

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 26 January 2017 at County Hall, Northallerton commencing at 9.30 am.

Present:-**Members of the Board**

David Portlock (Independent Chairman).

Employer Representatives:

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

Scheme Members:

Ben Drake (Unison) and Mandy Swithenbank (GMB).

In attendance:-

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

Apologies for absence were received from Gordon Gresty and Stella Smethurst (Unison).

Copies of all documents considered are in the Minute Book

67(a) Minutes**Resolved -**

That the Minutes of the meeting held on 6 October 2016, having been printed and circulated, were taken as read and confirmed and signed by the Chairman as a correct record.

67(b) Action Record

Considered -

The Action Record noting the progress made on actions agreed at previous meetings.

Reference was made to Appendix 1 to the report which provided an update on discretions policies, in particular the Central Government cap which would impact on the overall severance package which could be obtained through a combination of redundancy payment, any other severance payment and pension benefits. It was noted that legislation had not yet been enacted, and until then, amended discretions

policies could not be completed and implemented by employers. It was expected that the legislation would be applied in due course.

The Member undertaking the review on discretions policies stated that he had taken account of this matter.

A Member referred to Minute No. 15 - Governance Issues, and noted that this stated that "Members' would determine what would constitute a suitable settling in period", and asked whether this had now elapsed. In response the Chairman stated that the Pension Board would submit an annual review of work carried out, and make any necessary recommendations, to the County Council. He suggested that the issue remain on the Action Record until that review had taken place.

Resolved -

That the report, and issues raised, be noted.

68. Declarations of Interest

There were no declarations of interest.

69. Public Questions or Statements

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

70. Draft Minutes of the Pension Fund Committee Meeting held on 24 November 2016

Resolved -

That the draft Minutes of the Pension Fund Committee be noted.

71. Internal Audit Reports

Considered -

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

An updated timetable for the completion of Internal Audit works, from Veritau, North Yorkshire Pension Fund's Internal Auditors, was highlighted.

It was noted that there were three outstanding reports due in Quarter 3 and a draft report for the Income Audit had been received by Pension Fund officers, but some outstanding queries had to be resolved before this could be issued as a final report. No update had been provided as to the status of the Expenditure and Systems Audit reports since the previous meeting of the Pension Board.

Ian Morton of Veritau attended the meeting and provided a background to the current position regarding the outstanding Internal Audit reports.

He noted that Investments had been afforded high assurance by Veritau, with only minor issues to address.

In terms of the Income Audit he noted that a very different approach had been undertaken, as the introduction of the new LGPS scheme in 2014 had resulted in the career average and final salary pension schemes running in parallel. The new style

of Audit had seen visits taking place to a number of employers to walk through the process with them in terms of data produced for pensions' returns. The data had then been checked to determine how this was processed, with good and poor practice being identified. An area of concern was data not being validated appropriately. Feedback was being provided on strengths and weaknesses both to employers and the Pension Fund Team. It was noted that, with the new system of auditing being developed, the level of assurance in terms of Income had not been published at this stage. An Audit report would be published in due course.

In terms of the Expenditure Audit it was noted that although not all the evidence had been collated as yet, reasonable assurance could be given. The main issue affecting this was the reconciliation between the old and new systems prior to, and, following the implementation of the 2014 LGPS Regulations. Some issues had been identified in relation to that, with others still to be considered. A report would be compiled and submitted in due course.

For 2016/17 the same three areas would be subject to audits, together with consideration of Systems Access and Control. The Systems Audit would consider how separation was provided from the internal system to the public facing system and the security measures in place in relation to that.

Clarification was provided on the timescales for the final reports to be in place. It was noted that, at this stage, the Board had seen the 2015/16 Internal Audit Report in relation to Investments and that a draft report in relation to Income had been submitted to officers. It was expected that reports in relation to Expenditure and Income would be available for the next meeting of the Pension Board.

It was noted that, when a high degree of assurance was provided, in respect of an audit report, the Pension Fund Committee did not always spend time considering that, however, as the Pension Board monitored compliance with the appropriate regulations, it was considered reasonable that the Internal Audit reports, when available, were submitted to the Board. It was noted that, currently, there were no areas that were considered to be of medium or high risk. It was emphasised, however, that the Pension Board would still require Internal Audit reports to be submitted for consideration.

A Member sought clarification of the intentions behind the Audit of Investments, noting that this was undertaken retrospectively and suggested that the majority of local authority Pension Funds operated in a risk averse manner. It was noted that the Internal Audit on Investments was undertaken to ensure that processes and systems were appropriate rather than auditing the investments themselves, however, it was emphasised that North Yorkshire Pension Fund was not particularly risk averse in terms of its investment strategy to ensure that significant returns were expected to be generated to meet the cost of pension liabilities. Internal Audit ensured that Fund Managers worked to the investment strategy policies set out by the Pension Fund Committee. It was noted that the various Fund Managers also had their own compliance systems in place and that audits were carried out on their systems to ensure that these were appropriate.

Resolved -

- (i) That Ian Morton (Veritau) be thanked for his update, the content of which be noted; and
- (ii) That Internal Audit, reports be submitted to subsequent meetings of the Pension Board as soon as they are available.

- (iii) That Veritau attend future Pension Board meetings to provide an update on Pension Fund internal audit activities, when necessary.

72. Review of Employer and Administering Authority Discretions - Update

Pension Board Member, Ben Drake, stated that due to work pressures he had been unable to progress the review as yet, but expected to be able to continue that from this time.

Resolved -

That this be noted.

73. LGPS Pooling - Update

Members were provided with a copy of a report that was to be the subject of consideration by a special meeting of the Pension Fund Committee, immediately following this meeting. It was noted that, originally, it was expected that the report would contain exempt information and, therefore, would only be available to Members of the Pension Board during the special meeting of the Pension Fund Committee, however, it had subsequently been determined that the report did not contain any confidential details and was, therefore, publicly available.

It was stated that the Pension Fund Committee was being requested to recommend, for approval by the Executive (and then full Council), an approach for the Council, as Administering Authority for the North Yorkshire Pension Fund, to meet its regulatory obligations for asset pooling through joining the Border to Coast Pensions Partnership (BCPP). Agreement to the recommendation by full Council on 15 February 2017 would commit the North Yorkshire Pension Fund to being a member of the BCPP pool. It was noted that North Yorkshire was the first of 12 authorities to consider the detailed proposals and commit to joining the pool, consequently, there had been a great deal of work for the officers of North Yorkshire Pension Fund to undertake. Should all of the Authorities involved comply with the expected timetable, each would have committed to BCPP by 21 March 2017.

Within the papers provided to the Pension Board was a presentation given to employers regarding pooling arrangements, details of which had been considered by the Pension Board at previous meetings.

Also provided was a letter from Marcus Jones MP, Minister for Local Government, accepting the BCPP detailed proposal.

The following issues were raised during discussion of this matter:-

- ◆ A Member queried the projected payback position for Teesside Pension Fund. It was noted that Teesside was an internally managed Fund, therefore, the payback period was likely to be significantly longer than the Funds with externally managed investments.
- ◆ Details of the arrangements for the administration of BCPP were discussed. It was noted that it is expected to be based in Leeds, as it has strong existing financial services and has good transport connections. Details of the staffing structure and recruitment process for the administration structure were outlined.

- ◆ A Member referred to the representation on the Management Board/Joint Committee for BCPP and sought support for the Pension Board to register a view, with the Pension Fund Committee, that there should be representatives of the Scheme, employers and Trade Unions within those arrangements. He also considered that the arrangements outlined provided no scope for Members of the Pension Board to be involved. He suggested that information, filtering from other pooling arrangements, indicated that union representation was being considered within their governance frameworks, but noted this was not happening with BCPP.

In response it was stated that the arrangements for BCPP, in terms of investments, would have a similar input for the Pension Board as existed already. Currently, there were no arrangements for the representative groups to be represented within the meeting arrangements for other pools, however, it was noted that the unions were pushing for this to be the case. Details of the BCPP reporting framework and governance structure were outlined. It was considered that there would not be scope to directly include those representatives within that structure.

A Member considered that other pools would accept Scheme level representation and suggested that BCPP would be out of line with the other pools should this not be agreed to. A Member suggested that the request was appropriate. Another Member considered that it would be difficult to enlarge the structure of the bodies outlined from what was proposed as these should be efficient, effective and manageable. It was also noted that the Pension Fund Committee would be represented within that framework, therefore, feedback would come into the Pension Board via that arrangement. Some Members considered that the arrangements did not differ greatly from what was in place currently and it was queried whether it was necessary to include the representation as outlined.

It was noted that, at this stage, the governance framework arrangements were in draft form and, potentially, these could be altered.

The Chairman noted that the Pension Fund Committee did not have the delegated powers to agree the governance structure for BCPP, in terms of the North Yorkshire Pension Fund's involvement, as the Constitution for the County Council held this to be the County Council as the Administering Authority. As such, the forthcoming Pension Fund Committee would be required to make a recommendation to Executive, who would then submit a proposal to full County Council. In relation to that he stated that, subject to the agreement of the Chairman of the Pension Fund Committee, the Member could raise his concerns, with a view to the representation being included within the structure, as he outlined, at the forthcoming meeting of the Pension Fund Committee.

Whilst acknowledging the suggestion by the Chairman, the Member who raised the representation issue felt that the structure was likely to remain as detailed within the report. As such, he considered that there would be little opportunity for the Pension Board to review investment structures, with BCPP being solely responsible for the implementation of the investment strategy.

In response to this it was emphasised that the investment strategy for North Yorkshire Pension Fund would still be expected to be met through BCPP and that the investment vehicle would be designed to ensure that this could be adhered to. It was reiterated that representatives from the Pension Fund

Committee would report back into the Pension Board in relation to how the investment strategy was performing, within BCPP, and comments from the Board would be fed back in respect of that.

Some Members again suggested that the role of the Pension Board within the new arrangements should remain similar to what already existed.

A Member considered that the Pension Board would continue to have a role in overseeing the governance of the BCPP pool, as it did for the Pension Fund Committee. It was stated that should the Pension Board have concerns with the governance arrangements for the pool then these would be raised via the Pension Fund Committee and fed back in through the representative member. A Member suggested that it would be appropriate, at this stage, to consider how the governance arrangements for the BCPP framework operated, to determine whether these were indeed appropriate.

- ◆ It was noted that issues relating to the appropriate remuneration to obtain the quality of Fund Managers required to operate within the pool, as well as the salaries to be paid to the senior executives would be considered at a forthcoming meeting of the Members' Steering Group.

Resolved -

- (i) That the report be noted;
- (ii) That Members, if possible, attend the forthcoming meeting of the Pension Fund Committee to observe the debate in relation to LGPS Pooling Arrangements; and
- (iii) That Members submit any questions that they wish to raise, in relation to the report, to the Pension Fund Committee, subject to the agreement of the Chairman of that Committee.

74. Training

Considered -

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

The Chairman reminded Members to submit details of any training they had undertaken to the Clerk, whether they considered this to be relevant or not, as this assisted in ensuring that the skills base for the Pension Board remained relevant and appropriate.

A Member noted that Mazars were holding regular forums in York which could be beneficial to Members of the Pension Board. In relation to this it was noted that the events were for Members of Audit Committees and were by invitation only, however, a number of Members of the Pension Board, who were also involved in Audit Committees, regularly attended these forums.

A Member stated that he would be attending the "People and Pensions" Conference in London in the week following the meeting and would provide feedback to a subsequent meeting of the Pension Board.

Resolved -

- (i) That Members continue to provide the Clerk with updates regarding any training undertaken for submission into the Training Record; and
- (ii) That Members continue to identify any appropriate training needs.

75. Work Plan

Considered -

The report of Legal and Democratic Services detailing the areas of planned work by the Pension Board and requesting Members to consider identifying a plan of work for the Board, for the coming year, as highlighted in the Work Plan.

A discussion was undertaken on how to develop the Work Plan for the Pension Board and the following issues were raised:-

- ◆ The frequency of reports back to the County Council, from the Pension Board, had yet to be determined and it noted that it was a matter for the Board to decide when to submit those reports. It was suggested that consideration be given to what other Pension Boards were doing in this respect, with findings reported back to a subsequent meeting, allowing a report back to County Council to be developed.
- ◆ Issues around whether the Pension Fund Committee was responsible for cascading work down to the Pension Board were discussed. It was stated that the Pension Fund Committee would not be expected to lead on what the Pension Board should consider, however, it could highlight areas where they would welcome the support and guidance of the Pension Board. It was noted, that currently, the Pension Fund Committee had not indicated any issues that they would seek support and guidance on, which was probably the result of the extensive work currently being carried out in relation to pooling.
- ◆ A Member asked whether there were significant issues within the purview of the Pension Fund Committee, that although they had not expressed a wish for the Pension Board to consider, it would be appropriate for this to take place. The Chairman stated that he would pursue this issue with appropriate officers, with a view to bringing potential areas for consideration back to subsequent meetings of the Pension Board.

Resolved -

- (i) That further consideration be given to the publication of an annual report of the Pension Board to County Council following an investigation into what other Pension Boards had undertaken;
- (ii) That possible areas of investigation for the Pension Board are considered and reported back to subsequent meetings.

76. Other Urgent Business

Pensions Regulator - Letter re Accuracy of Records

Details of the tracking systems in place to meet the requirements of the Pensions Regulator were outlined. Additional, logic based checks were taken to ensure that poor data was not being used. Clarification of data submitted by employers was also

subject to additional checks to ensure that this was appropriate. Reasonableness was applied to data checks, together with appropriate formatting to provide the most accurate details as possible.

Audit checks, both internal and external, alongside in-house checks sought to safeguard the secure use of the data and to meet the required regulations. It was noted that, this year, audit checks had indicated that the system was working satisfactorily.

It was emphasised that everything was being done to ensure that data was reasonable and accurate and that information was issued within a reasonable timeframe.

The Chairman requested, and Members agreed, that the Pension Board place on record its thanks for the hard work being undertaken by the North Yorkshire Pension Fund Administration and Benefits Teams.

Annual Benefits Statements

It was asked whether these were now fully up-to-date.

In response it was noted that the information from the largest employer had just been received and information was currently being placed into the Annual Benefits Statements, and these should be completed shortly. Details of how the slippage had occurred were provided.

It was noted that the matter would not concern the Pensions Regulator, who would have more interest if a systemic failure had occurred, rather than a minor issue with a suitable plan in place to address it.

The meeting concluded at 11.10 am.

SL/JR