

North Yorkshire County Council

Pension Fund Committee

Minutes of the Meeting held on 13 September 2018 at County Hall, Northallerton commencing at 10 am.

Present:-

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

Councillor Chris Steward (as substitute for Councillor Ian Gillies) - City of York Council.

Councillor Jim Clark - North Yorkshire District Councils.

David Portlock - Chair of the Pension Board.

In attendance:-

County Councillor Don Mackay, Brian Hazeldene (Unison) and Peter Scales (Independent Observer to the North Yorkshire Pension Fund).

Apologies were received from County Councillors John Blackie and Andy Solloway, together with Councillor Ian Gillies (City of York).

Copies of all documents considered are in the Minute Book

75. Minutes

Resolved -

That the Minutes of the meeting held on 5 July 2018 and the special meeting held on 18 July 2018, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

76. Declarations of Interest

There were no declarations of interest.

77. Public Questions or Statements

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

78. Pensions Administration Report

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year to date and providing an update on key issues and initiatives which impact the Administration Team.

The following updates were provided in relation to the report:-

- ◆ The Administration Team remain focused on reducing outstanding work and ensuring day to day business as usual was being processed within agreed timescales.
- ◆ The number of academy conversions has steadied, which assisted with the day to day planning of work.
- ◆ There had been four complaints during the period 1 April 2018 to 30 June 2018, with no discernable trend.
- ◆ In terms of Annual Benefit Statements issued the current figures were, 99% deferred and 83% actives.
- ◆ Included in the Governance report, later in the agenda, were details in relation to the re-introduction of penalties for employers providing late or inaccurate data alongside the creation of a Charging Policy document which provided details of the basis, structure and level of charging being introduced. It was noted that alongside the charging of employers, from April 2019, a re-engagement exercise would be undertaken to offer support and training with a view to improving relationships and engagement with all employers across the Scheme.
- ◆ GMP reconciliation - the project was continuing and, although this had extended beyond the proposed timescales, the contract for the process being undertaken by ITM would not lead to any further costs as this was a fixed price contract.
- ◆ The project relating to the reduction in the number of standard letters was continuing, however, resources had been required elsewhere due to demand within the Team which had resulted in this slowing down for a period of time.

The Treasurer reiterated the issues around the principles for re-introducing a charging policy for employers and stated that the report sought Members' approval to the principal of charging employers for the provision of poor quality data, late data and late payment of contributions. He emphasised that the charging regime was not intended as a profit making enterprise for North Yorkshire Pension Fund, but was to address a growing problem in terms of these issues.

A Member highlighted the availability of the Pensions Regulator to work alongside Pensions Administration Officers in terms of penalties for employers who were not providing data appropriately. In response it was emphasised that, initially, client relationship management and support would be provided with a view to addressing the matter without penalty. Should employers then continue to provide late or inaccurate data then the appropriate sanctions would be put in place, including the involvement of the Pensions Regulator if necessary.

It was noted that there had been a reduction in active members and it was asked whether this trend was likely to continue. In response it was stated that a large amount of outstanding work had been cleared during the period which had affected the figures and it was not known whether this would be a continuous trend. Members noted that there had been some surprise, previously, that active figures had not dropped dramatically despite the reduction of staff working within the public sector in the area. In relation to this

it was noted that figures had been effected by auto-enrolment and by people having a number of part-time positions which affected the actives' figures.

Resolved -

- (i) That the contents of the report be noted.
- (ii) That the contents of the breaches log be noted.
- (iii) That Members approve, in principle, the re-introduction of employer charging for the provision of poor quality data, late data and late payment of contributions.

79. Budget/Statistics

Considered -

The report of the Treasurer on the following:

- (a) 2018/19 Budget - cost of running the Fund.
- (b) The three year cash-flow projection for the Fund.

2018/19 Budget

The forecast outturn was estimated to be in line with the 2018/19 budget at £22.6m.

Three Year Cash-flow Projection

The projection included the contribution income and benefits payable, the main inflow and outflow of the Fund, which would determine when the Fund would turn cash-flow negative. The estimated cash-flow for the Fund in 2018/19 was a £6.8m deficit which had increased from the last quarter where a £4.6m deficit was reported. The deficit position is mainly due to the £13m pre-payment of deficit contributions, relating to 2018/19, in 2017/18. In view of this it was expected that the Fund would be back in a surplus cash position during 2020/21.

The following issues were raised:-

- ◆ It was asked whether the £10m included in the budget for investment management base fees was an estimate. In response it was stated that the figure was based on the size of the Fund and the actuals for 2017/18, therefore, this was an estimate but based on expected figures. It was noted that Fund Managers had been requested previously to provide exact details in terms of fees and further contact would be made with them to ensure these details were provided accordingly. Members emphasised the details were required to ensure that the monitoring of the effectiveness of the pooling arrangements were appropriate going forward.
- ◆ Issues around the initial charges, in relation to the establishment of the pooling arrangements, were queried. In response it was stated that it was expected that the set-up costs would be in line with what had been reported previously and that they had been divided equally between the twelve Pension Funds involved. It was noted that the Customer Relationship Manager for the Pool would be attending a meeting with Pension Fund Members on 14 September 2018 and detailed questions could be submitted to him.

Resolved -

That the report be noted.

80. Governance of the Fund

Considered -

The report of the Treasurer:-

- (i) Requesting Members to review a range of governance documents and to approve or note as appropriate:
 - ◆ NYPF Business Plan
 - ◆ Pensions Administration Strategy
 - ◆ Employer charging policy
 - ◆ NYPF Annual Report and Accounts.
- (ii) Updating Members on progress made on the following governance documents:
 - ◆ Admissions and Terminations Policy
 - ◆ Statement of Compliance with the UK Stewardship Code.
- (iii) Updating Members on the Annual Governance Review of the Fund undertaken by the Fund's Independent Professional Observer.
- (a) NYPF Business Plan

The Treasurer stated that this was a new governance document, in line with recommendations from the Pensions Regulator. The Plan would be used to manage the Scheme effectively and enable Scheme Members to get good outcomes. The Plan would also enable the Committee to plan ahead and improve their ability to comply with legal requirements. A draft of the Plan was provided and Members were asked to comment.

The following issues were raised:-

- ◆ It was asked why there were no timescales in relation to the key actions within the Plan. In response it was stated that all the actions outlined were expected to be undertaken during the current year, however, it was acknowledged that a timescale for when the action completed was not detailed. It was noted that the Plan would be reviewed at the end of each year and major actions would continue to roll forward until they were completed. It was noted that the Plan would be monitored and would be submitted to the Committee to outline progress. It was acknowledged that a year on the cover of the Business Plan should be included and details of progress on actions should be provided at future PFC meetings..

The Fund's Independent Professional Observer, Peter Scales, highlighted the following:-

- ◆ He noted that the Plan was still developing.
- ◆ The Plan reflected the Pension Regulator's guidance and good practice elsewhere.
- ◆ There was no mention of risk management in the objectives or a link to the Risk Management Policy and Register.
- ◆ There was no indication as to how activities would be tracked over the following years.
- ◆ It was worth considering developing the work plan alongside that of the Pension Board.
- ◆ It was noted that the Pension Board and Pension Fund Committee had tried to align their work so as not to overburden officers with duplication of work.

The Treasurer stated that he would take account of the issues that had been raised when further developing the Business Plan.

(b) Pensions Administration Strategy

It was explained that normally the Pensions Administration Strategy would have been provided with other governance documents at the July meeting of the Committee, however, the Employer Charging Policy was still under development at that time and, therefore, as that document sat alongside the Pensions Administration Strategy it was considered appropriate to bring them both to this meeting.

The Independent Professional Observer highlighted the following:-

- ◆ The Strategy complied with the appropriate regulation.
- ◆ He suggested that the Strategy Statement should reflect the yearly performance, as outlined in the Annual Report.

In response to the issues raised the Treasurer suggested that alterations to the Statement be delegated to officers, rather than bringing the issue back to the Committee, allowing Members to approve the document subject to the alterations taking place.

(c) Employer Charging Policy

As stated above, an Employer Charging Policy had been created which set out the Fund's policy regarding charging employers. It was noted that the client relationship management initiative would be undertaken before the policy was imposed on employers, with a view to encouraging them to change current practices with data being submitted correctly and on time. It was proposed, therefore, that the policy would be implemented from April 2019 onwards.

The following issues were raised:-

- ◆ It was suggested that the Charging Policy was clear in providing details of when charges would be imposed. It was noted that charges could already be issued, however, the creation of the Policy indicated to

employers that the NYPF was taking positive action to deal with continuing problems.

- ◆ It was noted that thresholds were in place in terms of when fees would be implemented, but it was emphasised that a small error could still have a large scale impact.
- ◆ It was acknowledged that the NYPF Administration Team had not adequately developed relationships with some of the employers recently and were unaware of changes that may affect the supply of data, therefore, the re-establishment of those relationships was being sought through the client relationship management initiative. It was noted that some very small employers may be experiencing difficulties with their Pension's administration and the initiative would assist in identifying that and rectifying the situation without imposing charges. It was also emphasised, however, that dealing with pensions' issues was part of the Service Level Agreement between the employer and the Fund and, therefore, there should be a good level of competency in place when dealing with those matters.

The Chairman of the Pension Board noted that should there be significant delays in publishing Annual Benefit Statements, due to employers not supplying data appropriately, then the Pension Board would need to consider whether the matter was a reportable breach. The Treasurer emphasised the need to ensure that employers were complying with the necessary requirements and appropriate action was being taken to rectify the situation.

(d) Annual Report

The Treasurer provided details of the 2017/18 Annual Report. He noted that the Final Accounts, included within the report, had been signed off by the External Auditor, and had been approved by the County Council's Audit Committee. Details of changes to the accounts since publication of the draft accounts were provided for Members to note.

He noted that the Annual Report would return to the External Auditor for their final opinion, subject to Members' approval, and would then be published on the NYPF website.

The Independent Observer to the Fund was invited to comment, and he outlined the following:-

- ◆ The Annual Report complied with CIPFA guidance, and it was for the Committee to decide how much of the information suggested by CIPFA was included.
- ◆ Details of employer contributions – information within the link did not show the actual contributions paid by the employer. CIPFA suggested that a breakdown of the figures should be provided.
- ◆ Performance on paying contributions on time – it would be useful to provide an indication of the scale of late payments, the action being taken to recover those and any interest charged.
- ◆ Providing details of the attendance of Members at Pension Fund Committee Meetings should be considered.

- ◆ A statement of compliance with the CIPFA Code of Practice should be included.
- ◆ There were no details in respect of employer performance against the standards set in the Pensions Administration Strategy.
- ◆ Consideration should be given to including the Annual Report of the Pensions Board.

The issues raised were acknowledged. It was noted that the County Council operated a separate system in relation to the reporting of attendance at Committees, but it would not be detrimental to include those details in the Annual Report. There is currently a link to committee attendance in the report.

The Treasurer welcomed the comments and, noting that the current report was fully compliant with the appropriate guidance, suggested that the issues were taken account of and addressed when subsequent Annual Reports were compiled.

(e) Admissions and Terminations Policy/Statement of Compliance with UK Stewardship Code

The report provided updates in relation to these issues.

(f) Fund Governance Review - Report of the Independent Professional Observer

The Independent Professional Observer, Peter Scales, highlighted the following in relation to the governance of the Fund and the related governance documents:-

- ◆ The Pension Fund and Pension Board were both operating well with high standards of governance. The governance standards were being maintained and improved and were consistent, if not to a higher standard, than other comparator Funds.
- ◆ He noted that the recent Internal Audit report provided an overall conclusion that arrangements for managing risk were good and that controls within the system provided substantial assurance.
- ◆ In terms of any issues/control weaknesses identified through Internal Audit and Pension Board consideration, these were not significant and could be easily rectified.
- ◆ Audit assurance assisted the Pension Board to help members meet their responsibilities and test the robustness of internal controls.
- ◆ Policy documents were found to be compliant with the appropriate regulations.
- ◆ In terms of the Governance Compliance Statement it was noted that this had been carefully worded to reflect all aspects of the regulations and guidance. It was suggested that it would be helpful to indicate that the Pension Board was not a committee in legal terms and that the Chair of the Pension Board attended meetings of the Pension Fund Committee in a non-voting capacity.

- ◆ The purpose of the governance roles and responsibilities document was not apparent.
- ◆ The Governance Compliance Statement complied with the appropriate regulations and was appropriate.
- ◆ The Funding Strategy Statement would be reviewed as part of the 2019 triennial valuation.
- ◆ In terms of the Communications Policy he noted that this was under development, but was unclear as to whether the Policy, in relation to the format, frequency and method of distributing information or publicity complied with the appropriate regulation. He noted the move to electronic based communications and the need to reference this within the policy statement.
- ◆ He welcomed the relatively simple framework in place for the existence, use and understanding of risks. He considered the Risk Register to be fully compliant with the regulation, but suggested that the work of the Pension Board should feature as part of the mitigating process.
- ◆ His consideration of other documents had been outlined earlier in the meeting.
- ◆ The introduction of pooling arrangements represented a major change for LGPS funds and it was recognised there were still a number of detailed governance issues to be resolved, particularly in the transition to a new structure, through which the Committee and Board could continue to meet their responsibilities. A major issue, which had been discussed by both Committee and Board was the introduction of Member representation on the Pool's Joint Committee (JC). The matter had been recognised by the Scheme Advisory Board and had been discussed at a number of events. It was noted that there was a growing expectation that Scheme Member representatives would be involved.
- ◆ An Appendix to the report outlined issues in relation to the involvement of local Pension Boards in the pooling arrangements.
- ◆ Other issues highlighted in the report which had been considered by the Scheme Advisory Board were outlined as follows:-
 - The separation project - to identify issues deriving from the current Scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and Scheme Manager role.
 - A project to identify regulations which may be better cited within statutory guidance and assist with the drafting of revised regulations and guidance.
 - A project to assist administering authorities in meeting the Pension Regulator's requirements for monitoring and improving data.

The following issues were raised in relation to the Independent Observer's report:-

- ◆ The Treasurer stated that the issues raised by the Independent Observer in relation to the key projects identified by the Scheme Advisory Board, together with a number of other details identified, would be the subject of a subsequent report to the Pension Fund Committee, providing greater details of the issues and the possible effect these would have on the Fund.
- ◆ The Chairman noted that discussions had been taking place at BCPP in relation to the appointment of a Scheme Member representative on the JC, however, it was recognised and acknowledged that this would be a sensitive matter, particularly in relation to identifying representatives to cover all of the Funds involved in the Pool, without increasing the size of the JC to unmanageable levels.
- ◆ Issues around investments, the drive to ensure that responsible investment strategies were in place and that these were not subject to political influences, was discussed. Members noted the difficulty faced in terms of identifying appropriate investments that did not conflict with others ideologies was proving more and more difficult. It was emphasised that the North Yorkshire Pension Fund made every effort to ensure that it undertook responsible investments, but the Strategy also looked to maximise returns for investments. It was noted that this would be a challenge for the pooling arrangements, going forward.
- ◆ The Treasurer stated that account would be taken of the issues raised by the Independent Observer and a number of the governance documents would be amended during the next review to take account of the significant points that had been raised within his report.

Resolved -

- (i) (a) That the NYPF Business Plan be approved.
- (b) That the Pensions Administration Strategy be approved, subject to the alterations highlighted being delegated to Officers to undertake.
- (c) That the Employer Charging Policy be approved.
- (d) That the NYPF Annual Report be approved.
- (ii) That the changes made to the NYPF Statement of Accounts be noted.
- (iii) That the progress made on the Admissions and Terminations Policy and the Statement of Compliance with the UK Stewardship Code be noted.
- (iv) That the content of the Annual Governance Review undertaken by the Independent Professional Observer be noted and subsequent changes be made to the governance document in respect of the issues raised before the next review of those documents.

81. Pension Fund Training

Considered -

The report of the Treasurer requesting Members to:-

- (i) approve the draft Training Policy of the North Yorkshire Pension Fund;
- (ii) agree to adopt the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills;
- (iii) agree to adopt the CIPFA Knowledge and Skills Framework and its circulation to all Committee Members to assess their own knowledge and skills on an annual basis.

The Treasurer stated that, in line with a recognition of the importance of providing training to Committee Members, Board Members and officers in relation to Pension Fund matters, ensuring that the relevant skills and knowledge to carry out their roles and responsibilities to the Fund were in place, a training policy had been drafted for PFC Members and officers, and was attached as an Appendix to the report. It was noted that the Pension Board had their own training policy that was reviewed annually and the intention was to create something similar for the Pension Fund Committee, which would be reviewed as part of the Annual Governance Review.

As best practice it is recommended by the Pensions Regulator that Members of the Pension Fund Committee carry out regular skills and knowledge reviews.

CIPFA had developed a Code of Practice on Public Sector Pension Finance Knowledge and Skills in 2013 and details were set out in the report. CIPFA had also published the Pensions Finance Knowledge and Skills Framework in 2010 and details of that were also provided.

The Skills and Knowledge Framework for Committee Members was attached as an Appendix to the Training Policy, which Members were asked to adopt.

It was also suggested that Members undertake an individual self-assessment annually against the framework. Using the results of the self-assessment against the CIPFA Knowledge and Skills Framework an annual training programme would be produced with the progress made against the programme being reviewed each quarter at Pension Fund Committee meetings.

Should Members agree to adopt the CIPFA Framework this would be circulated for completion and the results of self-assessments would then be used to produce the 2019/20 Training Programme, which would be brought to the February PFC meeting along with the Business Plan and budget, for approval.

The following issues and points were raised in relation to the report:-

- ◆ A Member suggested that it was ironic that the policy was being introduced just as the investments were about to move to the pool, with less involvement for the Committee. In response the Treasurer stated that the complex issues that would be in place for the Committee, going forward, including their involvement in the pooling arrangements, were appropriate reasons for introducing the policy.
- ◆ A Member considered that it should be identified why the training was required by Members and a tailor-made policy provided so as not to introduce training for training sake. The Treasurer acknowledged this and considered that the training would be purposeful.
- ◆ The Independent Professional Observer considered it appropriate for the Pension Fund Committee to have a Training Policy. He emphasised that the Pension Fund Committee would remain responsible for the Investment

Strategy, going forward, and the training would be appropriate to meeting those requirements in terms of skills and knowledge. He considered that a toolkit had been established by the Pensions Regulator which was more suitable for public sector schemes and suggested that this was adopted for training purposes by the Pension Fund Committee. He noted that there were two such toolkits, with the first being more appropriate for private sector schemes. In relation to this the Treasurer stated that the training would include the public sector scheme toolkit, and would also incorporate important elements of the other toolkit referred to. Details would be provided to Members accordingly

- ◆ Noting the Pension Board's policy in terms of training, which was compulsory for Pension Board Members, the Chairman of the Pension Board stated that it had been agreed that knowledge of the toolkits would be covered collectively through the membership of the Board, rather than individually. He highlighted the training undertaken by Pension Board Members and recognised the importance of being able to identify a knowledge and skills base in terms of decisions made. The Treasurer acknowledged the group coverage of skills and knowledge undertaken by the Pension Board, but suggested that each Member of the Pension Fund Committee would need to undertake the necessary training as the Committee Members each had a vote on investment and governance issues.
- ◆ The Chairman emphasised the new direction that the Committee would need to take following the implementation of pooling arrangements and for Members to be appropriately trained to undertake those duties.
- ◆ Members expressed their disappointment in relation to the position going forward in terms of no longer having meetings with Fund Managers to consider investments, as that responsibility would be moving over to the Pool.
- ◆ It was asked whether there would be a Training Policy for the Pool. In response the Treasurer stated that officers in the Pool had a Training Policy, but did not face the same issues as the Pension Fund Committee and emphasised that the Training Policy would be designed to ensure that Members had the appropriate skills and knowledge to undertake the duties required of them. Members emphasised that it should be ensured that Councillors were not discouraged from taking a position on the Pension Fund Committee through the requirements of the Training Policy, however, it was recognised that there was a public perception that training should be in place for Members in respect of their service to the Committee.
- ◆ The Committee's financial consultants, AON Hewitt, stated that they would be happy to provide support for Members undertaking the various training modules identified.
- ◆ The Treasurer stated that, should Members agree to adopt the policy, the most relevant toolkit modules would be developed into a cohesive training programme, which would require a commitment from Members to it being completed.

Resolved -

- (i) That the Training Policy for the Fund be approved.
- (ii) That the adoption of the CIPFA Code of Practice and the CIPFA Knowledge and Skills Framework be agreed.

- (iii) That the circulation of the CIPFA Knowledge and Skills Framework, to all Committee Members, allowing them to assess their own knowledge and skills, annually, be agreed.
- (iv) That the Training Policy be referred to the Pension Board for their consideration.

82. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer reporting the investment performance of the overall Fund and of the individual Fund Managers for the period up to 30 June 2018.

The report indicated that the absolute overall return for the quarter (+5.8%) was above the customised benchmark for the Fund (+4.1%) by 1.7%.

The 12 month absolute rolling return was +12%, +5.1% above the customised benchmark of 6.9%.

The report provided details of individual Fund Managers' performance in respect of the following asset classes:-

- ◆ Overseas equities
- ◆ Global equities
- ◆ UK equities
- ◆ Fixed income
- ◆ Property
- ◆ Diversified growth funds
- ◆ Private debt
- ◆ Insurance linked securities

Details relating to risk indicators, solvency, re-balancing and proxy voting were also provided.

The Fund's investment consultants, AON Hewitt, produced an analysis of the performance of the Fund during the quarter and the following issues were highlighted:-

- ◆ The quarter had been very positive in terms of investments, with an increase of £190m, raising the asset value of the Fund to £3.5bn (there had been subsequent increases during the present quarter with the value of the Fund being £3.6bn currently).
- ◆ The majority of asset classes had shown a positive performance during the quarter with only slight negatives for GARS and bonds.
- ◆ The funding level had risen from 107% to 110%.
- ◆ There had been strong performances from Baillie Gifford, Veritas and Newton.
- ◆ Updates were provided in terms of manager news for L&G and Hermes. It was noted that the issues raised did not suggest a movement away from those investments.
- ◆ It was emphasised that the Fund remained over committed in terms of its Investment Strategy towards equities (60.4% with a benchmark of 52%). In

view of that AON Hewitt were recommending that a re-balancing of asset allocations be undertaken to ensure that the strategic target was being met, accordingly.

A discussion of the report was undertaken and the following issues and points were raised:-

- ◆ Concern was raised that despite the excellent performance of some of the Fund Managers, the investments in those would need to be reduced to meet the equities' asset allocation in line with the Investment Strategy. The continued excellent delivery by Baillie Gifford, well above the benchmark, on a continuing basis was highlighted. Concern was also expressed that the pooling arrangements may not bring as much benefit to the investment position, as the current arrangements for global equities and reducing those investments, at this time, could be detrimental to the Fund.
- ◆ It was noted that an Investment Strategy workshop would be taking place on the day following this meeting and the investment consultants stated that they would obtain appropriate information to discuss the issues raised in respect of the performance of Baillie Gifford and the need to move the equities asset allocation towards the appropriate benchmark. Further discussions on that matter could take place at the workshop.
- ◆ The Chairman noted that the Customer Relationship Manager for BCPP would also be attending for discussions and issues in relation to the investments, going forward, could be discussed with him.
- ◆ Members acknowledged the excellent performance of a number of Fund Managers during the quarter reported and the unprecedented funding position that had resulted. It was recognised that there was a need to de-risk, however, this was at odds with the inner feelings in relation to wanting the Fund to grow further. The Treasurer understood the issues raised by Members and emphasised that holding onto the current position, by de-risking, was what was being sought, but he emphasised that it was important that the Investment Strategy did not begin to "coast" as that would quickly lead to a deterioration in the funding position. It was again stated that the matter would be discussed in detail at the forthcoming Investment Strategy workshop.

Resolved -

- (i) That the investment performance of the Fund for the period ending 30 June 2018 be noted; and
- (ii) That further consideration be given to the re-balancing of the equity portfolio.

83. Pooling Arrangements

Considered -

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

Issues outlined included:-

- ◆ The most recent Joint Committee meeting had been held on 10 July 2018.

- ◆ Details of the proposed timetable for the transition of Funds to the Pool over the upcoming months were outlined. It was noted that, to be included in the initial transition into each sub-fund, a decision to invest would be required during the quarter before the sub-fund launch. The PFC would be provided with due diligence information for each sub-fund allowing a decision, in principle, to invest in the sub-fund to be undertaken.
- ◆ It was expected that the NYPF would transfer into the global equity sub-funds and a decision in relation to that would be considered at a forthcoming meeting.
- ◆ It was noted that the Customer Relationship Manager from BCPP would be meeting with Members at the forthcoming Investment Strategy workshop and at future meetings of the Committee. Members would be able to discuss pooling developments with him at those events.
- ◆ The Annual BCPP Conference was due to take place in Leeds on 8 and 9 November 2018 and Members were invited to inform the Treasurer if they wished to attend.
- ◆ Issues around the staffing structure for BCPP were discussed and Members suggested that the development of the structure should continue to be monitored.

Resolved -

That the report be noted.

84. Pension Board Annual Report

Considered -

The report of the Treasurer detailing the Annual Report of the Pension Board.

The Chair of the Pension Board stated that the terms of reference for the Pension Board required that an Annual Report was submitted to the Administering Authority each year. The process required the report to be presented to the Pension Fund Committee, and then to the Executive and full Council.

Members were asked to note the report and were invited to provide feedback.

Resolved -

That the Annual Report of the Pension Board 2017/18 be noted.

85. Pension Board - Draft Minutes of the Meeting held on 19 July 2018

Considered -

The draft Minutes of the Pension Board held on 19 July 2018.

The Chair of the Pension Board highlighted the following significant issues that had been discussed at that meeting:-

- ◆ Internal Audit reports - a detailed discussion had been undertaken in relation to Veritau reports that had been submitted to the meeting in relation to Pension Fund governance arrangements, Pension Fund income, Pension Fund expenditure and the 2018/19 draft Internal Audit Plan.

- ◆ Governance arrangements for the Pool - Members of the Board were seeking details in relation to the governance arrangements that would be in place for the Pool and details of those were still awaited.
- ◆ Efforts were being made to identify an appropriate representative to fill the current vacancy for an employer representative on the Pension Board. It was noted that there was likely to also be a vacancy for a Scheme Member representative shortly, however, that position needed verifying before the vacancy was advertised.

Resolved -

That the minutes be noted.

The meeting concluded at 11.55 am.

SL/JR

DRAFT

North Yorkshire County Council

Pension Fund Committee

Minutes of the Meeting held on 31 October 2018 at County Hall, Northallerton commencing at 11.00 a.m.

Present:-

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

Councillor Chris Steward (as substitute for Councillor Ian Gillies) - City of York Council.

Councillor Jim Clark - North Yorkshire District Councils.

In attendance:-

David Booth, Chief Investment Officer (CIO) and Andrew Stone, Customer Relationship Manager (CRM), Border and Coast Pensions Partnership Ltd

Fund Advisors: Louis-Paul Hill and Robert Shepherd (AON Hewitt, Investment Consultant) and Leslie Robb (Investment Advisor)

Apologies were received from County Councillor Cliff Lunn and Councillor Ian Gillies (City of York Council).

Copies of all documents considered are in the Minute Book

86. Declarations of Interest

Whilst it was not a declaration of interest, as such, in the interests of transparency, Councillor John Weighell advised that, *with effect from 7th November 2018*, he would become a Member of the Board of Border and Coast Pensions Partnership Ltd (BCPP). From that date he would need to formally declare this interest.

87. Public Questions or Statements

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

88. Investment Strategy Implementation

Considered –

A report by the Treasurer on the potential global and UK equity investments with BCPP.

The report outlined the options available, which included the option to continue to hold funds with current managers, until a suitable Fund became available.

The Treasurer stressed that the Committee was not being asked to make a decision at this stage; the intention of today's meeting was to provide Members with some of the information that could help inform subsequent decisions.

In response to a question from a Member, the Treasurer confirmed that responsibility for the Pension Fund's Investment Strategy would continue to reside with this Committee. The intention was that BCPP would instruct Fund Managers to deliver. Therefore, the Committee needed to ensure that its decisions on the selection of any sub-funds were in accordance with the Pension Fund's Investment Strategy.

A wide-ranging presentation was then made by Daniel Booth, CIO and Andrew Stone, CRM at BCPP, which provided the Committee with further information on the equity options available within BCPP and the sub-funds being established for these.

The presentation covered the following areas:-

An Overview of the BCPP Investment Team Structure

A brief overview of the resource and experience of the BCPP Team was provided.

UK Listed Equity Alpha Fund (External Fund)

Daniel ran through the way in which the Fund had been constructed and the external managers that had been appointed – UBS, Baillie Gifford and Janus Henderson.

BCPP Global Equity Fund

Daniel outlined the intended structure and approach that had been taken in developing the global equity offering. Members had expressed concern that much of the success of the North Yorkshire Pension Fund investments had predominantly been down to the performance of its unconstrained Fund Managers who had a growth style. Daniel explained that the approach being taken by BCPP was to achieve a target return of either +1% or +2% but the Fund would be structured by having a blend of different Fund Managers with different styles and there would be allocations to unconstrained Fund Managers with a growth style. The exact split and complementarity had not yet been established and that would be finally determined as part of the procurement.

It was noted that the offering from BCPP appeared to satisfy the majority of the 12 Pension Funds within BCPP, but Members reiterated that BCPP needed to deliver sub-funds that were consistent with all 12 Pension Fund Committees' Investment Strategies.

UK Listed Equity Fund (Internal Fund)

Daniel ran through the Team that handled the internally managed UK Fund and the relative returns of those Teams when they had operated for South Yorkshire and East Riding. This presented the Committee with some further information to consider whether this, or the UK External Fund, represented an attractive proposition for holding UK listed equities.

Alternative Assets

Daniel explained that Mark Lyon would attend the Committee on 22 November to present the BCPP approach to Alternatives. Daniel explained that his background was as an alternatives specialist and he would be happy to provide more information after 22 November if that was helpful.

Louis-Paul Hill, from AON Hewitt, Investment Consultant, advised that the Committee was very interested in an early identification of some alternative investments as part of a wider de-risking strategy, given the Fund's funding level. Daniel undertook to feed this back to BCPP and give the issue further thought.

Daniel and Andrew Stone responded to a number of further questions/points of clarification from Members covering each of the elements of their presentation.

Daniel expressed his willingness to come to the North Yorkshire Pension Fund Committee again whenever that would prove to be helpful as he recognised the importance of global equities for the North Yorkshire Pension Fund.

Louis-Paul Hill felt that the report to Committee on 22 November should clarify options which, in his view, comprised one or a combination of the following:-

- The Global Equities Sub-Fund outlined in the BCPP presentation
- BCPP internally managed overseas equities
- Passive management
- Retain some or all of the existing Fund Managers

The Treasurer cautioned that, in seeking to de-risk, it was important not to, inadvertently, increase risk exposure by holding back some unconstrained equity holdings, whilst investing in a blended equity portfolio, such as that set out by BCPP.

The Chairman, on behalf of the Committee, thanked Daniel Booth and Andrew Stone for their thorough presentation and for responding to the Committee's questions, which he said had been very helpful.

At this stage, Daniel Booth and Andrew Stone left the meeting.

The Treasurer referred to the Session scheduled for 23 November 2018 between Members of the Committee and AON. He suggested that, logistically, it would be sensible to bring this forward by one day and hold it on the same day as the next meeting of the Committee on 22 November.

The Treasurer was also asked to consider whether the timeline for the proposed launch of the BCPP Overseas Equities Fund in July 2019 was achievable through further discussions with BCPP.

Resolved -

- a) That it be noted further due diligence information will be provided on each sub-fund as and when necessary.
- b) That the Session scheduled for the Committee with AON on Friday 23 November be brought forward by one day, so it be held on the same day as the next meeting of the Committee - Thursday 22 November.
- c) That options relating to UK equities be further considered and proposals brought to the next Committee meeting on 22 November.
- d) That the first substantive Item on the Agenda for the meeting of the Committee on 22nd November 2018 be on the transitioning of assets into BCPP, in particular Equities and Alternative Assets and that it be noted Mark Lyon, Head of the Overseas Equities Team at BCPP, will be attending the meeting to provide further detail.
- e) That a report be made to the next meeting setting out all of the options with their associated advantages and in relation to potential investment in global equity investments.

- f) That any other business, scheduled for the meeting on 22 November, that is not time-critical, be considered, instead, at the following meeting on 21 February 2019.

The meeting concluded at 3.15 p.m.

PD

DRAFT