisations (including asset owners) across sectors and jurisdictions.

<https://www.fsb-tcfid.org/publications/finalrecommendations-report/>

## 6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation. As a responsible shareholder, we will become a signatory to the UK Stewardship Code<sup>2</sup> and the UN Principles of Responsible Investment<sup>3</sup>.

### 6.1. Voting

Voting rights are an asset and Border to Coast will exercise its rights carefully to promote and support good corporate governance principles. It will aim to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our website at: Corporate Governance & Voting Guidelines.

A specialist proxy voting advisor will be employed to provide analysis of voting and governance issues. A set of detailed voting guidelines will be implemented on behalf of Border to Coast by the proxy voting advisor to ensure that votes are executed in accordance with policies. The voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances.

Where possible the voting policies will also be applied to assets managed externally. Policies will be reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund wishes Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will be recalled ahead of meetings, and lending can also be restricted, when:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies depositing their shares shortly before the date of the meeting (usually one week) with a designated depository.

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<sup>2</sup> The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

<https://www.frc.org.uk/Our-Work/CodesStandards/Corporate-governance/UK-Stewardship-Code.aspx>

<sup>3</sup> The Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

During this blocking period, shares cannot be sold until after the meeting has taken place; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may abstain from voting those shares.

Where appropriate Border to Coast will consider co-filing shareholder resolutions and will notify Partner Funds in advance. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

## 6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights. The services of specialist providers may be used when necessary to identify issues of concern.

Border to Coast has several approaches to engaging with investee holdings. Meeting and engaging with companies is an integral part of the investment process. As part of our stewardship duties we regularly monitor investee companies and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible. Border to Coast and all twelve Partner Funds are members of the Local Authority Pension Fund Forum (LAPFF). Engagement takes place with companies on behalf of members of the Forum.

We will seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This will be achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.

Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and compliment other engagement approaches, an external voting and engagement service provider will be appointed. Engagement will take place with companies in the internally managed portfolios across various engagement streams; these will cover environmental, social, and governance issues as well as UN Global Compact<sup>4</sup> breaches.

We will expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policy.

We will engage with regulators, public policy makers, and other financial market participants as and when required. We will encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

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<sup>4</sup>UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

### **6.3. Litigation**

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, we will, where appropriate, participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We will use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We will work with industry professionals to facilitate this.

## **7. Communication and reporting**

Border to Coast will be transparent with regard to its RI activities and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting policies; publishing voting activity on our website quarterly; reporting on engagement and RI activities to the Partner Funds quarterly; and in our annual RI report.

Consideration will also be given to voluntarily reporting in line with the TCFD recommendations.

## **8. Training and assistance**

Border to Coast will offer the Partner Funds training on RI and ESG issues. Where requested, assistance will be given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

## **9. Conflicts of interest**

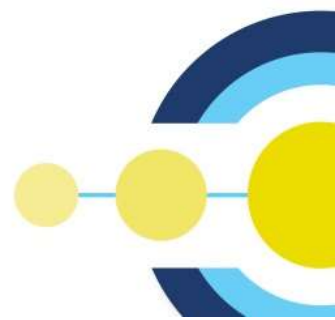
Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest.

# Corporate Governance & Voting Guidelines

**Border to Coast Pensions Partnership**



November 2018



## 1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role is to appoint the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

## 2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Investment Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

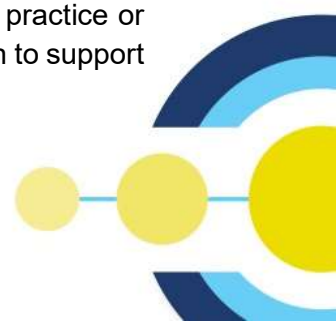
Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. This will generally be where it holds a declarable stake or is already engaging with the company. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.



### 3. Voting Guidelines

#### Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

#### Composition and independence

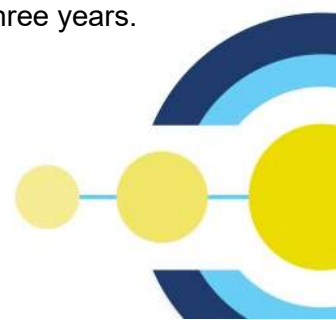
The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures and no simple model can be adopted by all companies.

The board of large companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, they must be able to demonstrate their independence. Non-executive directors who have been on the board for over nine years have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than ten years will be assessed on a case-by-case basis.

The company should therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.
- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.





- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

## **Leadership**

The role of the Chairman (he or she) is distinct from that of other board members and should be seen as such. The Chairman should be independent upon appointment and should not have previously been the CEO. The Chairman should also take the lead in communicating with shareholders and the media. However, the Chairman should not be responsible for the day to day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

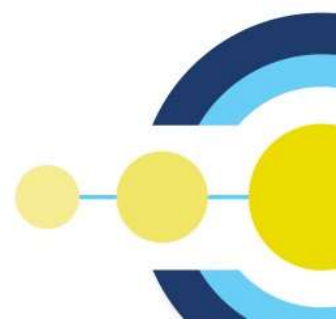
However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director must be appointed if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance.

## **Non-executive Directors**

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chairman and other directors where necessary.

## **Diversity**

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company and be disclosed in the Annual Report.





We will vote against chairs of the nomination committee at FTSE350 companies where less than 30% of directors serving on the board are female. We will promote the increase of female representation on boards globally in line with best practice in that region and will generally expect companies to have at least one female on the board.

### **Succession planning**

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee, comprised solely of independent directors and headed by the Chairman or Senior Independent Director except when it is appointing the Chairman's successor. External advisors may also be employed.

### **Directors' availability and attendance**

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

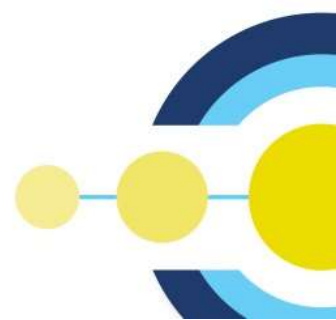
With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

### **Re-election**

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with the issues of stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice.

### **Board evaluation**

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.



## **Stakeholder engagement**

Companies should take into account the interests of and feedback from stakeholders which includes the workforce. Taking into account the differences in best practice across markets, companies should have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders on a regular basis is key for companies; being a way to discuss governance, strategy, and other significant issues.

## **Directors' remuneration**

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

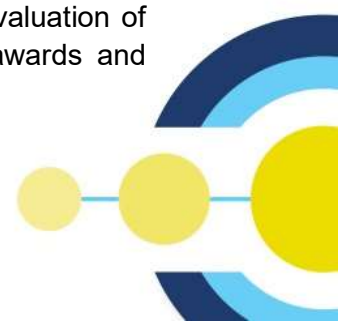
It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that the link between executive pay and company performance is negligible. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances Non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided.



## • Annual bonus

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event.

## • Long-term incentives

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value. However, poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Employee incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

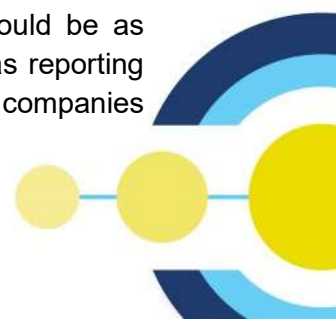
The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation.

## Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should not be excessive, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report.

## Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the Report and Accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies



should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report (other than those for investment trusts) should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks. We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

### **Audit**

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures.

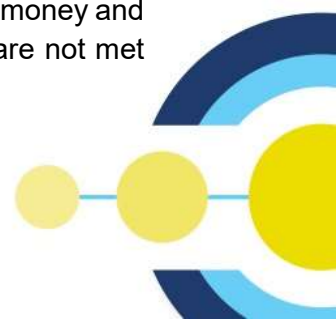
FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

### **Non-Audit Fees**

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

### **Political donations**

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met political donations will be opposed.



## **Lobbying**

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and where there are differing views on issues.

## **Shareholder rights**

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

### **• Dividends**

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate.

### **• Voting rights**

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

### **• Authority to issue shares**

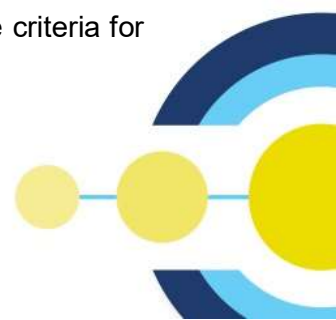
Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

### **• Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

## **Share Repurchases**

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.



## **Memorandum and Articles of Association**

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

## **Mergers and acquisitions**

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

## **Articles of Association and adopting the report and accounts**

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

## **Virtual Shareholder General Meetings**

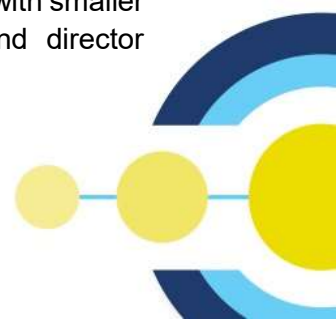
Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. Any amendment to a company's Articles to allow virtual only meetings will not be supported.

## **Shareholder Proposals**

We will assess shareholder proposals on a case by case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

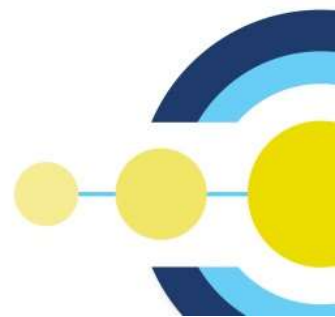
## **Investment trusts**

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.



The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.





## North Yorkshire County Council

## Pension Board

11 April 2019

## Training and Skills Matrix/Self-Assessment

**1.0 Purpose of the Report**

To provide an update on Pension Board member training and 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.

At this stage one completed questionnaire is still outstanding. Details of the returned questionnaires are attached at **Appendix 2**.

**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, subject to the outstanding completed questionnaires having been submitted, 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	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		
17/07/15	Pension Board Member Training	AON	Leeds				X		X
24/07/15	Pension Board Member Training	AON	Leeds				X		
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds		X			X	
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X			X	
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	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	
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	CIFPA & 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	

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	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	
12/10/18	Local Pension Boards Autumn Seminar	CIPFA & Barnett Waddingham	Liverpool						
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
25/02/19	Local Pension Boards - Spring Seminar	CIPFA & Barnett Waddingham	Leeds	X	X	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					
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	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				
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	
23/02/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
31/03/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					
25/05/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					
14/09/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					
23/11/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					
22/02/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X					
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					
21/02/19	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					

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
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					
21/02/19	North Yorkshire Pension Investment Strategy Workshop and Fund manager meeting	NYPF	County Hall	X					
11/11/16	Triennial Valuation Seminar	Actuary	County Hall	X		X			
13/01/17	Pooling – Employers Seminar	NYPF	County Hall	X	X	X			
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	
07/15 – 03/17	The Trustees' Role	The Pensions' Regulator – Toolkit Modules	On-line	X	X			X	
07/15 – 03/17	Running a Scheme	The Pensions' Regulator – Toolkit Modules	On-line	X	X				

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
07/15 – 03/17	Pensions' Law	The Pensions' Regulator – Toolkit Modules	On-line		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.	<b>4</b> <b>5</b> <b>3 x 2</b> <b>3 to 4</b>	Yes – LB-W	Yes – LB-W
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	<b>4 x 2</b> <b>3 x 2</b> <b>3 to 4</b>	Yes – LB-W	Yes – LB-W
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	<b>4 x 3</b> <b>3</b> <b>2</b>	Yes – LB-W	Yes – LB-W
A regularly updated appreciation of the latest changes to the scheme rules.	<b>4</b> <b>3 x 3</b> <b>1</b>	Yes – LB-W	Yes – LB-W

<b>Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.	<b>5 x 2</b> <b>3 x 2</b> <b>4</b>	Yes – LB-W	Yes – LB-W
<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 x 2</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 4</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 3</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 x 2</b>		



Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	4 x 2 3 x 2 2	Yes – LB-W	Yes – LB-W
A detailed knowledge of the duties and responsibilities of pension board members	5 x 2 3 x 2 4	Yes – LB-W	Yes – LB-W
<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 x 2 5 2 3 to 4	Yes – LB-W	Yes – LB-W
Knowledge of how pension fund management risk is monitored and managed.	4 x 3 5 3		
An understanding of how conflicts of interest are identified and managed.	5 x 2 2 4 x 2		
An understanding of how breaches in law are reported.	5 x 2 2 4 3	Yes – LB-W	Yes – LB-W

<b>Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.	4 5 3 x 2 3 to 4	Yes – LB-W	Yes – LB-W
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>	4 x 2 2 3 to 4 3	Yes – LB-W	Yes – LB-W
<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.	4 x 2 <b>No answer</b> 1 3	- Discretionary powers in respect of what? Are we talking about retirement, etc. - GG	

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> <b>3</b>	Yes – LB-W	Yes – LB-W
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 x 2</b>	- Do we need to know? - GG  Yes – LB-W	Yes – LB-W
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 4</b> <b>4</b>	- I know what AVCs are but I’d welcome more information about how they operate within NYPF - DP - Do we need to know this in any detail? - GG  Yes – LB-W	Yes – LB-W

<b>Pensions accounting and auditing standards</b>			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	5 4 x 4 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 3 3		
An understanding of the role played by third party assurance providers.	5 3 x 2 2 4		
<b>Pensions services procurement and relationship management</b>			

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 4	- Do we need this? - GG	
A general understanding of the main public procurement requirements of UK and EU legislation.	5 3 x 2 2 4	- Do we need this? - GG	
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.	4 x 4 3	- Do we need this? - GG	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	3 5 4 x 2 3 to 4	- I'd welcome more information about how NYPF monitors and manages the performance of its outsourced providers - DP - Do we need this? - GG	
<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.	5 x 2 4 x 3		

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

<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 workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	<b>4 x 4</b> <b>3</b>	- Regular updates - GG  Yes – LB-W	Yes – LB-W
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	<b>3 x 3</b> <b>4</b> <b>2</b>	- I'd welcome more knowledge about the relevant regulation and its impact on LGPS schemes - DP  - Regular updates - GG  Yes – LB-W	Yes – LB-W
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	<b>4</b> <b>3 x 2</b> <b>1</b> <b>2</b>	- Do we need to know this in any detail? - GG  Yes – LB-W	Yes – LB-W

<b>Actuarial methods, standards and practices</b>			
A general understanding of the role of the fund actuary.	<b>5</b> <b>4 x 2</b> <b>1</b> <b>3 to 4</b>		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	<b>4 x 4</b> <b>2</b>	- Regular updates - GG	
An awareness of the importance of monitoring early and ill health retirement strain costs.	<b>4 x 3</b> <b>3 x 2</b>	Yes – LB-W	Yes – LB-W
<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 4</b>	- I have some knowledge but would welcome a more detailed understanding - DP	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers	<b>4 x 2</b> <b>3 x 3</b>	- Not sure - GG	



<p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>	<p><b>3 x 2</b> <b>4</b> <b>3 to 4</b> <b>2</b></p>	<ul style="list-style-type: none"> <li>- I understand what an employer covenant is but I have no idea about the relative covenant strengths across NYPF employers....! - DP</li> <li>- Not sure - GG</li> </ul>	
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**North Yorkshire County Council****Pension Board****11 April 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. At the previous meeting it was suggested that consideration be given as to how to progress project work more effectively before undertaking any further projects. Further consideration will be given to this matter, going forward.

Resources would be made available, via relevant Officers, to assist Board Members with their approach to the development of projects subsequently identified.

**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

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) Note the dates of ordinary meetings as detailed.

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

Background Papers - None

## PENSION BOARD WORK PLAN

APPENDIX 1

		17-Jan-19	11-Apr-19	18-Jul-19	03-Oct-19	16-Jan-20	09-Apr-20	(TBC)July 20
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	Annual review of the Internal Dispute Resolution Process, Policy and cases			✓				✓
16	Annual review of 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							
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### Training

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