

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 6 July 2017 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers, MBE, Andy Solloway and Helen Swiers.

Councillor Jim Clark – North Yorkshire District Councils.

David Portlock – Chair of the Pension Board.

In attendance - County Councillor Carl Les (Leader of the Council).

Apologies - County Councillors Patrick Mulligan, Richard Musgrave and Angus Thompson; together with Councillor David Carr, City of York Council.

There were no members of the public present.

Copies of all documents considered are in the Minute Book

12. Minutes

Resolved -

That the Minutes of the meeting held on 25 May 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the following alterations:-

Minute No. 10 – Performance of the Fund's Portfolio:-

Resolution b) – add “approximately” before “£100m” and remove “approximately” before “3.3%”; and

Add an additional resolution c) to read “that the Fund fully disinvests from ECM and the funds are transferred to M&G.”

13. Declarations of Interest

There were no declarations of interest.

14. Public Questions or Statements

There were no public questions or statements.

15. Statement of Final Accounts 2016/17

Considered -

The report of the Treasurer requesting Members to approve the draft Statement of Final Accounts for the financial year 2016/17.

The Treasurer explained that there had been an earlier production of the Statement of Final Accounts (SoFA) for the County Council, which, as administering authority, included the North Yorkshire Pension Fund accounts. The draft SoFA was presented to the Audit Committee on 22 June 2017, the final version was set to be considered by the Audit Committee on 7 September 2017. Next year the 2017/18 SoFA would need to be approved by Audit Committee by 31 July 2018, further accelerating the timetable. As a result it was necessary to change the approach for the Pension Fund Committee in its consideration of the North Yorkshire Pension Fund accounts.

He noted that, although the Committee were requested to approve the draft Statement of Final Accounts, the Audit Committee would be responsible for the official sign-off of the SoFA and, as there was no scheduled Pension Fund Committee meeting before the Audit Committee when the signing off would take place it was suggested that the Committee should delegate authority to the Chairman of the Pension Fund Committee to approve any required changes to the draft North Yorkshire Pension Fund accounts, in consultation with the Treasurer, prior to these being submitted to the Audit Committee. He emphasised that should the changes be of significance the information would be shared with all Members of the Pension Fund Committee and, if necessary, an additional meeting of the Committee would be arranged.

Members undertook a discussion of the report and the following issues and points were raised:-

- ◆ It was emphasised that the final North Yorkshire Pension Fund accounts would be considered by a meeting of the Pension Fund Committee, should that be through an additional meeting, due to extensive alterations being required, or for the accounts to be noted at the next scheduled meeting. It was noted that the accounts would be included in the Annual Report of the Pension Fund, which was due to be submitted to the next scheduled meeting of the Pension Fund Committee.
- ◆ It was noted that membership of the Committee was highlighted in the Annual Report of the Pension Fund.
- ◆ It was stated that a sub group of the Audit Committee was in place to give consideration to the SoFA and any changes in relation to the North Yorkshire Pension Fund accounts, resulting from the deliberations of that sub group, would be reported back to the Pension Fund Committee.

Resolved -

That the draft Statement of Final Accounts for 2016/17 be approved and authority be delegated to the Chairman to approve any required changes, following consultation with the Treasurer, in the period up to Audit Committee consideration of the SoFA.

16. Governance Arrangements

Considered -

The report of the Treasurer seeking the Committee's approval of the following governance documents:-

- ◆ Investment Strategy Statement.
- ◆ Governance Compliance Statement.

- ◆ Risk Register.
- ◆ Communications Strategy 2017/18.
- ◆ Communication Policy Statement.
- ◆ Pensions Administration Strategy.

The Treasurer outlined how the Pension Fund Committee viewed and approved the governance documents for the North Yorkshire Pension Fund on an annual basis prior to the audit of the Annual Report. A number of the governance documents formed a part of the Annual Report of the Fund, and, in addition to those documents all other governance documents were also approved annually by way of good practice.

The completed Annual Report would be presented to the Pension Fund Committee on 14 September 2017 for recommendation of approval by the Audit Committee.

Details of each of the governance documents was included in the report, together with comments on the changes that had been made since they were last approved.

The Treasurer highlighted three areas in which progress would be sought during the coming year. He considered that the following would need development, in priority order:-

- ◆ Training Policy.
- ◆ Breaches Policy.
- ◆ Risk Policy.

The Chairman questioned why the Pension Fund would need a different risk strategy to that of the County Council. Members considered that the risk management of the Pension Fund could be underpinned by adopting the County Council's policy in terms of risk. It was recognised that the Pension Fund required a separate Risk Register, but considered appropriate that the policy and strategy of the County Council could be applied to the Pension Fund.

Members discussed the report and the appended governance documents and the following issues and points were raised:-

Covering Report

It was noted that reference to the Annual Report, to be presented to the Pension Fund Committee on 14 September 2017, being recommended for approval by the Audit Committee was incorrect, as it was Statement of Final Accounts that would be approved by Audit Committee and not the Annual Report.

It was noted that some employers had yet to submit information which had delayed the publication of Annual Benefits Statements, with a number failing to meet the statutory deadline. The Treasurer stated that he was addressing this situation directly with the appropriate officers of the employers concerned.

Investment Strategy Statement

A Member raised concerns regarding Item 6.4 of the Statement, particularly where it stated "it is expected that approximately 96% of NYPF's assets will be transitioned into the pool once suitable sub-funds are in place". The issue of how "suitable" would be interpreted was the concern, particularly as the suitability may be decided by the pool rather than North Yorkshire Pension Fund. A Member noted that this did not indicate how quickly the transition would take place. The Treasurer stated that the paragraph referred to the strategy in respect of transition rather than the implementation. He emphasised that the detailed workings of the transition plan would come to the Pension

Fund Committee before any action was undertaken in relation to that. He noted that the pool's Joint Committee would also have a role in the transition process.

Issues around the management of the performance of investments through the pool were discussed. It was reiterated that the specific Fund Managers utilised by the North Yorkshire Pension Fund, currently, may not be available through the pooling arrangements, however, opportunities to invest in specific funding classes would be available. It was asked whether a comparison could be undertaken to determine whether the performance of the Fund Managers within the pool were as effective as those undertaken separately by the Pension Fund. The Treasurer stated that consideration would be given to performance through the Joint Committee and Officers' Groups.

Members emphasised that there would need to be confidence in the arrangements before transition was undertaken. The Treasurer again stated that no transition would be undertaken until details had been discussed at meetings of the Pension Fund Committee.

It was considered appropriate that the term liquid assets be re-introduced into the paragraph, rather than just assets, as had been previously stated, as this would clarify the position of the North Yorkshire Pension Fund.

Governance Compliance Statement

The Treasurer noted that the role of the shareholder group should be added to the paragraph relating to LGPS pooling arrangements and it was considered appropriate that the Chairman of the Pension Fund Committee, in liaison with the Treasurer, be provided with delegated authority to change the wording of that paragraph to reflect this position.

Risk Register

A Member raised concerns that pooling arrangements had not been flagged up as a significant risk within the Register. He considered that the position should be made clearer. In response it was stated that pooling transition had been designated as significant risk and that this position was fully reflected in the Risk Register. It was also noted that there was no name provided alongside this risk category in terms of who was action manager for this. The Treasurer stated that his name would be inserted and he would be the action manager for that.

A Member referred to the risk relating to key personnel, agreeing that it was a risk area but asked whether the risk around training related to staff or Pension Fund Committee Members. In response the Treasurer stated that the matrix for the risk referred to staff, with a view to broadening the range of knowledge of finance staff to be able to support pensions' administration. He noted that this was underway.

A Member asked whether there was a potential for key personnel to be recruited to the pooling funds as they developed. The Treasurer stated that it would be less likely for internal pensions' staff to be recruited by the pools due to the specialist knowledge, particularly of the financial markets, required for those positions.

The Chairman stated that each of the pools was adopting a different approach and were operating independently. He highlighted how the different pools had become established and provided details of how the BCPP pool would operate with a mixture of internal/external managed funds. He noted that, in comparison to the size of the Funds, the set-up costs were relatively low, although he acknowledged that the figures in relation to those, in real terms, were substantial.

A discussion took place in relation to the risk around the Investment Strategy and whether that should be higher than indicated in the Risk Register. A Member suggested that the details within the Risk Register had been compiled, with full knowledge of the risks involved, by officers within the Pension Fund's Finance and Administration Teams and it was considered that it would be difficult for Members to change the risks outlined without that knowledge. Another Member countered that opinion suggesting that Pension Fund Committee Members were accountable in terms of the Investment Strategy and it was for them to challenge officers to ensure that the process was as robust as possible. In relation to the Investment Strategy risk it was noted that there were many factors that could affect this currently and that the Risk Register could be altered in line with how those risks developed, over time. The Treasurer stated that an Investment Strategy Workshop was due to be held shortly and that further consideration would be given to the risks involved with the Investment Strategy of the Pension Fund. It was considered that, for the time being, the risk could stay as stated within the Risk Register.

Communications Strategy

It was asked whether easy to understand information around the process of obtaining pension figures was available on the North Yorkshire Pension Fund website. This was confirmed by officers and it was noted that surveys were undertaken to determine whether the information on the website was considered to be user friendly. It was noted that many people did not begin to consider the information required in relation to the determination of their pensions until coming up to retirement age, although it was noted that they did receive annual benefits' statements. The Treasurer noted that there had been some issues around the ease of use of the website and he would be working with Pensions Administrations Officers to address those.

Communication Policy Statement

The Chairman of the Pension Board complimented those involved for the reference to the Pension Board within the Policy Statement. He asked whether Pension Board Members were provided with the newsletters highlighted within the policy as he, personally, had not seen these. In response it was stated that Pension Board Members would be provided with the newsletter and noted that these were produced on an annual basis.

Pensions Administrations Strategy

It was asked whether there were any sanctions placed upon employers when North Yorkshire Pension Fund's request for member data was not complied with. In response, it was noted that there were sanctions in place for late payment and also in relation to the late supply of data. In respect of this, the Treasurer suggested that the paragraph could be amended to refer employers to paragraph 5.32 of the policy "charges to the employer" in cases where data was not provided within the timescale required. It was also suggested that employers be informed that the Pension Fund Committee considered that it would be appropriate to impose sanctions on employers in such circumstances.

Members welcomed Phillippa Cockerill, the new Head of Pensions Administration, and praised the Administration Service for its low cost and efficiency.

Members also welcomed John Raine, the Head of Technical Finance, who would be assisting with Pension Fund matters going forward.

Resolved -

That, subject to the alterations highlighted below, the report and the following governance documents be approved:-

- ◆ Investment Strategy Statement.
 - ◆ Governance Compliance Statement.
 - ◆ Risk Register.
 - ◆ Communications Strategy 2017/18.
 - ◆ Communication Policy Statement.
 - ◆ Pensions Administrations Strategy.
- (i) Covering report - paragraph 2.3 - remove "... for recommendation for approval by the Audit Committee";
- (ii) Governance Compliance Statement - an additional paragraph be added relating to the role of the shareholder group, with the wording for that delegated to the Chairman of the Pension Fund Committee, in liaison with the Treasurer of the Pension Fund;
- (iii) Investment Strategy Statement - paragraph 6.4 - re-insert "liquid", before "assets" in the second sentence to read "however it is expected that approximately 96% of NYPF's liquid assets ...";
- (iv) Risk Register - June 2017 review - summary - insert, GF - Treasurer of the North Yorkshire Pension Fund into the action manager box in respect of risk title 44/201 - LGPS Pooling Transition;
- (v) Pensions Administrations Strategy - paragraph 5.5 - add a sentence relating to the Pension Fund Committee applying sanctions to employers who did not comply with this paragraph, referring to the sanctions outlined in paragraph 5.32 of the Pensions Administrations Strategy.

Members were invited to an Investment Strategy Workshop taking place at 10 am on Friday 7 July 2017.

The meeting concluded at 2.45 pm.

SL/JR