

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 5 July 2018 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers MBE, Cliff Lunn, Patrick Mulligan and Helen Swiers.

Councillor Jim Clark - North Yorkshire District Councils.

Councillor Ian Gillies - City of York Council.

David Portlock - Chair of the Pension Board.

Apologies were received from County Councillor Angus Thompson.

Brian Hazelhurst (Unison) attended as an observer.

There were no members of the public present.

Copies of all documents considered are in the Minute Book

63. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 69 on the grounds that this involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

64. Minutes

Resolved -

That the Minutes of the meeting held on 24 May 2018, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

65. Declarations of Interest

There were no declarations of interest.

66. Public Questions or Statements

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

67. NYPF Draft Statement of Final Accounts 2017/18

Considered -

The report of the Treasurer requesting Members to approve the draft Statement of Final Accounts for the financial year 2017/18.

The Treasurer explained that this year had seen the earlier production of the Statement of Final Accounts (SOFA) for the County Council, which, as administering authority, included the NYPF accounts. The draft SOFA was presented to Audit Committee on 21 June 2018 and the final version would be considered by Audit Committee on 26 July 2018.

The Constitution currently stated that the Pension Fund Committee should “approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee”. Given that the Audit Committee was required (by legislation) to approve the SOFA, including those of NYPF, there was an inconsistency which would need to be addressed at some point in the near future. It was clearly proper that the Pension Fund Committee received a report on the SOFA for the Pension Fund but not necessarily that it was “approved”.

He noted that, although the Committee was requested to approve the draft Statement of Final Accounts, there could be changes before 26 July 2018 and, as there was no scheduled Pension Fund Committee meeting before that date, it was suggested that any subsequent material changes would be reported to the Committee Members in between scheduled meetings with a formal agenda item at the next available Pension Fund Committee.

The following changes, that had already occurred, were outlined as follows:-

- ◆ The Yorkshire and Humber Equity Fund would be removed from the list of Investment Managers, with the sum written off.
- ◆ Management fees were up slightly and that would be reflected in the final accounts.
- ◆ A brief paragraph in relation to the fees generated by the introduction of pooling arrangements would be provided in the final accounts.

The Chairman noted the significantly better position that the North Yorkshire Pension Fund was in when compared to the end of Quarter 1 in 2009, noting that the Fund was now 109% funded.

In relation to the issue regarding the anomaly of the Pension Fund Committee currently being required to approve the Statement of Final Accounts, as required by the Constitution, the Treasurer stated that he would be seeking to change that, with a view to the Committee noting the SOFA, in future, with approval being provided by the Audit Committee, as of now.

Resolved -

That the draft Statement of Final Accounts for 2017/18 be approved.

68. Governance of the Fund

Considered -

The report of the Treasurer providing a range of governance documents for the Committee to approve, ratify or note as appropriate. The following governance documents were provided:-

- ◆ Investment Strategy Statement.
- ◆ Governance Compliance Statement.
- ◆ Communications Policy.
- ◆ Risk Register.
- ◆ Administering Authority Discretions Policy.
- ◆ Internal Dispute Resolution Procedure (IDRP) Guide.
- ◆ Statement of Compliance with UK Stewardship Code.
- ◆ GDPR Privacy Notice.
- ◆ GDPR Memorandum of Understanding.

A description of each of the Fund's governance documents was provided, together with comments on the changes that had been made since they were last approved and actions required by the Pension Fund Committee. Changes that had been made to the governance documents since their previous approval were clearly set out in the report.

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

Investment Strategy Statement

Issues around the different benchmarks set for the Investment Managers for the property portfolio funds were questioned and the Fund's Investment Consultants stated that they would clarify the position, in relation to these, and provide an appropriate response to the issue raised. It was suggested that the differences related to the different objectives set for each Investment Manager.

Governance Compliance Statement

The Chair of the Pension Board stated that he was delighted to see reference to the Pension Board within the document, however, he noted that reference to Pension Board Members having knowledge of the Local Government Pension Scheme was just one aspect of the requirements to sit on the Board, noting that it was also required to have recognised knowledge of the appropriate regulations relating to pensions. He considered that this should also be referred to. The Treasurer stated that he was happy to include this statement and would clarify the appropriate wording with the Chair of the Pension Board.

Funding Strategy Statement

It was noted that this would be updated after the next triennial valuation in 2019.

Communications Policy and Communications Strategy

It was noted that there was little change in relation to the policy and a continued improvement of the strategy for communications would be submitted to Pension Fund Committee meetings as developments took place.

Risk Register - Profile, Summary and Detail

The Treasurer noted that the areas of significant risk allowed in the Risk Register were solvency and transition (in terms of pooling).

The Chair of the Pension Board noted that key personnel was classified as a low risk, however, previous discussions had suggested that this risk should be higher. The Treasurer stated that the Risk Register could change significantly from the moment it was published and recognised the issue, in terms of key finance staff, an issue that had been raised at a previous meeting which was currently being addressed. He stated that the risk, as detailed, would not be changed as that represented the position at that time, but acknowledged that, subsequently, the risk levelling in terms of key personnel had altered.

A Member raised concerns that there was no specific risk highlighted in relation to the development of pooling arrangements and the potential for that system collapsing. In response it was suggested that the risk was no different to those carried by investments undertaken by North Yorkshire Pension Fund and the risks were covered in both solvency and transition, which were highlighted as the largest potential risks to the Fund. The Member considered it appropriate for a separate risk to be highlighted in terms of pooling as, currently, that was an unknown development for the Local Government Pension Scheme and, if it were to fail, the risk would not have been highlighted appropriately. It was again emphasised that the position re pooling was covered by the existing risks identified in the Register and did not differ significantly from the failure of an existing Fund Manager. It was noted that those issues would be discussed later in the meeting with the CIO of BCPP, who would be attending to speak to Members of the Committee.

The Member suggested that, because of the significant risk being encountered through the development of pooling arrangements, a separate risk in terms of this should be added to the Register. Other Members acknowledged the issues being raised and considered that there were significant risks in terms of the development of pooling arrangements. Other potential risks highlighted included the possibility of the extension of pooling, moving towards one overall pool for the Local Government Pension Scheme and the lack of availability of appropriate Fund Managers to enable the Investment Strategy of the North Yorkshire Pension Fund to be undertaken. The actions that could be taken by the Pension Fund Committee and BCPP, if it was apparent that the pooling arrangements were failing, were outlined.

The Member who raised the issue suggested that the development of a separate risk, in terms of pooling, related to safeguarding the North Yorkshire Pension Fund in terms of the public perception should pooling indeed fail.

It was emphasised that should a separate risk be identified in terms of pooling then details of how that risk was to be mitigated would be required alongside that. The Treasurer outlined the work undertaken, particularly by the North Yorkshire Pension Fund, to mitigate the risks in relation to the development of BCPP and emphasised that mitigation against the risk of pooling had been taking place and continued to.

It was suggested, therefore, that the Risk Register remained as stated currently, in terms of the publication of the governance documents, but the Committee further discuss the position when the Risk Register was considered as a substantive item at a subsequent meeting. Account could then be taken of the discussion undertaken at today's meeting and the potential for developing a separate risk, with appropriate mitigation in place, could be undertaken at that stage. It was emphasised that a pooling report was brought to every Pension Fund Committee meeting, with a view to mitigating

risks and enabling Members to consider the risk factors involved in terms of the development of the Pool.

Risk Management Policy

This had been agreed by the Committee in November 2017 and had been in place since then.

Administering Authority Discretions Policy

Track changes had been provided to assist Members in identifying alterations that had taken place. It was noted that relevant changes had been made to the death grant process following recent discussions at the Pension Fund Committee.

The Chair of the Pension Board considered that the inclusion of the issues relating to deciding whether to establish a Local Pension Board should now be removed from the Discretions Policy as that was now a statutory requirement. The Treasurer stated that he would review the document and would remove the related items, noting that, should legislation change, they could be re-inserted.

Internal Dispute Resolution Procedure

The Treasurer stated that the wording of the procedure had been altered substantially with a view to making this more user friendly. He noted, however, that the process had not been altered.

NYPF Activity Tracker 2018/19

The Treasurer stated that this document had been provided for information purposes and was not a policy document.

Statement of Compliance with UK Stewardship Code for Institutional Investors

The Treasurer noted that this had been approved by Members earlier in the year and, following submission to the FRC, a number of minor changes had been made and were highlighted in the amended document.

GDPR Privacy Notice/GDPR Memorandum of Understanding

The Treasurer stated that these documents reflected updated information following the implementation of GDPR.

Breaches Policy

There had been no changes to the Breaches Policy as agreed at a previous meeting of the Pension Fund Committee.

Resolved -

(i) That the following governance documents be approved:-

- ◆ Investment Strategy Statement
- ◆ Governance Compliance Statement
- ◆ Communications Policy
- ◆ Risk Register
- ◆ Internal Dispute Resolution Procedure (IDRP) Guide
- ◆ Statement of Compliance with UK Stewardship Code

- (ii) That the following documents are ratified:-
 - ◆ Administering Authority Discretions Policy
 - ◆ GDPR Memorandum of Understanding
- (iii) That the progress report on the Communications Strategy 2017/18 and the GDPR Privacy Notice, be noted;
- (iv) That any amendments to the documents, as outlined in the discussions above, be undertaken accordingly; and
- (v) That further discussions in relation to the Risk Register, in line with the discussions outlined above, be undertaken when the Risk Register is next considered by the Committee.

Minute No. 69 included confidential information and, as such, the Minutes below reflect the confidential nature of that information.

69. Management Fees

Considered -

The report of the Treasurer updating Members on the fees that had been paid to Fund Managers in 2017/18.

The Treasurer highlighted how at previous PFC meetings discussed the manager fees of the Fund and, in particular, the transparency around the fees and how the introduction of the voluntary code of transparency for LGPS Asset Managers, developed by the Scheme Advisory Board, would impact on the fee information provided by Fund Managers.

Following the production of the NYPF draft Statement of Accounts officers were able to provide a breakdown of Fund Manager fees for 2017/18 which were provided in an Appendix to the report. Fund Managers were asked to complete the draft Code of Transparency template developed by the Scheme Advisory Board, but not all had done so.

It was anticipated that fees would continue to increase as more “hidden” fees were disclosed by the managers but this would not result in lower net returns to North Yorkshire Pension Fund as the gross returns would increase by the same amount.

It was intended that Members would be provided with a breakdown of manager fees on an annual basis in future.

It was noted, with concern, that not all the details requested had been provided by Fund Managers.

Resolved -

- (i) That the report be noted;
- (ii) That the concern of the Committee be extended to the Fund Managers in respect of not all the requested information been provided and in relation to a

number of Fund Managers not having signed up to the voluntary code of transparency;

- (iii) That a further report be submitted to a subsequent meeting of the Pension Fund Committee with the requested information in place, allowing Members to consider that appropriately.

70. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposal to pool the assets of LGPS Funds.

It was noted that BCPP had "gone live" on 2 July 2018. The current areas of focus were on the set up and launch of the upcoming sub funds, with particular reference to those launching in July, transition planning and recruitment and TUPE of staff.

It was noted that agreement to appoint two Shareholder Directors to the BCPP Board had been agreed and candidates would be selected at the next Joint Committee meeting to be held on 10 July 2018.

It was noted that the Interim CIO of BCPP was attending following this meeting to further discuss with Members the transition plan and approach.

Resolved -

That the report be noted.

The meeting concluded at 11.25 am.

SL/JR

North Yorkshire County Council

Pension Fund Committee

Minutes of the Special Meeting held on 18 July 2018 at County Hall, Northallerton commencing at 1.00pm.

Present:-

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers MBE, Cliff Lunn, Patrick Mulligan, Helen Swiers and Angus Thompson.

Councillor Jim Clark - North Yorkshire District Councils.

Apologies were received from County Councillor Any Solloway, Councillor Ian Gillies (City of York) and David Portlock (Chair of the Pension Board).

There were no members of the public present.

Copies of all documents considered are in the Minute Book

71. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 74 on the grounds that this involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

72. Declarations of Interest

There were no declarations of interest.

73. Public Questions or Statements

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

Minute No. 74 included exempt and confidential information and, as such, the Minutes below reflect the confidential nature of that information.

74. Rebalancing of Equity Portfolio

Considered -

The report of the Treasurer seeking approval from Members to disinvest £160m as part of a de-risking strategy.

The Treasurer outlined that, following a number of investment strategy workshops, concerns had been expressed with regard to the Fund's high exposure to equities,

leading to previous decisions to disinvest 10% from equities and reinvest in other alternative asset classes.

As part of the reinvestment strategy a procurement was due to be launched for an investment in Property Debt, and details of the proposed investment were discussed at the investment strategy workshop held on 5th July 2018. As a result of that a formal decision was required on the following issues:-

- Where to disinvest the funds from for the Property Debt portfolio
- When to disinvest for the Property Debt investment
- Where to hold assets before investment in Property Debt

Members discussed the issues outlined and considered the structure of formal meetings and workshops, going forward, in relation to the development of the investment strategy.

Resolved:-

- (i) that the disinvestment from Baillie Gifford (£100m) and Fidelity (£60m), as set out in paragraph 3.2.2 of the report, be approved, once arrangements are finalised for the management of cash;
- (ii) that the investment in cash in the interim period, until funds are fully invested in Property Debt, be approved; and
- (iii) that authority be delegated to the Treasurer, in consultation with the Chair of the Pension Fund Committee, to determine the most economically advantageous option for the Pension Fund to hold cash.

The meeting concluded at 1.45pm

SML