

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

15 SEPTEMBER 2016

MEMBER AND EMPLOYER ISSUES

Report of the Treasurer

1.0 Purpose of the Report

1.1 To provide Members with information relating to membership movements, performance of benefits administration as well as related events and activity over the year to date as follows:

- | | |
|--|-----------------|
| (a) Admission Agreements and Academies | (see section 2) |
| (b) Membership Analysis | (see section 3) |
| (c) Administration Performance | (see section 4) |
| (d) Member Training | (see section 5) |
| (h) Meetings Timetable | (see section 6) |

2.0 Admission Agreements and New Academies

2.1 There are no new Admission Agreements or new Academies in the quarter ending 30 June 2016.

3.0 Membership Analysis

3.1 The number of active, deferred and pensioner members in the Fund at the last quarter end and the previous two financial year ends were as follows:

Membership Category	At 31/03/15	+/- Change (%)	At 31/03/16	+/- Change (%)	At 30/06/16
Actives	34,990	-3.4	33,796	-5.7%	31,873
Deferred	30,591	+3.7	31,718	+1.1%	32,065
Pensioners*	18,451	+5.2	19,414	+1.7%	19,743
Total	84,032		84,928		83,681

*Figures include spouses' and dependants' pensions

3.2 The breakdown of retirements across the Fund in Quarter 1 of 2016/17 is at **Appendix 1**.

4.0 Performance of the Pensions Administration Team

4.1 The performance figures for the first quarter of 2016/17 are as follows:

Performance Indicator	Target in Q1	Achieved
Measured work achieved within target	98%	95%
Customers surveyed ranking service good or excellent	94%	92%
Employer satisfaction with the service ranked good or excellent	90%	100%
Reduce reliance on customer helpline. Phone queries reduced as a proportion of customer contacts to <29%	29%	36%
Increase numbers of registered self-service users by 700 per quarter	700	795 (total increased from 11,672 to 12,467)
Total sickness absence in Q3	1.5 days per employee	0.13 days per employee

4.2 There has been a drop in the overall performance due to a fall in the figures for employee and employer retirement estimates. The delays for most of the cases involved verifying pay figures and resolving software errors by undertaking manual calculations. There has been a significant increase in the number of employer estimate requests (+67%) for this quarter compared with

the same quarter last year which has impacted on the Team's ability to complete the work in the normal time scale.

- 4.3 As was the case in the same period last year, telephone queries increased due to the exercise to update NYCC pensions records for over 1,000 employees who chose to pay additional contributions to replace the lost pension incurred by the two days compulsory unpaid leave over the Christmas week. This leave is classed as 'authorised absence' under the LGPS. Each employee was contacted by email to confirm that the appropriate change had been made to their pension record. This exercise resulted in a number of calls from members wishing to clarify a variety of points.
- 4.4 The target for this year has been changed to an increase per quarter of 700 new registered users rather than focussing on the overall total. There has been an increase of 795 new users in Quarter 1.
- 4.5 A consultation has taken place regarding the appropriate insolvency process for further education and sixth form colleges. The consultation document can be viewed at: <https://www.gov.uk/government/consultations/developing-an-insolvency-regime-for-the-further-education-and-sixth-form-sector>

The response from the North Yorkshire Pension Fund is shown at **Appendix 2**. The main thrust of the response highlights the need to ensure pension funds are involved in timely discussions with colleges. This would reduce the risk that a deficit arising from an exiting college may fall to the other employers in the fund. It is also requested that the Government act as the 'ultimate guarantor' to colleges. These are technical points and the response was therefore submitted by officers without the need to involve Members.

- 4.6 A further consultation exercise has taken place in respect of two areas. The first is the application of the 'Fair Deal' principles to the LGPS which includes the proposed rules for relevant employers giving continued access to the LGPS on the transfer of services. The second relates to a number of amendments to the main LGPS regulations to introduce several administration changes and to amend a number of drafting errors. The consultation document can be viewed at: <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

The response from the North Yorkshire Pension Fund is shown at **Appendix 3** which requests that appropriate employers are brought within the scope of the Fair Deal guidance and that pragmatic solutions are used. The Fund is supportive of the majority of the technical changes to be made except in one instance where an increase in administration would have no perceived benefit to members (extending the application of the 'underpin' rule). The response therefore addressed a number of technical points and was therefore submitted by officers without the need to involve Members.

5.0 Member Training

- 5.1 The Member Training Record showing the training undertaken over the year to September 2016 is attached as **Appendix 4**.
- 5.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. Please contact Gary Bowden (01609 532520 or email gary.bowden@northyorks.gov.uk) for further information or to reserve a place on an event.

6.0 Meetings Timetable

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

7.0 Recommendations

- 7.1 Members are asked to note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

6 September 2016

NORTH YORKSHIRE PENSION FUND
Cumulative Total of Retirements from 1 April 2016 to 30 June 2016

Employer	Normal	Ill-Health		Efficiency/ Redundancy/ Employers Consent	Total
		Actuarial Assumption [≠]	Actual		
007 - Scarborough BC	-	2	2	3	5
009 - Hambleton DC	1	1	-	1	2
010 - Ryedale DC	1	1	-	2	3
011 - Harrogate BC	10	2	-	3	13
012 - Richmondshire DC	2	1	-	-	2
013 - Selby DC	-	1	1	3	4
014 - Craven DC	-	1	-	-	1
020 - York	14	7	2	2	18
025 - NYCC	58	22	1	3	62
055 - Uni of Hull	1	-	-	-	1
057 - Yorkshire Housing	1	-	-	-	1
061 - Askham Bryan College	1	1	-	-	1
068 - Scar 6 th Form College	1	-	-	-	1
074 - York College	1	-	-	-	1
080 - Yorkshire Coast Homes	1	-	-	-	1
104 - Norton College	2	-	-	-	2
120 - Churchill Security	1	-	-	-	1
128 - NY Police and Crime C	2	-	-	-	2
129 - NY Chief Constable	6	1	1	11	18
139 - Roseberry Academy	1	-	-	-	1
156 - Yorkshire Causeway ST	1	-	-	-	1
157 - South Bank MAT	2	-	-	-	2
Others	-	11	-	-	-
TOTALS	107	51	7	28	142

(75%)

(5%)

(20%)

Quarter by quarter analysis					
Quarter 1	107		7	28	142
Quarter 2	-		-	-	-
Quarter 3	-		-	-	-
Quarter 4	-		-	-	-
	107	N/A	7	28	142

≠ **Estimated** actuarial assumptions re Ill-health numbers for the whole year - 2016/2017

Department for Business Innovation and Skills - Consultation on Developing an Insolvency Regime for the Sector - Further Education and Sixth Form Colleges

Response from the North Yorkshire Pension Fund

The North Yorkshire Pension Fund has the following observations in relation to this consultation exercise relating to the membership of college staff in the Local Government Pension Scheme (LGPS):

- The nature of the proposed method of making payments to unsecured creditors would result in it being highly unlikely that the full unfunded liabilities could be recovered by a LGPS pension fund on the wind-up of a college. The size of the potential unfunded liabilities on the exit of a college from the LGPS would mean that this method is inappropriate for resolving the essential issue of ensuring that all pension liabilities for the LGPS members of the college (past and present) are sufficiently funded going forward.
- Failure to make full payment of the sum due to cover unfunded liabilities to a LGPS pension fund results in the other LGPS employers within the pension fund picking up these additional liabilities. This has a direct impact on public sector and other bodies and is an inappropriate use of public monies in the local area for that pension fund as well as being an unreasonable and unfair burden on the remaining LGPS employers. In respect of the local authority employers in LGPS pension funds the risk ultimately falls on the taxpayer.
- Colleges are currently classed as scheduled bodies under the LGPS and, as such, do not have bond or guarantor provisions in place in relation to their participation in the LGPS. It could be argued that the 'strength of covenant' that is currently attached to colleges should be urgently reviewed and action be taken by LGPS pension funds to mitigate risk and impose a higher employer contribution rate, shorten deficit recovery periods, insist on a guarantor being provided or for a bond to be put in place, or for pension funds to look to the college to offer another form of security.
- Colleges currently must make the LGPS available to relevant employees. It may be thought appropriate for the status of colleges under the LGPS to be reviewed and changed from 'scheduled body' to another category where participation in the LGPS is not required for all relevant staff. However this option has its own risks if colleges decide to no longer offer the LGPS and this may only add to the problem of how LGPS benefits can be sufficiently funded within a very short timeframe without impacting on other LGPS employers within a pension fund.
- For academy conversions central government has agreed to act as the 'ultimate guarantor' should academies or academy trusts fail. If there is sufficient confidence in plans to improve the financial strength of colleges would it not be appropriate for central government to also act as the 'ultimate guarantor' for colleges in relation to LGPS liabilities? This may mitigate some of the issues surrounding colleges being seen by pension funds as LGPS employers of lower covenant and the resulting need for colleges to contribute more in the short-term to the LGPS and/or to provide a form of security.

Given the method of funding under the LGPS it is essential that LGPS pension funds are given a continued opportunity to comment on the funding arrangements of colleges. A mechanism would also be welcomed for pension funds to be able to monitor the financial strength of colleges and to track when mergers are being considered.

The continued involvement of LGPS pension funds in discussions is not only important to protect the pension funds and their participating LGPS employers (and the taxpayer) but to ensure that colleges are not inadvertently faced with increasing pension costs due to a disproportionate perception of increased risk.

North Yorkshire Pension Fund
4 August 2016

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Department for Communities and Local Government – Consultation: Local Government Pension Scheme Regulations

Response from the North Yorkshire Pension Fund

The North Yorkshire Pension Fund (NYPF) has the following observations in relation to this consultation exercise relating to the Fair Deal proposals and the changes to the 2013 Local Government Pension Scheme (LGPS) Regulations and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014:

- The NYPF is supportive of the principles to allow LGPS employees in certain scenarios to remain in the LGPS and for these provisions to be contained in the 2013 Local Government Pension Scheme Regulations. However safeguards need to be in place to require potential Scheme employers to comply with the policies of local authority pension funds when entering into admission agreements. This is essential to protect the other participating Scheme employers so they are not at risk of cross-subsidising another employer's LGPS arrangements where admission bodies are unable to fulfil their obligations (to fully meet pension liabilities).
- Pragmatic arrangements have been put in place by the NYPF to deal with small admission agreements involving a very small number of staff, particularly in schools. This involves a pass-through arrangement to give certainty of costs but is dependent upon an organisation such as a transferring local authority acting as guarantor. It has been possible to reduce actuarial and legal costs and to allow a wider range of private sector companies to bid for small contracts due to the lower set-up costs for admission agreements and certainty of pension costs for the life of the contract. If this method is adopted it will be important for academies to be educated on their potential role as guarantor to such arrangements, in place of the local authority, both for new outsourcings or existing contracts when a school converts to academy status.
- Whilst it is commendable that protection is given to LGPS members to have continued access to the LGPS it would be unfortunate if this was extended too far, to inadvertently cover organisations which would not ordinarily offer LGPS access automatically to all staff. Where there is currently the choice for an employer to offer membership of the LGPS, as is the case for community admission bodies and designating bodies, the changes to the Regulations should be carefully drafted, to not impose any additional requirements to automatically offer the LGPS (where this requirement does not currently apply).
- It would seem sensible to have consistent arrangements for re-tenders as well as new outsourcing arrangements. This could be done by applying the Fair Deal provisions to such arrangements to protect employees who were originally transferred out from a public sector employer and continue to work on delivering a public sector service. However if the pension protection was provided by a broadly comparable pension scheme, the NYPF would not object to the continued option for a broadly comparable scheme to be used should the new contractor have a suitable scheme. It does seem sensible to exclude higher and further education institutions and Police and Crime Commissioners from the Fair Deal provisions but the NYPF would be supportive of these organisations being able to adopt the principles on a voluntary basis should they wish to do so and therefore the LGPS Regulations should be drafted to permit admission agreements to be entered into with these organisations.

- The NYPF is supportive of the use of the terms ‘protected transferee employer’ and ‘protected transferee’ provided that the terms are clearly defined and the possible scenarios are clarified, such as the one described in Chapter 2, paragraph 9 of the consultation document.
- The suggestion to replace the need to inform the Secretary of State about new admission bodies with a published list of admission bodies maintained by the administering authority is acceptable.
- The NYPF is supportive of the amendments in draft regulations 6 and 7 which achieve clarification of the original intention of the Regulations relating to cancelling 50/50 membership of the scheme and the payment of contributions due to authorised absences.
- The NYPF is supportive of the introduction in draft regulation 8 and 9 of greater flexibility in the use of Additional Voluntary Contributions (AVCs) to bring the LGPS in line with Freedom and Choice principles in relation to AVC payments. It is agreed that the change in regulation 13 is made to ensure that all lump sums are taken into account for assessing the relevant limit.
- Although the calculation of Assumed Pensionable Pay is an issue for employing authorities, the NYPF is supportive of introducing clarity, shown in draft regulation 10, which will provide a fairer method for calculating the ill health and death benefits under the Scheme.
- The NYPF is supportive of the suggested move, outlined in draft regulation 11, to members having the option to aggregate benefits within 12 month of becoming an active member (rather than automatic aggregation and members being able to opt to keep benefits separate).
- The NYPF is supportive of the amendment outlined in draft regulation 12 to allow only the benefits from an active pension record to be taken on redundancy or efficiency grounds (with no requirement for deferred benefits to also be taken automatically).
- The NYPF is supportive of the change in the calculation of partners’ and children’s pensions outlined in draft regulation 14.
- The increased flexibility of dealing with liabilities outlined in draft regulation 15 is supported. However we would request that the actions are defined as options rather than mandatory requirements and that there are protections included in the provisions so that future, additional claims can be avoided (where an action has already been completed at a point in time e.g. an exit credit is paid to an employer).
- The amendment in draft regulation 16 is supported to give clarity as to the full range of scenarios where employer payments should be made to a pension fund.

- The amendments, to give clarity to the calculation of transfer values, in draft regulations 17, 18, 19, 20 and 22 are supported provided that the drafting includes full reference to the specific guidance which applies to the LGPS (which supplements the Club Memorandum).
- The amendments suggested in draft regulation 21 relating to admission agreements are supported.
- The change proposed in draft regulation 24 to allow deferred members with pre 1 April 2014 membership to access benefits between ages 55 and 60 are supported and we would agree with the LGA interpretation that there are precedents in relation to revoked legislation which would allow changes to be made for those with deferred benefits under earlier revoked regulations to also have access to benefits between those ages.
- The NYPF does **not** support the widening of categories of member to whom 'the underpin' applies, suggested in draft regulation 25, due to the administrative complexities this would pose and the extremely low number of members that the underpin applies to under the current rules. The CARE scheme has proven to be more generous for the vast majority of LGPS members.
- The NYPF is supportive of the change in draft regulation 26 regarding the election and payment of interfund adjustments.
- The clarifying amendments in draft regulation 27 regarding refunds of contributions are supported.
- The NYPF is supportive of flexibilities applying to the use of AVCs irrespective of when the AVCs were built up, as outlined in draft regulation 28.
- The NYPF is supportive of the proposed change in draft regulation 29 but the amended regulations should require that each employing authority publishes a written policy in relation to this discretion.
- The NYPF is supportive of the requirement outlined in draft regulation 30 in relation to the publishing of a list of admission agreements.

The proposals to amend the 2013 LGPS Regulations will result in the need to update actuarial guidance. We would agree with the LGA's request that any updated guidance is issued at the same time that any amending regulations are made and laid and that suitable guidance detailing the implementation requirements is also available including transitional arrangements.

**North Yorkshire Pension Fund
19 August 2016**

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PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2016 AND 2017

Meeting Date	Time & Venue	Event	Fund Managers
15 September 2016	10am, The Brierley Room	Pension Fund Committee	
16 September 2016	10am CH, Room TBC	Investment Manager Meetings	L & G and Threadneedle
24 November 2016	10am, TBC	Pension Fund Committee	1 Manager TBC
25 November 2016	10am, TBC	Investment Manager Meetings	2 Managers TBC
23 February 2017	10am, TBC	Pension Fund Committee	1 Manager TBC
24 February 2017	10am, TBC	Investment Manager Meetings	2 Managers TBC
25 May 2017	10am, TBC	Pension Fund Committee	1 Manager TBC
26 May 2017	10am, TBC	Investment Manager Meetings	2 Managers TBC
06 July 2016	10am, TBC	Pension Fund Committee	1 Manager TBC
07 July 2016	10am, TBC	Pension Fund Committee	1 Manager TBC

UPCOMING TRAINING AVAILABLE TO MEMBERS

<i>Provider</i>	<i>Course / Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Themes / Subjects Covered</i>
European PF Investment Forum	Pension Trustees Circle Seminar	25pm-26 September	York	Legal Update & Key Issues for Pension Funds
LGPIF	Investment Forum	11-13 October 2016	London	Overview of Government and Regulator views on LGPS reform; Investment Strategy and Risk Management.
NAPF	Annual Conference and Exhibition	19-21 October 2016	Liverpool	Comprehensive range of investment-related topics.
Fidelity International	UK Institutional Conference	2 November	London	Investment challenges for institutional investors
CIPFA	Annual Pensions Conference	9 November 2016	London	Future Direction of the LGPS. Asset Pooling and consultation on the Scheme Investment Regulations.
LAPFF	Annual Conference	7-9 December 2016	TBA	Agenda not yet available.
LGC	Investment Seminar	2-3 March 2017	Carden Park Cheshire	Government's Efficiency Challenge and Other Emerging Issues. Strategic Asset Allocation. Governance and Accountability.