

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 11 October 2018 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Louise Branford-White (Hambleton District Council) and Councillor Ian Cuthbertson (City of York Council).

Scheme Members:

Gordon Gresty and Mandy Swithenbank (GMB)

In attendance:-

County Council Officers: Phillippa Cockerill, Gary Fielding, Jo Foster-Wade, Steve Loach, Ian Morton, Joe Nash and Adam Tennant.

Copies of all documents considered are in the Minute Book

163(a) Apologies for Absence

Apologies for absence were received from County Councillor Mike Jordan (North Yorkshire County Council) and Simon Purcell (Unison).

163(b) Vacancies - Employer Representative and Scheme Member Representative

The Chairman reported that, in respect of the vacant position for an Employer Representative, a potential candidate had been identified and an application pack had been provided to that person. It was expected that the application would be returned shortly.

In relation to the vacancy for a Scheme Member representative it was noted that official confirmation of the resignation of the Scheme Member had yet to be received, and as soon as that was in place, an appropriate recruitment process would be undertaken.

Resolved -

That the issues outlined be noted.

164. Declarations of Interest

There were no declarations of interest submitted.

165. Public Questions or Statements

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

The Treasurer of the Pension Fund, Gary Fielding, was able to join the meeting for a limited period. In relation to this the Chairman agreed to re-order the agenda.

166. Pooling

Considered -

The report of the Treasurer providing Pension Board Members with an update on the progress made towards the LGPS pooling arrangements. The Treasurer of the Fund, Gary Fielding, apologised for Amanda Alderson being unable to be at this meeting due to her being required at the Headquarters of BCPP to discuss the global equities transition, as a client of BCPP, from the North Yorkshire Pension Fund (NYPF) perspective.

He highlighted the following in relation to recent pooling developments:-

- ◆ The process of appointing two non-Executive Directors to the BCPP Board was currently taking place and was subject to the approval of shareholders. If approval was given, it was expected that this would provide the ability to deliver issues from the perspective of the various Pension Funds at Board level.
- ◆ A new Chief Investment Officer was now in post, replacing the original interim appointment.
- ◆ The NYPF had been provided with a Relationship Manager from BCPP, Andrew Stone, who would attend Pension Fund Committee meetings on invite and assist with issues in relation to NYPF's involvement with the pooling arrangements.
- ◆ The NYPF was awaiting clarification of the sub-funds that were to be developed by BCPP and how those would meet the needs of the Pension Fund's Investment Strategy. The Treasurer emphasised that conversations would be taking place with BCPP to ensure that the Investment Strategy was met by those sub-funds as, failure to meet that, could result in a delay in investments being placed within the pooling arrangements. He emphasised that he expected a pragmatic approach from BCPP and awaited to see the details of the global equities sub-fund.
- ◆ It was noted that there were likely to be some external pressures from Government in relation to ensuring investments took place within the Pool, however, unless the needs of the Investment Strategy could be met, then the NYPF would maintain its position in respect of investing within the sub-funds, which was to ensure that the Strategy could be fully met by the offer in place. He noted that all Pension Funds within BCPP had signed a Memorandum of Understanding in terms of investing at the appropriate time, but noted that this was on the proviso that the funding arrangements in place were appropriate

to that Pension Fund. He noted that the de-risking of the Fund, due to the current 110% funding level, could be advantageous in terms of moving Funds over into the pooling arrangements.

- ◆ The move to de-risk the Investment Strategy of the NYPF and the sub-fund offers from the pooling arrangements were discussed and it was expected that a range of suitable funds would be in place, however, it was again emphasised, by the Treasurer, that those would need to be appropriate for the Fund's Strategy and would have to be agreed by the Pension Fund Committee for the transition to take place.
- ◆ It was noted that the transition timetable was set out in paragraph 2.2 of the report, however, it was again emphasised that issues going forward could alter that timetable.
- ◆ It was noted that a number of the other Pension Funds within BCPP had similar issues to those being experienced by the NYPF and, therefore, all appropriate parties were discussing those issues to develop an appropriate position going forward.
- ◆ Members re-emphasised the theory behind pooling, which was to enable Pension Funds to continue with their Investment Strategies, at the same time as developing economies of scale to push down the costs of those investments. The Treasurer stated that this was still the case and emphasised that pooling arrangements were still in their initial phases, and those benefits were unlikely to be seen in the short term. It was noted that the Pension Fund Committee continued to provide an effective and strong challenge to pooling to ensure that the expected benefits were kept to the forefront of those arrangements.

Resolved -

That the Treasurer be thanked for his update and the issues raised be noted.

167. Draft Minutes of the Pension Fund Committee Meeting held on 13 September 2018

The Chairman stated that it would be advantageous to receive comments on any issues raised by Members, from the Treasurer of the NYPF, in relation to the Minutes.

The following issues were raised:-

- ◆ It was noted that the issue of the cash-flow position of the Fund had been raised at that meeting and an update was requested from the Treasurer. In response he stated that monitoring of the cash-flow position was now more robust than previously. He noted that allowing employers to provide an early payment at a discounted rate had boosted the cash flow position initially, but that diminished during the current valuation period. It was expected that the cash-flow position would be restored to a healthy level at the end of the three year period following the initial upfront payments. It was not expected that the cash-flow position would become negative in the short term. It was noted that should the cash-flow position look to be moving towards deficit then appropriate plans were in place to take account of that.

- ◆ Issues around the implementation of a charging policy for employers where they did not meet required data specifications, were discussed. It was noted that this was being brought in alongside the development of a relationship role, between the NYPF's Administration Team and employers, with a view to eliminating the significant problems that had occurred in recent years in relation to the provision of data. It was hoped that the development of relationships between the Pension Fund and employers would assist in ensuring that data was provided appropriately and eliminate the need for charges to be imposed. However, it was emphasised that should employers still fail to meet the necessary targets, then charges would be imposed.

In relation to this the Chairman noted that, in terms of this year, the Pension Fund could have been reported to the Pensions Regulator in respect of a breach of the Regulations for not providing all Annual Benefits Statements in time. It was noted that this was due to data not being provided by employers on time and that the Pensions Regulator could impose sanctions on employers where that was the case. The action outlined had prevented a breach being reported on this occasion, however, going forward, it was likely that a breach would be reported should a similar position occur next year.

It was noted that some employers were very small, which could be why difficulties were being encountered in terms of obtaining data on time or correctly. In response it was emphasised that fees would not be imposed for very small amounts, however, even small amounts of data affected the final outcomes and could still create a breach of the regulations. The Treasurer noted that an employer involved with the NYPF had an SLA in place and it was their responsibility to ensure that this was met, therefore, he had little sympathy in terms of them not providing the necessary data. It was hoped that the development of the relationship role would assist in overcoming those issues.

Resolved -

That the Treasurer be thanked for his attendance and assistance with the Board's consideration of the Minutes, and the issues raised in relation to those Minutes be noted.

168(a) Minutes

Resolved -

That the Minutes of the meeting held on 19 July 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

168(b) Progress on Issues raised by the Board

In respect of the appointment of a Scheme Member Representative, through co-option process, to the Joint Committee of the Border to Coast Pensions Partnership it was noted that the Joint Committee had agreed in principle for a Scheme Member Representative to be part of the Committee. It was also noted that addressing this matter could prove difficult in reality and it was not expected that further action on this would be in place in the short term. It was therefore agreed that the matter should be left as a progress item to be re-visited and reviewed, to ensure that the matter continued to be addressed.

In relation to the arrangements for a meeting between representatives from the various Pension Boards of the Funds involved in the BCPP and representatives of the BCPP, it was noted that the BCPP Conference was being held on 8 and 9 November 2018, at which the Chairman of the Pension Board would be attending, and a place was available for an additional Pension Board Member to attend. The Chairman asked that should anyone wish to attend that they contact him.

In terms of developing a structure to enable the Board to obtain details of relevant information, enabling them to monitor the development of the pooling arrangements, it was hoped that this would be addressed through contact with the BCPP's appointed Relationship Manager.

The other issues raised within the report had either been addressed earlier in the meeting or would be considered later on the agenda.

Resolved -

That the report be noted and action identified be undertaken accordingly.

169. Pensions Administration

Considered -

The report of the Head of Pensions Administration providing Pension Board Members with an update on key initiatives undertaken by the Administration Team of the NYPF.

The Head of Pensions Administration, Phillippa Cockerill, provided an update on the following:-

Annual Benefit Statements

The majority of the 2018 Statements had now been issued as follows:-

Active statements - 26,442 - 86.52%

Deferred statements - 36,153 - 99.76%

It was noted that anything less than 100% was seen as a breach of the regulations, however as discussed earlier, it had been suggested that progress on the relationship development would be monitored and returns evaluated for next year. If necessary a breach would be reported if returns were inadequate then. Members suggested that should there be anything less than a 100% return next year then a breach should be reported, as the relationship role would have enabled employers to build an understanding of what they should be providing in terms of data.

A Member asked that the Breaches Log be provided with a column showing which regulation the breach related to. The Head of Pensions Administration agreed to put that in place for future reports.

It was suggested that monthly returns, rather than all at the year end, may help the situation in terms of obtaining data and data quality going forward. A Member suggested that this may be helpful to employers who were particularly busy at year end. The Head of Pensions Administration stated that she is considering implementing this as a way to address the issue however, the impact on resource needs to be carefully considered.

Letter Review Project

The Head of Pensions Administration stated that progress was continuing with the review of letters, with ten now in the new format replacing 29 existing letters. Work continued to streamline the suite of letters, however, there had been a small setback as the new version of Altair had resulted in the new letters no longer working correctly. Work was being undertaken to find a solution to this.

Employer Discretions Policy

A first draft of the revised Employer Discretions Policy was provided for review and comment. It was noted that the next stage was to work with the largest two employers to establish their discretions and ensure what had been developed worked as expected. Once this had been confirmed the policy would be rolled out to all employers.

It was expected that the policy would have been tested by the end of March 2019 with a view to rolling out in the next financial year. Members noted that this gave help and assistance to all employers in determining their specific discretions for their own employees.

Some issues in relation to the formatting and colour coding of the report were highlighted, particularly in the printed, rather than the electronic, version. The issues were acknowledged by officers and it was stated that those matters would be addressed.

Clarification was provided in relation to the payment of contributions for a member of staff serving in the Reserve Forces and undertaking a tour of duty.

Pension Fund Committee Appendices

The attachments that formed part of the Administration Report for the most recent Pension Fund Committee were provided as these allowed access for Pension Board Members who may not have been provided these electronically.

Issues around the difficulties currently faced by officers at the City of York Council and how they were being addressed, in relation to the provision of data to the NYPF were discussed. It was noted that officers from the NYPF would be in close liaison with the City of York Council officers to address this matter and assurance was provided that charging would not be implemented before appropriate liaison had taken place.

Resolved -

- (i) That the contents of the report be noted.
- (ii) That the contents of the Breaches Log be noted and it be stated that no breaches would be reported to the Pensions Regulator at this time, for the reasons outlined earlier in the meeting; and
- (iii) That the Employer Discretions Policy document be noted and the amendments, as identified, be undertaken accordingly.

170. Internal Audit Reports

Considered -

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

Internal Audit Manager, Ian Morton, presented the report highlighting the following:-

- ◆ All work in the Internal Audit Plan for 2017/18 had now been completed and reported to the Pension Board.
- ◆ The implementation of agreed actions for 2017/18 was shown in an Appendix to the report and included details for the expenditure 2016/17 audit which had not previously been reported.
- ◆ Details for the individual audits were shown in Appendix 2 to the report.
- ◆ Details of the Audit Plan for 2018/19, approved at the previous meeting of the Pension Board, were outlined and the current status of each audit indicated.
- ◆ Further exploration of what to include in the Pension Fund Investments Audit was being undertaken in respect of pooling arrangements and feedback was being obtained from the CIPFA Investments Workshop and the Lincolnshire Review to determine what would be appropriate in terms of auditing in line with the implementation of those arrangements.

The following issues were raised in respect of the report:-

- ◆ It was noted that there had been delays in the follow-up action to the Internal Audit reports due to a lack of resources and it was asked whether this was a temporary situation or whether the matter should be raised with the Pension Fund's Treasurer. In response, the Head of Pensions Administration stated that this was a temporary issue following a large amount of staff turnover. Recruitment had taken place and, following a short settling in period, it was expected that the situation would settle down and matters would be addressed accordingly.
- ◆ In relation to the corrections to coding currently carried out at year end, the Audit Manager emphasised that it would be better if this could be carried out more frequently, however, due to capacity issues this was not currently the case. He emphasised this was the lowest priority to address and emphasised that it would only be beneficial for this to be carried out rather than necessary.
- ◆ A Member suggested that it would be beneficial to Members if a brief summary, as to why action points had been identified, was provided within the report. The Audit Manager acknowledged this matter, noting that this was a new framework for the report and suggestions for improvements would be taken on board. In relation to this, Members also considered it would be of benefit to have a summary of the action undertaken to address those matters.
- ◆ The wording within the report in relation to reconciliation was considered to be rather forthright, and it was suggested that better wording could have been used in terms of the Pension Fund's administration interaction with other NYCC sections. This was acknowledged and it was again stated that the

reports were evolving to ensure as much information as possible could be related to Members.

- ◆ The Audit Manager stated that he would ensure that the details of the CIPFA Investments Workshop were shared with Members electronically to assist with their consideration of the issues related to transitioning to pooling.

Resolved -

That the report be noted.

171. External Audit Report

Resolved -

That the contents of the External Audit report be noted.

172. Governance Documents

Considered -

The report of the Treasurer providing Pension Board Members with an update on the governance arrangements of the Fund and with the opportunity to provide their feedback on the governance documents of the Fund.

It was noted that a number of governance documents of the Fund were taken to the Pension Fund Committee held on 5 July 2018 as part of their annual review. There had been a number of additional governance documents produced for the Fund during the year, some for best practice purposes and others required by new regulations. Those governance documents were brought to the meeting of the Board held in July, for review.

The following governance documents were taken to the Pension Fund Committee held in September where they were approved:-

- ◆ Pensions Administration Strategy.
- ◆ Employer Charging Policy.
- ◆ NYPF Annual Reports.
- ◆ NYPF Business Plan.

The governance documents were circulated to Board Members prior to the meeting and Members were asked to provide feedback on these documents as part of their role in ensuring good governance arrangements for the Fund.

An annual governance review was also undertaken by the Independent Professional Observer and his report was presented at the September Pension Fund Committee meeting and was also attached to the report.

Following the review of the draft NYPF statement of compliance with the UK Stewardship Code, at the Pension Board in January 2018, the document had now gained a Tier 1 Assessment by the Financial Reporting Council and had been published. The Admissions and Terminations Policy of the Fund would also be brought to the Board for review in the near future. An updated version of the Risk Register would be brought to the January 2019 Pension Board meeting for review.

Following the report a number of issues and points were raised as follows:-

- ◆ Members debated the use of the word “persistent” in terms of implementing a penalty charging system for employers. Some Members considered that the use of the word “persistent” could open a debate around a definition of that term, whereas others suggested that this provided a degree of flexibility in terms of implementing the penalty system and charging in relation to transgressions of service level agreements.

It was noted that the Pensions Regulator had stated that it would be more actively involved in complaints and implementing regulations with Pension Funds from now, which was why robust policies and procedures were required in terms of potential breaches going forward.

- ◆ Clarification was provided in relation to the staffing numbers which appeared to differ in the Annual Report and the Business Plan for the NYPF, and it was noted that the numbers within the Annual Report reflected the position as of 31 March 2018. Members noted that the establishment, rather than actual numbers in posts were usually reported in Business Plan documents.
- ◆ It was noted that governance reports would normally be reviewed annually by the Pension Board going forward, and Members welcomed their provision and the ability to consider these.
- ◆ A Member particularly welcomed the report of the Pension Fund’s Independent Observer, Peter Scales, noting that he had stated that Pension Boards should be more involved in investment issues and suggested that the matter should be discussed further at a future meeting of the Pension Board. The Chairman stated that he would be happy to have Peter Scales, together with the Treasurer of the Fund, attend a subsequent meeting to discuss issues with Members of the Board. Members stated that this would be welcomed, particularly in relation to discussions around pooling and the role of the Pension Board.
- ◆ It was suggested, therefore, that, dependent upon availability, an item be placed on the next agenda of the Pension Board to discuss the role of the Board going forward with the Independent Observer, Peter Scales, and the Treasurer of the Fund, Gary Fielding.

Resolved -

That the report be noted and arrangements for Peter Scales and Gary Fielding to attend the next meeting of the Board be developed.

173. Pension Board Projects

Resolved -

That the update reports for the three projects be deferred to the next meeting of the Pension Board.

174. Training, including Feedback from any courses attended and Skills Matrix/Self-Assessment

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training and requesting Members to consider and approve, skills matrix and self-assessment questionnaires.

Members noted that their training details were up-to-date.

It was noted that, at the Pension Fund Committee held in September 2018, Members of that Committee agreed to adopt a Training Policy. A Member noted that within that report an on-line programme of training for Pension Board Members was identified. He noted that he had attempted to access that training but was unable to as he had previously undertaken the trustees' course. He asked whether Pension Board Members would be able to access that training. In response it was stated that this matter was acknowledged and confirmation would be provided to Members as to whether they could access the training outlined in due course.

Skills Matrix/Self-Assessment

As part of the policy adopted by the Pension Fund Committee a skills matrix/self-assessment questionnaire had been developed, to enable them to identify required training needs. The questionnaires had been adapted specifically for Board Members and details were provided in an Appendix to the report for Members to comment upon. Should Members be satisfied with the questionnaires then these would be circulated, electronically, allowing a more effective evaluation exercise to be undertaken.

Members welcomed the new questionnaires and considered these to be more appropriate than the previous versions that had been circulated. It was noted that there was sufficient space within the questionnaires to identify any specific training needs required by Pension Board Members. The questionnaires would be circulated and results would be collated and reported back to a subsequent meeting.

Resolved -

- (i) That Members noted that their training details were currently up-to-date;
- (ii) That the skills matrix and self-assessment questionnaires be circulated for completion, allowing an effective evaluation exercise to be undertaken; and
- (iii) That Members continue to identify any appropriate training needs.

175. Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing details of the areas of planned work by the Pension Board.

It was noted that the current projects, as detailed earlier in the meeting, would be updated and reviewed at the next meeting of the Board.

The Chairman noted that the Annual Review of the Board's Work Programme would be undertaken at the next meeting.

Resolved -

That the Work Plan, as detailed in the report, be agreed and a review of that Plan be undertaken at the next meeting of the Board.

The meeting concluded at 11.55 am

SL/JR