

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 14 April 2016 at County Hall, Northallerton commencing at 10 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

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

Scheme Members:

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

In attendance:-

County Council Officers: Amanda Alderson, Anna Binks, Steve Loach, Tom Morrison and Jo Wade.

Copies of all documents considered are in the Minute Book

31. Appointment of Employer Representative

Resolved -

That Phil MacDonald (University of Hull) be appointed to the vacant employer representative position.

32. Apologies for Absence

There were no apologies for absence.

33(a) Minutes

Resolved -

That the Minutes of the meeting held on 14 January 2016, having been printed and circulated are taken as read, confirmed and signed by the Chairman as a correct record.

Arising from those Minutes a Member referred to the comments at Minute No. 27, Internal Audit Reports and it was asked whether these actions had been carried out. In response it was stated that the PFC had been made aware of the issues raised via

the Chairman's update, and the Treasurer of the Fund confirmed that pension payments was subject to another internal audit review to assess progress.

The Chairman noted that the PFC had discussed delays in the process of providing pension scheme members with pension details, reported by scheme member representatives, and that the specific cases causing concern would be investigated.

33(b) Action Record

Considered -

The action record noting the progress made on actions agreed at previous meetings.

The record was updated as follows:-

01/10/15

Minute No. 19 - Work Plan

It was emphasised that the Work Plan was a working document and would continue to be updated as Pension Board activity progressed. It was noted that it had been agreed that the Work Plan would be circulated to the PFC.

14/01/16

Minute No. 26 - Risk Register

In relation to succession planning, discussions with the Treasurer were underway with a view to putting arrangements in place. The Risk Register would be updated accordingly.

Resolved -

That the updates be noted.

34. Declarations of Interests

There were no declarations of interests from Members at this stage of the meeting.

35. Public Questions or Statements

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

36. Internal Audit Report

Considered -

The report of Legal and Democratic Services which provided an update on Internal Audit activity.

It was noted that there had been no Internal Audit activity in relation to the Pension Fund since the last Pension Board meeting, however, there had been follow-up work carried out by the Internal Audit Team that had established a significant improvement in the area that had received limited assurance, as reported previously.

Details of the Internal Audit Plan for 2016/17 in relation to the Pension Fund were provided for information. From the data provided it was noted that, at the time of the

next meeting of the Pension Board, it was expected that there would be three reports available to review.

Clarification was provided as to the timescales for the reports, as a question was raised on the time taken for some of the audits to be completed. It was emphasised that the activity outlined was dependent upon the availability of Internal Auditors to undertake the work, alongside that of other internal audit work for the County Council and other clients.

The Chairman noted that payments/expenditure (an issue which had previously been given limited assurance and had been discussed both at Audit Committee and the Pension Fund Committee) was due to be reviewed again by Internal Audit shortly. Their report should be available at the next meeting of the Board.

Resolved -

That the report, together with comments made, be noted.

37. LGPS Pooling - Update

Considered -

The report of Legal and Democratic Services providing an update on LGPS pooling arrangements.

It was noted that at the special meeting of the Pension Fund Committee on 15 January 2016 Members decided in principle to join the Border to Coast Pensions Partnership (BCPP). The partnership consisted of 13 Funds most of which are based in the North of England.

In order to meet the Government's consultation deadline of 19 February 2016 it was agreed that a response would be drafted by BCPP officers, in consultation with the Chair, Vice-Chair and Treasurer of the PFC. The BCPP response and a separate NYPF response were attached to the report. In addition three scheme representatives of the Pension Board, all of whom were union representatives, had also submitted a response which was also attached to this report.

A letter of response had been received from Marcus Jones MP, Minister for Local Government, to the Chair of the Pension Fund Committee which was broadly supportive of the BCPP response.

Before and after the consultation deadline, representatives from all 13 Funds had been discussing options around the governance and investment arrangements necessary to both fulfil the Government's requirements and meet the fiduciary responsibilities of the Local Authorities managing funds. The aim was to have appropriate proposals in place by the second deadline imposed by the Government of 15 July 2016. The Pension Board would be kept informed of developments, however no concrete proposals had been made at this early stage.

Members of the Board undertook an in-depth discussion of the proposed pooling arrangements and the following issues and points were raised:-

- ◆ An explanation was provided in relation to the "scheme route" versus "joint committee route" and it was noted that a meeting of the 13 participating bodies, including representative officers and legal advisers, would be taking

place on 15 April and it was expected that further details would emanate from there.

- ◆ A Member considered that it would have been appropriate for the Government to give advice as to how authorities should manage the pool arrangements, in view of the fact that it is a Government-led initiative. It was noted that the arrangements were left to the Authorities to make themselves, therefore a considerable amount of negotiation was required to ensure that the most appropriate arrangements were in place for the various Funds involved.
- ◆ Members asked whether the Government would be advising the pooled Funds of their wish for them to undertake infrastructure investment.

In response it was noted that the DCLG had indicated that whilst there would be a preference for pools to invest into infrastructure projects there was no indication that this would be mandated. It was noted that a Member of the Pension Board had contacted his local MP with regards to the infrastructure investment issue, the response had reinforced the position that whilst investment in infrastructure would be desired there would be no requirement forced requirement. The Member agreed to share the letter of response with other Pension Board Members.

- ◆ Further updates on the position, going forward, would be brought to the next meeting of the Pension Board.
- ◆ Members raised concerns regarding how the Pension Board would fit into the new pooled investment arrangements. Details of the potential governance arrangements for the ACS or joint committee approach would be circulated in due course. It was also emphasised that members had a significant voice in relation to Pension Fund matters, with the establishment of the Pension Board and observer places for Unison on the PFC.

Scheme member representatives noted that there appeared to be no place for them within the pooled investment arrangements, nor was there a position for the representatives of the employers.

The Chairman acknowledged the issues being raised noting that Pension Boards had been established to consider the governance arrangements for Pension Funds, however, there was some concern regarding whether Pension Boards would be able to have any influence over the governance of pooling arrangements. He noted that until those governance arrangements were in place it was difficult to know how the Pension Board could be involved. Union representatives of the Pension Board considered that it would be appropriate that the Board's views were submitted before the governance arrangements were developed, to allow those opinions to be fed into that process.

The Chairman said that the pooling arrangements were a requirement for Pension Funds and that the Pension Board would have influence through their input into the PFC. He also noted that the role of the Pension Board was to monitor and assist the PFC with its governance arrangements and emphasised that there was still plenty of work for the Board in relation to that. Members still had concerns that the fundamental reason for establishing the Pension Board was for Members of the Board to be able to consider the

governance arrangements around investments, which appeared they would be considerably diminished through the pooling arrangements. A Member reiterated that it was difficult to understand the role of the Pension Board and the PFC in the pooled arrangements.

By way of explanation it was stated that the pool would be responsible for the appointment of investment managers and the investment of money, however, each PFC would retain responsibility for the investment strategy.

A Member asked, if the majority of members of the pool made a decision that was not in accordance with the North Yorkshire investment strategy would it not be the case that North Yorkshire would have to follow that majority decision.

In response to this issue it was again explained that the PFC would remain responsible for the investment strategy, and that the pool would be required to implement it, including appointing suitable investment managers.

- ◆ A Member asked whether differences in investment strategies between BCPP funds could mean that the pool could finish up with a series of small pots of funding.

The position regarding how investments would be undertaken through the pool was again clarified and it was noted that variations in investment strategies would be accommodated. Each Fund would make a decision based on factors such as the cost of investment alongside other Funds and the impact of economies of scale from larger blocks of investments.

- ◆ A Member questioned that 13 Pension Funds could have similar strategies, and whether performance for the group would converge. It was emphasised that each Fund's strategy would be implemented in a way that would provide returns specific to each, so that there would be no sharing of returns between the various pool members.

- ◆ Members still had concerns regarding how Managers would be chosen and how investments would be made in terms of the pooling arrangements and considered that greater clarification of the position was required. The Chairman emphasised that, at this time, the arrangements were in their infancy and many of the details had yet to be clarified.

- ◆ A Member noted that a petition was in place with regards to whether investing in infrastructure this contravened European Law. She noted that should the petition reach 100,000 signatures then the matter would be debated in Parliament.

- ◆ A Member was encouraged by the discussion regarding the pooling arrangements and could see some benefit from being able to compare and contrast with other Funds in terms of their investment strategies. He raised concerns regarding the statement within the BCPP response that assets would be managed in the most tax efficient way. In light of publicity about international tax evasion an ethical approach should not be forgotten.

- ◆ The Chairman addressed the issue regarding a request from three Members of the Pension Board to submit a response from the Pension Board to the consultation, as a body. He noted that those Members had submitted a

response, but this had not constituted an official response of the Pension Board. He stated that he had discussed the matter with the County Council's Monitoring Officer and had taken account of the remit and terms of reference for the Board and it had been concluded that an official response from the Pension Board would not be appropriate. It had been noted that other Pension Boards had not responded to the consultation.

In view of the issues raised in relation to this it was noted that the next stage of the consultation would conclude on 15 July 2016 and the Chairman asked whether Members considered it appropriate that an official response from the Pension Board should be submitted. Members discussed this matter and were advised that only the respective pools would respond to the next stage of the consultation. However some Pension Board members indicated they may wish to respond.

Members of the Board considered that further details of the governance arrangements were required before a view could be formed. It was noted that a meeting was taking place on 15 April 2016 involving the Chairs of the 13 Pension Fund Committees, and the Section 151 Officers of those Authorities. It was emphasised that the draft response would be ready by the beginning of July and that a great deal of work would be required to meet that deadline. Members emphasised the need for the issues to be considered by the Pension Board before they were agreed. Another Member considered it right that the Pension Board looked at the issues, in terms of the governance of the pooling arrangements.

- ◆ The Chairman asked whether the next round of consultation would address the issue of investment costs. In response it was stated that this would be included, however the effectiveness of investment managers net of fees would be the primary concern. Every effort would be made, therefore, to ensure the best outcomes for NYPF in the pooling arrangements.
- ◆ Members asked what opportunity would be provided to them to comment and impact on the final arrangements for pooling. A Member suggested that comments from the Pension Board should be submitted through the Pension Fund Committee, and as such, she did not consider that there was need for a separate response from the Pension Board.

A number of Members expressed disappointment that the response to the consultation had not been passed to the Pension Board for comment before submission. The Chairman noted that there had not been time for the PFC to comment on it fully due to the timescales for submission. Pension Board Members believed that there should have been an opportunity for their views to be included, although it was acknowledged that scheme member representatives had responded separately.

Members suggested that it was appropriate that the PFC heard what the Pension Board had to say on the pooling issue in relation to the next round of consultation.

- ◆ In response to the issues raised, it was noted that it had been impossible to consult before the response was submitted by the PFC because of the tight deadline. A draft response was first available for review on 15 February, and it was finalised on 18 February, the day before the deadline. The concerns expressed were acknowledged, but unfortunately, circumstances did not allow for a more collaborative approach. Members emphasised the need to

be heard in advance of the next deadline and stated that they would be unhappy if this did not happen.

- ◆ Members asked whether they could be invited to the meeting of the PFC when it met to discuss the next response to the consultation on pooling. It was noted that this could be accommodated.

Resolved -

- (i) That an additional meeting of the Pension Board be arranged, if necessary, to allow Members to discuss the next response by the BCPP.
- (ii) That the following points should be included in the NYPF response to the second consultation on Local Government Pension Scheme pooling:-
 - (a) that arrangements for governance must ensure that accountability to Scheme Members and contributory employers is at least as robust at pool level as they currently are at Fund level; and
 - (b) that there should be no undue compulsion in respect of investment in any particular asset class.

DRAFT

38. Draft Minutes of the Pension Fund Committee Meeting held on 25 February 2016

The Chairman stated that he had attended the above-mentioned meeting and had provided an update on the work of the Pension Board to that meeting.

Members outlined their appreciation of the attendance of the Chairman at Pension Fund Committee meetings and thanked him for his reports to the Committee from the Pension Board and of his reports back to the Board in relation to the issues discussed at the Committee.

The Chairman stated that, in future, the draft Minutes of the Pension Board would be submitted to Pension Fund Committee meetings to allow them to observe what had been discussed and to raise questions with the Chairman if necessary.

Resolved -

That the draft Minutes be noted and the submission of the draft Minutes of the Pension Board to future meetings of the Pension Fund Committee be agreed.

39. Training

Considered -

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

Details of training activity undertaken by Members of the Board were provided as an appendix to the report and Members present provided updates to those details.

The Chairman stated that any issues that Members considered to be relevant to their role on the Pension Board, whether directly related to pensions or not, could be submitted to the Clerk for inclusion in the training record, as this helped to identify areas where the Pension Board, as an entity, had experience and knowledge gaps. He noted that a self-assessment tool had been circulated to all Members of the Board and it would be useful if everyone could return that to identify such gaps.

Members noted that details of some training sessions had been circulated but raised concerns regarding the high level of costs. In response it was stated that details would continue to be circulated and levels of costs of the training provision would be balanced against the need of Members of the Board. Members acknowledged this position but emphasised the need to guard against the perception that excessive costs were being incurred by the Board on training.

A Member considered it appropriate that contact be made with the Scheme's Fund Managers to determine whether they could provide local training sessions, possibly involving other Pension Boards situated locally, to provide a more cost-effective training programme. It was noted that the County Council's external Auditors may also be able to deliver relevant training to Pension Board Members.

The Chairman stated that he and Officers would investigate the possibility of developing a training programme through the methods outlined by Members.

Resolved -

That the report be noted, together with the updates and the action outlined in terms of developing a training programme be undertaken accordingly.

40. Pension Board Work Plan

Considered -

The report of Legal and Democratic Services which provided details of the areas of planned work for the Pension Board. The report outlined the process for undertaking the activities set out in the Work Plan. The Chairman noted that the list provided was not definitive and issues could be removed, or added to, depending upon the wishes of the Board.

A Member noted that, previously, an issue had been identified with regards to problems with the new software which had impacted on the pensions administration process. She wondered whether this matter was worth addressing through the Work Programme. In response it was stated that further improvements had been achieved which had eradicated the majority of the glitches in the system. This was not to say that there were not still some problems, but these were now manageable. It was emphasised that there was no reason for undue concern in relation to this matter, going forward.

A Member asked whether queries were being answered on a timely basis and again it was emphasised that, in the main this was the case. There would always be certain occasions where problems occurred which would take a little longer to resolve.

It was noted that, with the proposed academisation of all schools, the number of employers within the North Yorkshire Pension Fund would rise significantly.

A Member asked whether any issues were envisaged regarding the changes in National Insurance payments following the revisions to the State Pension Scheme and the contracted out basis in which National Insurance used to be paid. In response it was stated that there was an expectation that communications would increase in relation to this. It was noted that amendments to the tax threshold and some internal arrangements by NYCC should see members of the Scheme not being adversely affected, as first thought. The impact of the new State Pension Scheme would take some time to emerge.

The Chairman noted that the Pension Board would be required to provide an annual report. This would be produced following the first year of work of the Board and would be submitted to the County Council.

Members considered that the main topic of work worthy of inclusion in the Work Programme was the situation regarding pooling arrangements. It was considered appropriate that this be entered either as a separate item or included with one of the existing items within the Work Plan.

A Member stated that she would like to undertake and lead a programme of work on investment costs, but would consider developing that later in the year, following the consideration of the pooling arrangements, as that was a priority at the moment.

Resolved -

That the Work Programme be noted and that alterations be made to the Plan to accommodate the issue of pooling arrangements within it.

The meeting concluded at 12.10 pm.

SL/JR

DRAFT

PENSION BOARD WORK PLAN

APPENDIX 1

		14-Apr-16	14-Jul-16	06-Oct-16	Jan 2017	Apr 2017	2017	2018
<u>Business planning</u>								
1	Agree plan for the year				✓			✓
2	Review performance against the plan				✓			✓
3	Report to the PFC / NYCC				✓			✓
4	Report to Scheme Advisory Board / DCLG					✓		✓

<u>Compliance checks</u>								
5	Review regular compliance monitoring reports		✓				✓	✓
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							
12	Review the outcome of actuarial reporting and valuations						✓	
13	Assist with compliance with the UK Stewardship Code							

<u>Administration procedures and performance</u>								
14	Review management, administrative and governance processes and procedures							
15	Monitor complaints and performance							
16	Review the Internal Dispute Resolution Process							
17	Review cases referred to the Pensions Ombudsman							
18	Review the implementation of revised policies and procedures							
19	Review the exercise of employer and administering authority discretions							
20	Assist with the development of improved customer services							
21	Monitor performance of administration, governance and investments							
22	Review processes for the appointment of advisors and suppliers							
23	Monitor investment costs							
24	Review the risk register		✓		✓		✓	✓
25	Assist with the development of improved structures and policies							
26	Assist in assessing process improvements on request of PFC							
27	Assist with asset voting and engagement processes							
28	Pooling arrangements and governance	✓	✓					

<u>Communications</u>								
28	Review scheme member and employer communications							

<u>Training</u>								
29	Review Pension Board knowledge and skills self assessment	✓				✓		✓
30	Review training log	✓				✓		✓
31	Review training arrangements for the Board and other groups	✓				✓		✓

Notes

- 3 arrangements to be determined by the Council.
- 4 arrangements to be determined by SAB/DCLG.