

## Agenda

**Please note change of date of meeting from that published in the original Meetings Timetable**

**Meeting: Pension Fund Committee**

**Venue: Brierley Room, 3 Racecourse Lane, Northallerton, DL7 8QZ**

**Date: Friday 22 November 2019 at 10 am**

**PLEASE NOTE:** The Brierley Building (main County Hall building) is closed now until July 2020. All Committee meetings will be held in either No. 1 or No. 3 Racecourse Lane, Northallerton, DL7 8QZ. Please note the venue above for the location of this meeting. Visitors please report to main reception which is located in No. 3 Racecourse Lane and you will be guided to the venue.

Recording is allowed at County Council, committee and sub-committee meetings which are open to the public. Please give due regard to the Council's protocol on audio/visual recording and photography at public meetings, a copy of which is available to download below. Anyone wishing to record is asked to contact, prior to the start of the meeting, the Officer whose details are at the foot of the first page of the Agenda. We ask that any recording is clearly visible to anyone at the meeting and that it is non-disruptive. <http://democracy.northyorks.gov.uk>

### Business

- 1. Exclusion of the Public and Press – To consider the exclusion of the public and press from the meeting during consideration item 5 on the grounds that it involves 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.**
- 2. Minutes of the meeting held on 13 September 2019**

(Pages 5 to 22)

**3. Declarations of Interest**

**4. Public Questions or Statements**

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services (*contact details at the foot of page 1 of the Agenda sheet*) by midday on Tuesday 19 November 2019. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct those taking a recording to cease while you speak.

- 5. 2019 Triennial Valuation – Update – Report of the Treasurer (Pages 23 to 28)**
- 6. Investment Consultant Strategic Objectives - Report of the Treasurer (Pages 29 to 62)**
- 7. Budget/Statistics - Report of the Treasurer (Pages 63 to 67)**
- 8. Pensions Administration Report - Report of the Treasurer (Pages 68 to 87)**
- 9. Performance of the Fund - Report of the Treasurer (Report to follow)**
- 10. Investment Strategy Review – Report of the Treasurer (Report to follow)**
- 11. Pension Board – Draft Minutes of the meeting held on 3 October 2019 –**  
Copy of the draft Minutes enclosed - Verbal update by the Chair of the Pension Board  
**(Pages 88 to 100)**
- 12. Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency**

**A Pension Fund Workshop will be held on Thursday 21<sup>st</sup> November at 10am in the Oak Room, 3 Racecourse Lane, Northallerton, DL7 8QZ – BCPP and a Fund Manager will be in attendance.**

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

November 2019

**Notes:**

**Emergency Procedures for Meetings**

**Fire**

The fire evacuation procedure is outlined at the venue.

**Accident or Illness**

First Aid treatment can be obtained by telephoning Extension 7575.

# PENSION FUND COMMITTEE

## 1. Membership

| <b>County Councillors (8)</b>  |                               |        |        |  |                                   |  |
|--|-------------------------------|--------|--------|--|-----------------------------------|--|
|  | <i>Councillors Names</i>      |        |        |  | <i>Political Group</i>            |  |
| 1  | CHAMBERS, Michael MBE         |        |        |  | Conservative                      |  |
| 2  | LUNN, Cliff                   |        |        |  | Conservative                      |  |
| 3  | MULLIGAN, Patrick             |        |        |  | Conservative                      |  |
| 4  | PARSONS, Stuart               |        |        |  | NY Independent                    |  |
| 5  | SOLLOWAY, Andy                |        |        |  | Independent                       |  |
| 6  | SWIERS, Helen (Vice-Chairman) |        |        |  | Conservative                      |  |
| 7  | THOMPSON, Angus               |        |        |  | Conservative                      |  |
| 8  | WEIGHELL, John OBE (Chairman) |        |        |  | Conservative                      |  |
| <b>Members other than County Councillors (1 and 2) Voting (3) Non-voting</b> |                               |        |        |  |                                   |  |
| 1  | CUTHBERTSON, Ian              |        |        |  | City of York                      |  |
| 2  | CLARK, Jim                    |        |        |  | North Yorkshire District Councils |  |
| 3  | PORTLOCK, David               |        |        |  | Chair of the Pension Board        |  |
| <b>Total Membership – (10)</b>   |                               |        |        | <b>Quorum – (3) County Councillors</b> |                                   |  |
| Con  | Lib Dem                       | NY Ind | Labour | Ind                                    | Other Voting Members              |  |
| 6  | 0                             | 1      | 0      | 1                                      | 2                                 |  |

## 2. Substitute Members

| <b>Conservative</b>    |                          |  |  |   |                          |  |
|------------------------|--------------------------|--|--|---|--------------------------|--|
|                        | <i>Councillors Names</i> |  |  |   | <i>Councillors Names</i> |  |
| 1                      | BLADES, David            |  |  | 1 |                          |  |
| 2                      | PEARSON, Chris           |  |  | 2 |                          |  |
| 3                      | LES, Carl                |  |  | 3 |                          |  |
| 4                      | WINDASS, Robert          |  |  | 4 |                          |  |
| 5                      | MANN, John               |  |  | 5 |                          |  |
| <b>NY Independents</b> |                          |  |  |   |                          |  |
|                        | <i>Councillors Names</i> |  |  |   |                          |  |
| 1                      |                          |  |  |   |                          |  |
| 2                      |                          |  |  |   |                          |  |
| 3                      |                          |  |  |   |                          |  |
| 4                      |                          |  |  |   |                          |  |
| 5                      |                          |  |  |   |                          |  |

## 3. Substitute Members

|   |             |                                   |
|---|-------------|-----------------------------------|
| 1 | AYRE, Nigel | City of York                      |
| 2 | DALE, Angie | North Yorkshire District Councils |

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the meeting held on 13 September 2019 at County Hall, Northallerton, commencing at 10 am.

**Present:-**

County Councillors John Weighell OBE (Chairman), Michael Chambers MBE, Carl Les (as substitute for Angus Thompson), Patrick Mulligan and Helen Swiers.

Councillor Ian Cuthbertson - City of York Council.

David Portlock - Chair of the Pension Board.

Apologies were received from County Councillors Andy Solloway and Angus Thompson; together with North Yorkshire District Councils Representative - Councillor Jim Clark.

The Chairman noted that this was the first meeting of the Committee since County Councillor John Blackie had died. He paid tribute to his work undertaken on behalf of the Committee and North Yorkshire Pension Fund, which was echoed by those present.

**Copies of all documents considered are in the Minute Book**

**134. Minutes**

**Resolved -**

That the Minutes of the meeting held on 4 July 2019 were confirmed as read and signed by the Chairman as a correct record.

**135. Declarations of Interest**

There were no declarations of interest.

**136. Public Questions or Statements**

Dr Margaret Jackson addressed the Committee highlighting the following:-

- ◆ She highlighted the health impacts of fossil fuel driven climate change
  - through the direct effects of weather, in particular extreme weather events
  - effects mediated by natural systems such as change in distribution of disease vectors
  - effects mediated by social systems such as malnutrition, violence or mass refugee flows.
- ◆ Pathways limiting global warming to 1.5°C with no or limited overshoot would require rapid and far-reaching transitions in energy, land, urban and infrastructure, and industrial systems. The systems transitions were unprecedented in terms of scale, but not necessarily in terms of speed and

implied a deep emissions reductions in all sectors, a wide portfolio of mitigation options and a significant up-scaling of investments in these options - IPCC Special Report October 2018.

- ◆ The evidence was clear that the higher the global temperature increase the more disruption would result and the more challenging would be any mitigation. At 1.5°C mitigation was possible and impacts could be largely contained, beyond that it could expect serious health impacts. At 3.5-5°C large scale societal disruption could be expected with loss of food production, sea level rise resulting in a loss of many major urban centres and huge movements of people being amongst the expected outcomes.
- ◆ The science indicates that it is imperative that global temperature rise is limited to 1.5°C.
- ◆ The fossil fuel industry however has not got this in its sights.
- ◆ Evidence that the fossil fuel industry has undermined and continue to undermine a transition towards a zero carbon world.
  - The five largest publicly traded oil and gas majors had invested over \$1bn in three years following the Paris agreement on misleading climate-related branding and lobbying with the aim of maintaining their social and legal licence to operate to further expand fossil fuel operations.
  - An average fossil fuel company's allocated just 1.3% of their total 2018 capital expenditure to green energy projects. She provided examples of those.
- ◆ Futility of engagement "Shell's core business was and will be for the foreseeable future very much in oil and gas" - Shell CEO - October 2018.
- ◆ Managed shift to renewables - were NYPF to commit to disinvestment today, the lights would not go out tomorrow, but there would be a greater hope that there would be rapid shift to renewables that was needed.

#### Question to Committee

You have stated in your response to a previous letter that a managed shift to renewables was required. Given the urgency that the climate crisis represents and the need to transition away from widespread fossil fuel use without delay, can the Committee agree that this transition is urgent and needs to be actioned now?

Dr Tim Thornton addressed the Committee highlighting the following:-

Local authorities around the UK have significant funds invested directly in fossil fuels as well as mixed investment vehicles. Overall UK authorities have around £16bn of investment in fossil fuels exposed to an increasing risk of being caught out when the market suddenly turns. A global coal crash caused an estimated £638m to be wiped off the value of the UK authorities Pension Funds and experts are warning investors who hold onto investments in oil and gas will suffer losses soon if they do not divest in time.

We know the impact of fossil fuels on the climate and that we have a very short time to respond to the threat of global overheating. We have already discovered about five times the quantity of fossil fuel reserves that theoretically might be exploited and yet the companies continue to seek out greater resources. If we are to come anywhere

near the 1.5% maximum for global temperature rise we need to leave over 80% of the known resources in the ground. This would result in huge levels of stranded assets for the fossil fuel companies. This is no longer a matter of belief but an accepted view from the majority of serious scientists. The facts are known. It is now for all of us to consider how we respond to the challenge.

As with transition from horse to the motorcar and the end of coal-fired power stations the collapse of the asset value in fossil fuels is likely to be rapid and perhaps terminal from the companies. A Minsky moment. The assets of the Pension Funds are therefore at this risk. This is not just a country GP expressing concern but a view put forward by Mark Carney who recently stated that the vast majority of the existing reserves of fossil fuels are literally unburnable. He warned of the impending bursting of a carbon bubble.

He provided details of the Bank of England's supervisory statement from April noting the climate change and society's response to its present financial risks which might crystallise out in full over longer horizons.

I can imagine that the whole spector of climate crisis and the investment decisions that must accompany the concept are burdensome and unprecedented but none of us can escape our responsibilities. You should not be alone in making the move however. Up to the present moment some \$8.68trillion has been identified for divestment and the Norwegian sovereign well fund has committed to divest around \$7.5bn of its fossil fuel holdings.

The UK Stewardship Code set out by the Financial Reporting Council points to the responsibilities of the investors which include - risks that might arise from social and environmental matters.

In the NYPF Strategy it was recognised in section 6 and 7 that the Committee retain the responsibility for the investment strategy and asset allocation despite the day to day activity being the responsibility of the Pool.

Client Earth, under the leadership of James Thornton, had listed a few common misconceptions in the relationships between the Local Government Pension Scheme and the Local Authorities. He referred to the Keith Bryant QC Opinion on the need for the Authority to assess the financial risks of climate change and must take those risks into account when making their investment decisions. He noted that if the Authority failed to take due consideration it could be legally challenged.

The Opinion points out that the Authority cannot simply delegate the investment decision making to the Investment Managers it is the Authority that carries out the responsibility for strategic asset allocation.

It may be suggested that NYPF needed the cash flow and growth from fossil fuel investment. Somewhat surprisingly the evidence on the financial returns from fossil fuels is very disconcerting. Trinks et al looked at data from 1927 until 2016 and found that divestment from fossil fuels at any time during that period would have no impact on the value or the performance of the Fund.

New York State Retirement Fund would have been \$22bn better off if it had invested ten years ago. The loss represented nearly \$20,000 for each of its Fund's members.

Standard and poor fossil free funds had outperformed the S&P funds with fossil fuels included.

Finally the option to influence large fuel companies just does not exist. Their business model was business as usual and exploration for further fossil fuel resources continued unabated.

He asked to pose the following questions:

Will the Pension Fund Committee please look at the risk that fossil fuels add to their portfolios at the levels of exposure and future expectations of competition from cheaper and cleaner renewables?

Will the Committee accept the need to move away from fossil fuel investment?

Will the Committee get a short term period to achieve that disinvestment in order that the Pension Fund is protected from the anticipated brisk drop in value of their pensions?

Following the initial questions the Chairman stated that a written response would be submitted to provide a full and detailed answer to the issues raised. He noted that Pension Fund Committee Members did not directly stock pick as that was left to the Asset Managers who acted on behalf of the Pension Fund. He noted that previously a Fund Manager had undertaken an ethical investment process, but that had been discontinued as it had not been effective. He noted that as the Fund moved into pooling the say on stock picking would diminish further.

A Member suggested that the issues raised should be discussed with BCPP as they would be the investment vehicle for the NYPF going forward. He noted that there was little in relation to fossil fuels within the current NYPF funding portfolio.

The Treasurer stated that a full written response would be provided to both questioners.

He brought the attention of the questioners to page 31 and 32 of the pack of papers provided for the meeting, which had been supplied to them.

He noted that paragraph 7 “how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments”, provided details of how investments were undertaken in relation to the issues they raised.

He noted that voting rights attached to investments could be made more transparent, and the aim was to address that.

The questioners were thanked for their attendance at the meeting and again it was emphasised that full and detailed responses would be provided in relation to the question that they raised.

### **137. 2019 Triennial Valuation - Update**

The Fund’s Actuary, AON Hewitt, provided a detailed update in relation to the 2019 Triennial Valuation, highlighting the following:-

- ◆ Two specific sections to the valuation
  - Financial health of the Fund - look at financial position of the Fund on valuation date, compare to what the Actuary thinks this should be like, consider whether there is a surplus or a shortfall.



- Look forward - benefits accrued - determine how much employers need to pay to cover the benefits going forward - calculate primary rate if no shortfall - adjustments if shortfall or surplus.
- ◆ Process - based on member data for Fund - analysed in run up to valuation - assumptions made on unknown issues to build up a picture of expected benefits for all members.
- ◆ Membership up to the valuation date is taken account of and is discounted to come up with the final figure.
- ◆ Details of the number of members in each category - active, deferred, pensioner - were outlined in the report.
- ◆ Numbers within the NYPF were still growing with the largest number being deferred.
- ◆ The average age of people within the NYPF was up slightly, therefore, liabilities were increased accordingly.
- ◆ Details of the key assumptions and what benefits were likely to be were provided, with comparisons to 2016.
- ◆ Issues around pay and the effect on the Fund, on the assumptions made, were provided.
- ◆ Assumptions were set to the best estimate in terms of the demography for the NYPF and how long members were likely to live. It was known that mortality rates had declined slightly on the previous valuation, which provided a more positive position in terms of the assumptions.
- ◆ Differences between the assumptions made in relation to private sector pensions and the LGPS were outlined and it was noted that the approach to the process was based on the Investment Strategy of the NYPF.
- ◆ The three year period since 2016 valuation had been particularly successful, with huge returns over that period assisting with the valuation.
- ◆ Full details of the proposed valuation for 2019 were provided, together with a recap of the 2016 results, by way of comparison. Details of how this affected the valuation of the Fund and the potential contributions from employers were fully outlined.
- ◆ The implications of the McCloud Judgment were considered, with details of how this could affect the valuation, going forward, outlined. It was noted that an adjustment had been made in relation to this.
- ◆ Details were provided in relation to the setting of a valuation when an employer was in surplus, with funding positions above 110% taken into account.
- ◆ With all the details in place the valuation for 2019 was outlined, with recommendations to be considered as to how this would relate to contributions for employers developed accordingly.
- ◆ It was noted that the impacts of the McCloud Judgment, Brexit and the RPI would continue to be monitored, going forward, in respect of the valuation.

Following the initial presentation a number of issues and points were raised by Members as follows:-

- ◆ It was asked whether account had been taken of the move into investment pooling, in terms of the valuation. In response it was noted that the valuation was based on investments in asset class, rather than manager performance and, therefore, the Investment Strategy was key in relation to this, which was not affected by the pooling of the investments. It was emphasised that the valuation took into account the long term position of the Fund.
- ◆ Discussion took place in relation to the potential contribution rate for employers, in relation to the valuation. It was noted, that in view of the current position of the Fund the recommendation was likely to be that contributions remained as at present. Further consideration of the contribution rates had yet to take place and employers would be consulted in respect of this.
- ◆ It was noted that a number of other Funds had developed a surplus through investments over the period between the triennial valuations (2016 to 2019), however, the NYPF had been one of the major outperformers.
- ◆ It was noted that further consideration of the triennial valuation would be undertaken at the November 2019 meeting of the Pension Fund Committee and, therefore, decisions on contribution rates would be made at that time.

#### **Resolved -**

That the report be noted.

#### **138. Governance of the Fund**

Considered -

The report of the Treasurer requesting Members to approve, or note as appropriate, a range of governance documents as follows:-

- ◆ Investment Strategy Statement.
- ◆ Funding Strategy Statement.
- ◆ NYPF Annual Report and accounts.

Members were also asked to consider an update on the Annual Governance Review of the Fund undertaken by the Fund's Independent Professional Observer, Peter Scales, and to consider an update on the Hymans Good Governance Project.

Initially, the Treasurer invited the Independent Observer, Peter Scales, to introduce his report. He highlighted the following:-

- ◆ The Committee's governance arrangements continued to be maintained at a high standard and were consistent with other LGPS Funds.
- ◆ The policy documents were compliant with the Regulations, subject to comments made on the ISS, and were well drafted.
- ◆ CIPFA guidance on preparing the Annual Report had sharpened the focus on compliance, but had added greater complexity to governance.

- ◆ The governance of the new pooling arrangements (BCPP) continued to develop and more work was required to be done at the local level.
- ◆ The Pension Board continued to operate effectively and in line with its responsibilities - reference was made to the process for considering Internal Audit reports.
- ◆ A number of developing issues relating to changes in regulations and guidance were outlined.
- ◆ The outcome of the Hymans Robertson Good Governance Review was likely to lead to changes in the governance arrangements for both the Committee and the Board.
- ◆ A suggested review of the result of the Pension Regulators 2018 survey and participation in the local Pension Board survey 2019 was put forward.
- ◆ He noted that the Annual Report was compliant in the main, but indicated some areas of action that he considered were not fully covered in terms of what must be included in the Annual Report.

The Chairman of the Pension Board noted that the Annual Report of the Pension Board was available, a copy was due to be considered later in the meeting and could be linked into the NYPF Annual Report if this was considered appropriate. Peter Scales indicated that linkage or a summary of the report would be beneficial to the Annual Report of the NYPF. The Treasurer stated that he would ensure that the issues raised by the Independent Observer were included in the Annual Report.

- ◆ Issues of concern regarding the implementation of pooling arrangements were picked up in section 6 of the report. It was noted that there were a number of detailed governance issues to be resolved at a local level in particular, in the transition to a new structure, and the involvement of the Committee and the Board. He expected that practical governance arrangements would be developed to ensure that these worked effectively.

Members discussed their current concerns regarding the transferring of investments to BCPP and the governance arrangements in relation to that. The Independent Observer emphasised that transition was not a factor to discuss in terms of governance, as that was a requirement set out in the legislation, the issues that would be discussed, going forward, related to the overall governance of BCPP and how they interacted with the various Pension Funds. It was noted that, following transition, the Pension Fund Committee would no longer have direct relationships with Fund Managers, as that would then be undertaken by BCPP. Feedback from BCPP to the Pension Fund Committee, therefore, would be imperative. The Treasurer noted that a representative of BCPP now attended all Pension Fund Committee meetings, and would continue to do so, to assist with these matters.

The representative of BCPP stated that he would raise any concerns of the Pension Fund Committee with relevant officers at BCPP and would also ensure that information was as open and transparent as possible. It was noted that a response had been submitted to the MHCLG regarding its informal consultation on draft guidance on pooling and further guidance was awaited as a result of this.

- ◆ In relation to operations undertaken by the Pension Board it was emphasised that this was working effectively as a body. The Independent Observer had one concern regarding Internal Audit reports going directly to the Pension Board, without these being previously referred to the Pension Fund Committee, with Members of the Committee only having access to those through the Minutes of the Pension Board. The Chairman of the Pension Board noted that this had been an historical factor, from the inception of the Pension Board, as an issue that would be considered by the Board. The Treasurer noted that should the Pension Fund Committee wish Internal Audit reports to be provided to the Committee then this could be undertaken.
- ◆ Issues around the increasingly complex nature of regulations and guidance relating to the LGPS were outlined. In relation to the earlier public questions it was noted that the Scheme Advisory Board indicated that they had plans to propose amendments to the guidance in the Investment Regulations to reflect the Government's policy on climate change and wider responsible investment considerations.
- ◆ Issues around the Hymans Robertson's report on Good Governance were provided and it was noted that these could have an effect on the governance arrangements for the Pension Fund Committee and the Pension Board going forward.
- ◆ In conclusion the Independent Observer highlighted the following:-
  - The North Yorkshire Pension Fund continues to be administered in line with good governance principles.
  - The governance framework was complex and subject to continuing change.
  - Governance oversight appeared to operate on the presumption of poor compliance unless proven otherwise.
  - There was no requirement on those who regulated and advised the LGPS nationally to maintain a suitable level of knowledge and skills.

Following the report of the Independent Observer the Treasurer returned to the main report, highlighting the following:-

- ◆ The draft Investment Strategy Statement

He stated that he would make amendments, as recommended, to ensure that this was fully compliant and reflected the issues around voting. He noted that all amendments would be undertaken and approved as part of the suite of governance documents and any further changes would be brought to the Committee for approval.

- ◆ Annual Report

The suggested amendments would be undertaken including:-

- Details on voting.
- A link to the Pension Board Annual Report.

The Treasurer noted that the Statement of Final Accounts had now been approved by the Audit Committee and there had been no major issues that had arisen since the Pension Fund Committee had considered these.

It was noted that Independent Investments Advisor, Leslie Robb, should be added to the list of advisers within the report.

◆ Hymans Robertson Good Governance Project

The Treasurer stated that the project had identified that having an Independent Observer attached to a Fund, as already in place for the NYPF, would be beneficial. Many of the recommendations within the report were already part of the NYPF's current practice.

It was noted that final guidance from the Scheme Advisory Board was awaited in terms of recommendations from the project and these would be provided to both the Pension Fund Committee and Pension Board when published.

**Resolved -**

- (i) That the following governance documents be approved subject to the amendments identified:
  - Investment Strategy Statement
  - Funding Strategy Statement
  - NYPF Annual Report
- (ii) That the changes made to the 2018/19 NYPF Statement of Accounts be noted.
- (iii) That the content of the Annual Governance Review undertaken by the Independent Professional Observer be noted and the changes required to the governance documents, as outlined, be agreed.
- (iv) That the update on the Hymans Good Governance Project be noted.

**139. Budget/Statistics**

Considered -

The report of the Treasurer outlining the 2019/20 - Cost of Running the Fund and the 2019/20 Cash Flow Projection for the Fund.

He reported that the latest outturn position against the 2019/20 budget was appended to the report. Overspends were reported against investment fees (£7.1m), consultants fees (£230k) and the GMP Reconciliation Programme (£31k), resulting in an overall forecast overspend of £7.4m against the budget.

An explanation was provided regarding the issue of transaction costs disclosed by Fund Managers, as discussed at the previous meeting, and it was noted that these had resulted from an increase in transparency and did not impact on the net performance nor the cash flow, as they were not new costs.

A review of the management fees had been undertaken and it was estimated that the 2019/20 fees would be in the region of £26.3m, an increase of £7.1m in the budget. The estimate was in light of the current valuation of the Fund and took account of the known factors such as the movement of funds during the period.

Forecast expenditure on consultants' fees was £38k, which exceeded the budget by £230k. Additional to the annual fixed fee of £69k, further fees totalling £190k had been incurred. A further estimate of around £120k had been made for fees incurred during the remainder of 2019/20.

Expenditure of £31k was forecast for the GMP Reconciliation Programme in 2019/20 which was mainly due to £21k of expenditure originally planned for 2018/19 not being incurred until then. Additionally £10k was required to allow final reconciliation of GMP data and HMRC data.

The cash flow position for the Fund was appended to the report. The estimated cash flow for the Fund in 2019/20 was a £12.1m deficit, the position mainly being due to the £13m pre-payment of deficit contributions relating to 2019/20 in 2017/18. The deficit had increased since that of £7.7m reported to the Committee in July due to a £2.1m net increase in payments made from the Fund and a £2.3m increase in the costs of administering the Fund compared to the 2018/19 outturn. The net increase in payments made, £2.1m, was as a result of an increase in the forecast transfer out and lump sum payments (£5.9m) which had been partially offset by an increase in the forecast contribution income (£3.8m).

It was noted that as the results of the 2019 triennial valuation were not yet available a three year cash flow position had not been reported to the meeting. As soon as the results of the triennial valuation were available an updated cash flow position for the next three years would be provided to the Committee.

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

- ◆ Clarification was provided regarding the performance fees detailed, in relation to Fund Managers, and it was noted that transparency requirements had highlighted that a number of transaction costs had not been included within those fees. The Treasurer stated that a breakdown of the fees for all managers would be provided to Members to ensure that the position was fully transparent. It was noted that the whole industry was now looking to be more transparent in terms of published costs and fees and emphasised that the increased figures were due to transparency rather than any increase in costs.
- ◆ Noting the earlier report on the triennial valuation it was asked whether the position regarding contributions from employers, going forward from the valuation, would affect the cash flow of the Fund during the intervening period. The Treasurer considered that the details outlined earlier in the meeting had addressed the potential position for contribution levels and did not expect this to have a significant impact on the cash flow position moving forward. It was noted that the cash flow position during the current period had been affected by the pre-payment of deficit contributions and this position could again be affected during the current triennial valuation period. The Treasurer stated that he would continue to monitor the situation, reporting regularly to the Committee, and consider ways of maintaining an appropriate cash flow position.
- ◆ Clarification was provided in relation to the negative values in the expenditure up to 30 June 2019, which were costs in respect of 2018/19 yet to be invoiced for.

#### **Resolved -**

That the contents of the report be noted.

## 140. 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 to provide an update on key issues and initiatives which impacted the Administration Team.

The report provided details on the following issues:-

- ◆ Admission agreements and new academies.
- ◆ Administration - membership statistics, throughput statistics, performance statistics, commendations and complaints.
- ◆ Annual Benefit Statements 2019.
- ◆ Employer charging.
- ◆ Issues and initiatives.
  - GMP reconciliation.
  - Breaches Policy and Log.
  - Efficiency initiatives.
  - Additional voluntary contributions.
- ◆ Member training.
- ◆ Meetings timetable.

It was noted that, in terms of the Annual Benefits Statements 2019, 99.9% of deferred statements had been published on time, which was a significant improvement on the previous year.

In relation to active statements, 95.69% had been issued. A rundown of the issues that had prevented the 1,342 statements that were yet to be published was provided.

An analysis of the first quarter and the year-end data had been undertaken resulting in 65 employers being charged for a total of £16,380. Discussions with employers had resulted in some amendments to internal processes and a tightening up of management of forms and data being submitted.

It was noted that City of York Council had worked extremely well alongside the Administration Team to address issues around the submission of data and, with a great deal of co-operation, had made a tremendous improvement to the timeliness and content of that information.

The first employer meeting to have been held for a three year period would be taking place on 25 October 2019 and would take account of the valuation results at Fund level, with the Actuary making a presentation to that meeting.

A review of the additional voluntary contribution (AVC) lifestyle funds offered by Prudential had determined that the current offering was no longer fit for purpose as it did not result in members being provided with low risk investments, therefore, four new funds had replaced the existing lifestyle funds. Two funds from those offered had been chosen by the NYPF and those were detailed in the report. Affected members had been contacted directly by Prudential and were being transitioned to the cash targeted

life style fund as a default. It was noted that there were relatively few people with AVCs and that the investments were outside of the pooling process. It was noted that AVCs would continue to be monitored to determine whether better products could be offered to members in the future.

The Chairman of the Pension Board reiterated the comments made in relation to the publication of the Annual Benefit Statements for 2019, praising the work and engagement undertaken to provide a better position than in recent years. He noted that consideration had to be given in relation to contacting the Pensions Regulator around a potential breach of the Regulations in terms of 100% of the Annual Benefit Statements not having been issued within the designated time period. He stated he would discuss this matter with officers, outside of the meeting, in order to receive full details, before any decision was made on that matter.

**Resolved -**

- (i) That the contents of the report be noted.
- (ii) That the contents of the Breaches Log be noted.

**141. Performance of the Fund**

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 June 2019.

The report indicated that the absolute overall return for the Quarter, 4.1%, was above the customised benchmark for the Fund, 3.8% by 0.3%.

The 12 month absolute rolling return was 5.8%, 0.6% below the customised benchmark of 6.4%.

The report provided details on individual Fund Manager's 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.
- ◆ Cash investment.

Details relating to risk indicators, solvency, rebalancing and proxy voting were also provided.

The Fund's Investment Consultants, AON Hewitt, provided an in-depth analysis of the investment performance. The performance was discussed with Members and the following issues and points were highlighted:-

- ◆ The Fund had increased in value by £133m, since the report at the end of June - 4.1% above the benchmark.



- ◆ There had been positive returns in all asset classes with equities being the strongest performer. Details of the performance of individual Fund Managers were outlined.
- ◆ Bonds and gilt yields were falling in general with a number of economic factors affecting those.
- ◆ The current asset allocation in respect of the Fund's Investment Strategy was outlined and it was noted that investments were being re-allocated in line with the revised Strategy to address the position regarding large investments in equities and the potential risk from market volatility. It was noted that equity protection was now in place, following agreement at a previous meeting, which would protect the Fund against significant falls in equity investments. The details of that protection were outlined.
- ◆ Members raised concerns regarding the funding of the equity protection from L&G, however, it was noted that this decision had been made by the Committee at a previous meeting, in respect of the development of the Strategy, to lower volatility.
- ◆ Issues around investments in Newton were discussed in relation to recent performance and the rating provided by AON. An explanation of the rating was provided.
- ◆ Issues around the general performance of diversified growth funds were discussed.
- ◆ It was noted that the investments made with BCPP had not been reported, on this occasion, as a full quarter had not yet elapsed. Details would be provided in future reports when sufficient opportunity had been provided for the investments to perform with relevant feedback then provided.
- ◆ Concern was raised that the transfer of investments to BCPP from Standard Life in relation to UK equities had seen a residual amount left with Standard Life that had not been transitioned. The Treasurer stated that he had requested details from the Transition Manager to provide a full and detailed audit trail to determine why this was the case. The representative of BCPP stated that details in respect of this matter could be provided.

**Resolved -**

That the investment performance of the Fund for the period ending 30 June 2019 be noted and the costs in relation to the transition of funds from the UK equities portfolio to BCPP be reported to a subsequent meeting of the Committee.

**142. Investment Strategy Review**

Considered -

The report of the Treasurer relating to the following:-

- (i) Requesting Members to confirm the NYPF allocation to BCPP's Private Debt fund.
- (ii) To provide an update on the BCPP Multi Asset Credit and Investment Grade Credit sub-funds as part of the NYPF's liquid credit allocation.

- (iii) To provide an update on the Global Equity transition.
- (iv) To provide an update on the implementation of the Equity Protection Strategy.

#### Global Equity Transition

Preparation stages of the transition had commenced to ensure that the target date was achieved. The Funds in BCPP had been asked to confirm their allocation based on 31 July 2019 market conditions. An investment of up to £1bn was approved at a special PFC meeting in June 2019, based on current market conditions, which represented 55% of the Fund at that time. The total invested in global equities at 31 July 2019 was around £2.07bn, therefore, an investment of £1bn was confirmed to BCPP which represented 48.4% of the total Global Equity allocation.

An update was provided in terms of the transition and details of progress were noted.

Issues relating to transition costs were discussed and a Member requested that reports were provided to the Pension Fund Committee to ensure that these were as transparent as possible.

#### Equity Protection Strategy

The Treasurer highlighted the Strategy and how that had been funded, as discussed earlier in the meeting. He considered that the Equity Protection was an effective risk averse tool for the Fund, providing protection against significant losses from market volatility. The Strategy was short term to protect against equity risk while investment in alternative asset classes was being implemented.

#### Allocation to Private Debt

The Treasurer noted that the next BCPP Sub-Fund to launch was the Private Debt fund, in Quarter 4 2019. BCPP had asked for the various Pension Fund Committees to confirm final commitments to the fund by the end of September. Due to illiquid nature of the alternative investments commitments would be raised in subscription windows.

Members had agreed to invest 10% of the Fund in illiquid credit, which included a 5% allocation to private debt, around 3.5% which was already committed. It had been agreed, therefore, that the remaining 5% would be allocated to property debt however an investment had not yet been made as alternative options were imminent from BCPP.

In relation to this AON Hewitt, the Fund's Investment Consultants, had undertaken a high level due diligence review of the BCPP Private Debt fund. As a result they proposed that the Committee review the current strategic allocation to private debt and consider a commitment of up to 4% in the BCPP Private Debt sub-fund, subject to further due diligence. An investment of around 2% was recommended to bring the total commitment in line with the current 5% allocation. There was also a further option to increase the strategic allocation to private debt and make an investment of up to 4% in the BCPP sub-fund.

Representatives of AON Hewitt gave a presentation in relation to their review of BCPP's Private Credit proposal, details of which were circulated. The presentation highlighted the following:-

- ◆ Private credit - an overview

- Why invest in private credit.
- Risk/return.
- ◆ BCPP's private credit considerations
  - Key considerations regarding BCPP offer.
- ◆ Next steps
  - How much to allocate and next steps.
- ◆ BCPP private credit - fund objective.
- ◆ BCPP private credit - risk versus return.
- ◆ Private credit: areas of focus.
- ◆ What we have looked at - high level information across all key areas.
- ◆ BCPP private credit - fund allocation.
- ◆ BCPP private credit - fund specifics and AON's views.
- ◆ BCPP private credit - AON's questions.
- ◆ Private credit - what are we looking for now?
- ◆ Private credit - what are the dos and don'ts.

AON suggested the following in terms of how the Pension Fund Committee should proceed:-

- ◆ Consider a commitment of £75m (2%) to £150m (4%) by 4 October.
- ◆ Lower end of spectrum, if used to top-up direct lending allocation up to around 5% level and:
  - Further training required, particularly on; infrastructure debt, mezzanine/speciality and distress debt.
  - Do not wish to significantly increase strategic allocation to direct lending at this time.
  - Consider further investments in the future (commitments open every 18 month) to this solution, or other BCPP solutions, to replace 5% property debt desired allocation.
  - Alternative resource property debt manager(s) outside BCPP.
- ◆ Higher end of spectrum if:
  - Comfortable with newer asset classes.
  - Comfortable with higher weights to direct lending and lower weight to property debt than originally expected.
  - Wish to build private debt allocation quicker.
  - Wish to benefit from asset class and geography diversification.
- ◆ Commitments to come from current allocation to Treasury cash.

The representative of BCPP, CIO Daniel Booth, was present at the meeting and provided detailed information in relation to BCPP's private debt offering. It was noted that the aim of the BCPP Private Debt fund was to invest in a diversified portfolio of global private debt investments to generate a long term return of 6% per annum net of fees. Investments would be made across a wide range of strategies, including direct lending, property/infrastructure debt, mezzanine and stressed/distressed debt.

Members undertook an in-depth discussion of the proposed allocation to private debt with BCPP and the following issues and points were raised:-

- ◆ A Member raised concerns regarding investments in illiquid assets, as returns in such investments, by the Fund, that had taken place in recent years had not proved to be particularly effective. In response it was emphasised that investment in illiquid assets was part of a long term strategy that would assist in meeting the NYPF Investment Strategy of reducing risk and guard against market volatility, while the Fund was in a strong financial position. It was emphasised that this investment was being considered as part of the offer from BCPP and correlated with the Investment Strategy agreed by Members at previous meetings.
- ◆ Members raised concerns regarding entering into an investment in an asset class without the appropriate knowledge to fully understand the details behind the investment. It was explained that an additional meeting could be called to consider the allocation, with training for Members on the issues of uncertainty provided in the interim. An explanation of some of the terms queried by Members was provided by the CIO of BCPP, to assist with their understanding of the investment and the specific terms used in relation to that.
- ◆ An explanation was provided of the fees for the management of the investment.
- ◆ The Independent Investment Advisor to the Fund stated that he was at ease with the investment as reassurance had been provided regarding the management of the Funds by BCPP, with Fund Managers in place that had extensive experience in private debt. Members recognised that position, but were guarded in relation to the future recruitment of experienced personnel to manage this investment had yet to be completed.
- ◆ Members took reassurance from the CIO of BCPP leading the management of this investment and his extensive knowledge and experience in this area. As a result Members were minded to commit to an investment in the BCPP private debt sub-fund, subject to further due diligence.

#### Illiquid Credit Allocation

It was noted that the long term strategy for the Fund indicated an allocation 7.5% to illiquid credit. Investment Consultants proposed allocating this across investment and sub-investment grade credit assets in the Investment Strategy review. The next steps would be to provide the Committee with further training on credit investments and work with BCPP on their credit offerings with a view to investing when suitable sub-funds became available.

Workshop sessions had been held with multi-asset credit investments at a workshop on 24 May 2019. The target launch of the BCPP MAC Sub-Fund was Quarter 2 of 2020. There was to be a separate sub-fund launched in Quarter 4 of 2019 for investment credit. Pension Fund Committees were being asked to confirm their initial investment in this sub-fund by the end of September.

At this stage it was not proposed that the NYPF made a commitment to investment grade credit on initial launch of the sub-fund. It was also advised that the Fund awaited further details on the MAC sub-fund first and determine the best blend of investment across these sub-funds to achieve the requirements of the Fund, subject to further due diligence.

**Resolved -**

- (i) That the long term allocation to private debt was reviewed.
- (ii) That an initial investment in the BCPP Private Credit fund be undertaken, with 2% (£75m) being committed to that, the funding being obtained as outlined in the report from AON Hewitt and subject to their further due diligence.
- (iii) That the update on BCPP's investment grade credit and multi-asset credit sub-funds be noted, with no commitment to invest at this stage.
- (iv) That the update on the global equities transition be noted.
- (v) That the update on the equity protection implementation be noted.

**143. Pension Board - Draft Minutes of the Meeting held on 18 July 2019**

The Chair of the Pension Board presented the Minutes of the meeting held on 18 July 2019, highlighting the following:-

- ◆ The Treasurer and the Independent Observer to the NYPF had attended the meeting and assisted with the consideration of items on the agenda.
- ◆ A review of the Terms of Reference for the Pension Board had taken place and details were on the agenda for today's meeting.
- ◆ A draft of the Pension Board's Annual Report was presented to the meeting and again this was on the agenda for today's meeting.
- ◆ The Board evaluation skills matrix questionnaires were to be evaluated to develop a training plan for the Pension Board, but now the questionnaires had been sent to Pension Fund Committee Members it was considered appropriate that the results of these be awaited allowing a combined approach between Pension Fund Committee and Pension Board to be developed in terms of a training programme.
- ◆ Pooling was again considered and Members expressed disappointment regarding the increase in the budget required by BCPP from the various Pension Funds involved.

**Resolved -**

That the Minutes of the meeting of 18 July 2019, together with the highlights provided by the Chairman of the Pension Board, be noted.

#### **144. Pension Board - Annual Report 2018/19**

Considered -

The report of the Treasurer requesting Members to note the Annual Report of the Pension Board. The Chairman of the Pension Board noted that the draft Annual Report for 2018/19 had been presented to the 18 July 2019 meeting of the Pension Board where it was approved. He also noted that the Independent Observer and Treasurer to the NYPF had been present at that meeting and were satisfied with the contents.

**Resolved -**

That the Annual Report of the Pension Board 2018/19 be noted.

#### **145. Pension Board - Terms of Reference**

Considered -

The report of the Treasurer providing Pension Fund Committee Members with details of a recent review of the Pension Board's Terms of Reference.

The Pension Board Chairman noted that, at its meeting on 24 January 2018, the Pension Board agreed that the current Terms of Reference were no longer fit for purpose, given changes to the nature of the LGPS, particularly around the introduction of pooling arrangements.

At its meeting held on 18 July 2019, assisted by the Treasurer and Independent Observer of the NYPF, Board Members undertook a review of the Terms of Reference. As a result an additional bullet point was added to section 8 - remit of the Board, of the Terms of Reference.

The additional bullet point was as follows:-

“Reviewing the governance of the new pooling arrangements, to assist in ensuring compliance, effective and efficient reporting, and the monitoring of investment management.”

The remainder of the Terms of Reference were agreed to continue as stated.

**Resolved -**

That the changes to the Terms of Reference of the Pension Board be noted.

The meeting concluded at 2.55 pm.

SL/JR

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

22 NOVEMBER 2019

## INVESTMENT CONSULTANT OBJECTIVES

## Report of the Treasurer

**1. PURPOSE OF REPORT**

- 1.1. To set strategic objectives for the Fund's investment consultants, Aon.

**2. BACKGROUND**

- 2.1. On 10 June 2019, the Competition and Markets Authority (CMA) introduced a new order which takes effect from 10 December 2019. This order aims to address several issues that the CMA found as part of its Investment Consultancy and Fiduciary Management Market Investigation by setting new duties for Members and officers of Pension Funds.
- 2.2. One of the new requirements that applies to all DB and DC pension schemes based in the UK is for Funds to set strategic objectives for their Investment Consultants.
- 2.3. The CMA has recommended that the Department for Work and Pensions (DWP) brings the requirements of the Order into pensions legislation. The DWP has ran a consultation on the amendments to the regulations. Whilst DWP regulations do not apply to the LGPS, it is expected that similar regulations will be adopted by MHCLG.
- 2.4. Once legislated, the Pensions Regulator (TPR) will be able to monitor the adoption of these new requirements. It is expected that this oversight will be to confirm the adoption of the following:
  - Set strategic objectives for Investment Consultants
  - Review the performance of the Investment Consultants against these objectives at least every 12 months
  - Review the objectives set at least every 3 years and immediately following any significant change in investment policy
- 2.5. The TPR has produced guidance on "Setting objectives for providers of investment consultancy services", which has been consulted on. This guidance is attached as **Appendix 1**.

### 3. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES

- 3.1. In addition to now being a legal requirement, is it also good practice in terms of governance to set objectives for investment consultants to enable the Fund to be in a better position to assess the quality of the service received. It is important when setting these objectives that they are linked to the Fund's overall investment objectives.
- 3.2. Below is a list of draft strategic objectives for the Fund's investment consultants. These have been drafted in consultation with Aon:
  1. Support the Fund in the development and implementation of a suitably diversified Investment Strategy, reflecting the Fund's risk appetite and funding position, that outperforms its investment objectives over the long term
  2. Support the Fund in influencing the development of suitable sub-funds within the Border to Coast Pensions Partnership Pool and the assessment of these offerings to ensure they meet the needs of the NYPF
  3. Provide clear, concise, timely and understandable investment advice to the Pension Fund Committee and officers of the Fund, including supporting on ongoing performance monitoring of the Fund's investment managers
  4. Support the Fund in ensuring that its investment arrangements are in accordance with relevant regulation
  5. Provide advice and assistance to the Pension Fund Committee or officers of the Fund on any other relevant issues that could impact on the Fund's ability to achieve its long-term investment objectives
- 3.3. Members are asked to approve the draft strategic objectives.

### 4. NEXT STEPS

- 4.1. The Fund is required to set strategic objectives for the investment consultants by 10 December 2019. Following PFC approval, these objectives will be monitored annually by officers. A more detailed list of operational objectives, that come under each of the strategic objectives listed above, are attached as **Appendix 2**. These will be used as the assessment criteria for each of the strategic objectives when reviewed annually.
- 4.2. Following the completion of various consultations on the new guidance, changes to the requirements may be issued at a later date. MHCLG are also still to pass the duties into law for the LGPS. Therefore, Members are asked to delegate authority to the Treasurer of the Pension Fund to amend the objectives if required.
- 4.3. The objectives will be brought back to Committee at least every three years for review.



## **5. RECOMMENDATIONS**

Members are to:

- 5.1. Approve the draft strategic objectives for the Fund's investment consultants, Aon, listed in Section 3.2 above.
- 5.2. Delegate authority to the Treasurer of the Fund to amend the objectives following the issue of any further guidance.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
13 November 2019



A trustee guide to:

# Setting objectives for providers of investment consultancy services

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# Introduction

## Purpose of this guidance

This guidance is for trustees of occupational pension schemes and will be of interest to providers of investment consultancy services and employers.

The law requires trustees to set strategic objectives for providers of investment consultancy services as defined in part 2 of The Investment Consultancy and Fiduciary Management Market Investigation Order 2019<sup>1</sup>. We recognise that the range of advice and services provided by investment consultants is broader than those subject to the legal requirements and we would encourage trustees, as a matter of good governance, to set objectives even where the legal requirement may not directly apply. This guidance therefore aims to provide you with practical information and key matters to consider when:

- setting objectives for your provider of investment consultancy services, and
- deciding on the services you want to obtain from your investment consultant.

We use phrases such as the 'law requires' and 'you must' to indicate legal duties. We use 'you should' to indicate good practice approaches to setting objectives for your investment consultancy services provider.

<sup>1</sup> [https://assets.publishing.service.gov.uk/media/5cfdfa86e5274a090f9eef8e/Order\\_investment\\_consultants.pdf](https://assets.publishing.service.gov.uk/media/5cfdfa86e5274a090f9eef8e/Order_investment_consultants.pdf)

## **This guidance has been produced in response to the Competition and Markets Authority (CMA) investigation into the investment consultancy market.<sup>2</sup>**

The CMA found problems with the way the fiduciary management and investment consultancy market worked. For investment consultancy, they found low levels of trustee engagement when choosing and monitoring their investment consultant. They also found it was difficult for trustees to access and assess the information needed to evaluate the quality of their existing investment consultant and to identify if they would be better off switching adviser. For fiduciary management, they found low levels of tendering when first moving into fiduciary management, some investment consultants steering trustees towards their own fiduciary management service and a lack of access to clear information on performance and fees.

The costs of switching out of fiduciary management were found to be high and it was difficult for many trustees of occupational pension schemes to access and assess the information they needed on the fees and charges within their existing fiduciary manager agreement to work out if they would be able to receive better terms from another provider. These features were considered to result in substantial detriment to scheme and member outcomes.

The CMA found that, in cases where trustees were engaged in activities such as tendering for services, or switching and periodically reviewing performance, they were more likely to obtain better terms from their service providers and pay lower fees and charges, compared to less engaged trustees.

In its final report<sup>3</sup>, the CMA set out a number of remedies and recommendations. Remedy 3 recommended that we provide guidance to trustees on running competitive tenders for fiduciary management and investment consultancy services. This guidance has therefore been produced in response to this remedy.

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<sup>2</sup> <https://www.gov.uk/cma-cases/investment-consultants-market-investigation>

<sup>3</sup> [https://assets.publishing.service.gov.uk/media/5c0fee5740f0b60c8d6019a6/ICMI\\_Final\\_Report.pdf](https://assets.publishing.service.gov.uk/media/5c0fee5740f0b60c8d6019a6/ICMI_Final_Report.pdf)

On 10 June 2019, the CMA introduced new duties for trustees via an Order:

- Mandatory tendering for fiduciary management – prohibition on trustees entering into or continuing a Fiduciary Management Agreement without carrying out a competitive tender process.
- Requirement for trustees to set strategic objectives for their investment consultants.



See our **guide to tendering for fiduciary management services** for more information.

These duties take effect from 10 December 2019.

The CMA has recommended the Department for Work and Pensions (DWP) legislates to bring the requirements of the Order into pensions legislation. The DWP is consulting on amendments to regulations and this guidance will be updated to reflect the final regulations.



See <https://www.gov.uk/government/consultations/trustee-oversight-of-investment-consultants-and-fiduciary-managers> for the consultation.

The Order also included several new requirements on fiduciary managers and investment consultants designed to improve the quality and accessibility of information on charges, fees and performance from fiduciary managers and investment consultants with the aim to make it easier for trustees to compare providers and assess value for money.

## Potential benefits of setting objectives

Setting objectives for advisers is an important part of an effective system of governance. We expect that by putting objectives in place, trustees will be better positioned to assess the quality of the service they receive and to deliver better outcomes for their members.

The CMA's 2018 Investment Consultancy Market Investigation found that trustees had difficulty in monitoring the quality of investment consultancy services due to the limited information available to them. By increasing trustee engagement in the adviser appointment process and by setting objectives and monitoring performance against those objectives, we expect that trustees will achieve better outcomes for their schemes and better value for money. We also expect that by monitoring the investment adviser's performance against their objectives will enable trustees to better identify and manage areas of poor performance and to consider switching to an alternate service provider where appropriate.

We would expect trustees, as a matter of good practice, to consider setting objectives for all their providers of advisory services. For more information on working well with advisers, please visit our guide to scheme management skills. While that guidance is intended for trustees of defined contribution (DC) schemes, it also contains information which will be useful for trustees of defined benefit (DB) schemes.

## Terms used in this guidance

### Delegation

The transfer of responsibility for exercise of one or more of the trustees' powers to a third party. For example, where trustees delegate day to day investment decisions to an investment manager or fiduciary manager but retain overall responsibility for the investment strategy. Pensions law permits delegation of investment decisions to fund managers on this basis, but trustees should note that they remain liable for defaults or acts of the manager unless they have taken all reasonable steps to satisfy themselves that the manager has the appropriate knowledge and experience and is carrying out their work competently in compliance with relevant legislation.

### Investment beliefs

An agreed and documented trustee board view in respect of investments, based on knowledge, understanding and experience.

### Investment consultant

A person or firm that provides investment consultancy services.

### Investment consultancy services

This term is generally used (including in this guidance) to describe the provision of advice to the trustee board to support decisions on matters such as investment strategy, strategic asset allocation and manager selection. However, for the purposes of the legal requirement to set strategic objectives, this is defined in Part 2 of The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 as advice to trustees on one or more of the following:

- Investments that may be made or retained by or on behalf of the pension scheme trustees.
- Any matters in respect of which the pension scheme trustees are required by law to seek advice in relation to the preparation or revision of the statement of investment principles.
- Strategic asset allocation.
- Manager selection.



## Understanding your legal duties

Duties in relation to mandatory tendering for fiduciary management appointments and setting strategic objectives for investment consultants have been introduced by the CMA investment consultancy and Fiduciary Management Market Investigation Order 2019.



For information relating to the requirement to run a competitive tender exercise for fiduciary management services, see our **guidance**.

In relation to the requirement to set objectives for providers of investment consultancy services, unless an exemption applies, the trustees must not:

- enter a new contract, or
- continue to obtain investment consultancy services unless the trustees have set objectives in relation to the services they are going to or are already receiving.

This prohibition is effective from 10 December 2019 and will apply to new and existing contracts for investment consultancy services.

For the purposes of identifying if you need to set objectives, you will need to consider whether you are receiving investment consultancy services as defined in Part 2 of the Order. You should be aware that other types of advisers, who may not identify themselves as investment consultants, could be providing you with investment consultancy services. For example, you might be receiving advice that amounts to ‘investment consultancy services’ from an independent financial adviser, or wealth manager or advice from your scheme actuary on whether the scheme’s strategic asset allocation is appropriate for the scheme’s liabilities. If you are receiving investment consultancy services from a provider that does not identify as an investment consultant, you are still required by law to set objectives for that provider.

As trustee, you remain ultimately responsible for your scheme. You should:

- carry out checks that the provider is suitably qualified to provide these services (and has specific knowledge of the requirements that apply to trust-based occupational pension schemes), and
- monitor the activities and performance of service providers to ensure they are operating in accordance with the trustees’ legal obligations and are helping to deliver good scheme and member outcomes.

It is possible that the trustee board has chosen to delegate investment decisions.



For more information on investment governance models where there is delegation please refer to our **guide to choosing an investment governance model**.

Please be aware that some advice elements of fiduciary management services may be subject to the requirement to set objectives, and you may wish to consider seeking professional advice as to whether this applies in light of services you receive.



Trustees will ultimately be responsible for investment matters, and for further information trustees should refer to our **DB investment guidance** and our **DC guide to investment governance**.

## Documenting compliance

As a matter of good practice, you should consider documenting any key decisions and, where relevant, processes undertaken in coming to those key decisions. While minutes of trustee meetings could be used to record key decisions or objectives set for investment consultancy services, it could be helpful to have a separate, standalone document which sets out clearly what the objectives are, how they will be measured, when they will be measured and when actions arising from any review will be addressed by.

## Investment consultancy services

A wide range of investment consultancy services are available to trustees of occupational pension schemes. Depending on whether your scheme is DC or DB and the circumstances of your scheme, these services will differ.

In order to set strategic objectives for your adviser, you will first need to understand the services to which the objectives relate. As outlined in the introduction, only those areas that come within the legal definition<sup>4</sup> of investment consultancy services trigger the requirement for you to set strategic objectives, but as a matter of good governance we would encourage you to consider setting objectives for any additional services you receive.

Below we have listed some examples of investment consultancy services that trustees can receive for DB and DC schemes, together with a brief explanation of what these typically involve. These lists are not exhaustive and the requirements for the level of service provided will vary between schemes, trustee boards and the individual governance and support arrangements for those schemes.

### Typical services available for DB schemes

#### Defining investment beliefs

This often involves a review of the trustee's investment preferences, informed by appropriate evidence and knowledge such as whether the trustee(s) prefer active or passive fund management, illiquid investments over liquid investment etc, and using these findings to agree a set of core investment beliefs that represent the trustee(s) preferences.

#### Investment strategy review

This involves a review of the nature and term structure of the pension scheme liabilities and advice on an appropriate asset allocation to adopt in order to best meet those liabilities, in light of objectives set by the trustees and considering the financial support that is available from the scheme's employer(s).

#### Risk modelling

This can involve the analysis of risk using a range of different tools and metrics, for example asset liability modelling and scenario/sensitivity analysis. It is frequently included as part of the investment strategy review service but can be tendered for and provided separately. In large schemes, a risk review by an independent third party can be very useful.

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4 The definition of investment consultancy services as set out in the CMA's Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Typical services available for DB schemes continued...

### **Setting investment performance and risk targets**

This involves taking the output from the investment strategy review and any associated risk modelling to set the performance and risk targets for the scheme.

### **Portfolio construction**

This involves advice on how a portfolio of investments or investment funds could be constructed to best align with the proposed asset allocation strategy and the trustees' investment beliefs, allowing for the investment performance and risk targets set.

### **Investment manager selection**

This process would aim to identify a list of managers, based on research and due diligence completed, that might be appropriate to include within the portfolio, individually or in combination, to meet the performance and risk targets set for all or part of the portfolio. This work would also include preparation and submission of appropriate due diligence materials and could include assistance with the tender process, from drafting the invitation to tender, to reviewing the submissions made and attending manager interviews (and manager site visits).

### **Appointment of investment manager**

The degree of service required is likely to depend to an extent on the type and structure of investment fund offered and the degree of discretion allowed. However, the service could involve advice (in relation to the investment elements) on the structure and terms and conditions of the fund mandates. In addition, it could involve advice in relation to the level and structure of any investment fees, the design of any performance fee elements and advice on the mandate guidelines, tolerances and restrictions to be applied.

### **Transition management**

This would involve advice on any portfolio re-organisation or changes to investment managers to help ensure that the assets can be moved efficiently, with minimum costs and to limit 'out of market' exposure. This service could include advice on the use of derivatives to optimise the transition process.

### **Risk mitigation and risk transfer**

This would involve advice on how different risks the scheme is exposed to could be mitigated, managed and/or transferred to another party.

continued over...

Typical services available for DB schemes continued...

### **Investment risk and performance monitoring**

This would often include preparation of regular reports and information in relation to the performance of the investment managers invested in by the scheme and the risk exposures arising. This would also include advice in relation to the ongoing suitability of the investment strategy and the individual investment management arrangements. This could also include periodic reviews of whether the fees being paid continue to be appropriate.

### **Fiduciary manager selection**

This process would aim to identify a list of fiduciary managers, based on research and due diligence completed, that might be appropriate to meet the trustees' requirements for the management and governance of all or part of the scheme's assets. This work would also include preparation and submission of appropriate due diligence materials and could include assistance with the tender process, from drafting the invitation to tender, to reviewing the submissions made and attending fiduciary manager interviews (and fiduciary manager site visits).

### **Fiduciary management monitoring**

This would involve providing oversight of the performance of any fiduciary manager appointed by the trustees and considering their ongoing suitability to meet the requirements of the scheme. This would also include advice on whether any changes in the fiduciary manager or the remit of their mandate were necessary.

### **Provision of regulated advice**

This would include the provision of written advice in relation to investments (as required under s36 of the Pensions Act 1995) and the review and preparation of the scheme's statement of investment principles (required under s35 of the Pensions Act 1995).

### **Governance structures**

This would involve advice on the alternative ways in which investment and risk management might be governed, and the terms of reference and delegated responsibilities that might apply to each element of the governance structure.

### **Additional investment advice**

This could be in relation to the selection and appointment of investment platform providers, custodians or sub-custodians or advice in relation to tactical asset allocation, structured equity or option strategies.

### **Trustee training**

This could include a range of training from basic investment training on investment duties and investment structures through to training on the implementation of complex derivative and risk management strategies.

## Typical services available to DC schemes

### Defining investment beliefs

This often involves a review of the trustee's investment preferences informed by appropriate evidence and knowledge, such as whether the trustee(s) prefer active or passive fund management, illiquid investments over liquid investments and using these findings to agree a set of core investment beliefs that represent the trustee(s) preferences.

### Scheme design and objective

This would involve advice on the design of the default fund(s) and the range of self-select funds that might be made available to meet members' needs. This would also include consideration of how the investment management components could best be structured to allow for the trustees' additional requirements around administration and communications.

### Modelling tools

This could involve advice on the range of modelling tools that could be made available (and maintained) to help members assess the impact of different investment options (and contribution levels) on their expected future benefit outcome.

### Investment manager selection

This process would aim to identify a list of managers, based on research and due diligence completed, which might be appropriate to include with the portfolio, individually or in combination, to meet the performance and risk targets set for all or part of the portfolio. This work would also include preparation and submission of appropriate due diligence materials and could include assistance with the tender process, from drafting the invitation to tender, to reviewing the submissions made and attending manager interviews (and site visits).

### Appointment of investment manager

The degree of service required would depend to an extent on the type and structure of investment fund offered and the degree of discretion allowed. However, the service could involve advice (in relation to the investment elements) on the structure and terms and conditions of the investment mandates. In addition, it could involve advice in relation to the level and structure of any fees, including on the design of any performance fee elements included and advice on the mandate guidelines, tolerances and restrictions to be applied.

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Typical services available for DC schemes continued...

### **Member engagement**

This could involve a range of activities from running engagement programs with members to better understand their needs and requirements (to enable the default fund and range of options to be appropriately designed), to assisting with member communications (for example, following a change of fund manager or investment approach) to assisting with member investment education.

### **Performance monitoring**

This would involve preparing regular reports and information relating to the performance of the investment managers used. It would also include review of the performance of any investment platform provider.

### **Review of default arrangement or default fund and fund range**

This is likely to include a triennial review, or more frequently following any significant change in membership profile, in relation to the ongoing suitability of the default arrangement, the self-select investment fund options and the investment management arrangements.

### **Fiduciary manager selection**

This process would aim to identify a list of fiduciary managers, based on research and due diligence completed, which might be appropriate to meet the trustees' requirements for the management and governance of all or part of the scheme's assets. This work would also include preparation and submission of appropriate due diligence materials and could include assistance with the tender process, from drafting the invitation to tender, to reviewing the submissions made and attending fiduciary manager interviews (and fiduciary manager site visits).

### **Fiduciary management monitoring**

This would involve providing oversight of the performance of any fiduciary manager appointed by the trustees and considering their ongoing suitability to meet the requirements of the scheme. This would also include advice on whether any changes in the fiduciary manager or the remit of their mandate were necessary.

### **Chair's statement**

This would involve analysis and providing investment advice relating to a range of inputs into the annual chair's statement, such as the value for members assessment and the assessment of charges and transaction costs, including in relation to cumulative illustrations.

continued over...

Typical services available for DC schemes continued...

### **Provision of regulated advice**

This would include providing written advice relating to investments (as required under s36 of the Pensions Act 1995) and reviewing and preparing the scheme's statement of investment principles (required under s35 of the Pensions Act 1995).

### **Governance structures**

This would involve advice on the alternative ways in which investment and risk management might be governed, and the terms of reference and delegated responsibilities that might apply to each element of those governance structures.

### **Additional DC investment advice**

This could relate to the selection and appointment of investment platform providers or the transitioning of investments between funds or fund managers.

### **Trustee training**

This could include a range of training from basic investment training on investment duties and investment structures, to training on the design and implementation of default arrangements, lifestyle strategies and decumulation options.



# Objectives for investment consultancy services

## Setting adviser objectives

When in receipt of investment consultancy services, unless exempt, you must set objectives for the provider of this service. When setting these objectives, you should include how these will contribute to achieving the scheme's overall investment objectives.

Where you engage with more than one adviser in respect of investments, you must set objectives for each respective adviser. You are not limited in the number of objectives you may set. It will likely be proportionate to set multiple objectives for your adviser, in accordance with the range of services you receive.

Trustees should also be aware that when they retain a fiduciary manager, they should be aware of the extent of investment services they receive from them as part of the overall engagement and they should set objectives for the investment services provided.

You may also wish to set a combination of short and long-term objectives, ensuring that the objectives are appropriate and achievable for the given time frame.

Adviser objectives can be quantitative and qualitative in their nature, for example these could be set in relation to investment performance delivered relative to the liabilities, adviser performance against service level agreements, communication skills, value for money and performance against specific tasks, such as asset transitions or investment manager selection exercises. Examples of the areas that objectives may cover are outlined in the DB and DC case studies later in this guidance.

In setting objectives for your investment adviser, you will want to receive their input to ensure that the objectives being set are consistent with the service being offered and are realistic. In obtaining your adviser's input, you should be aware of the potential for their input to be subject to conflicts of interest and you should be prepared to challenge their input. You should also consider whether to involve a third party to help you set those objectives.

Once objectives have been agreed, we would expect these to be signed off in accordance with your existing governance framework, ensuring that all members of the trustee board have sight of and, if relevant, agree with the adviser objectives that have been set and the ongoing monitoring process of these.

## Monitoring objective progress

When putting in place a set of performance objectives with your adviser, you should also consider the method and regularity for assessing your adviser's performance against these objectives. You should conduct reviews at least triennially and after any significant change to your scheme's investment strategy and objectives. Where you have set multiple objectives for your adviser and the timeframes for meeting them vary, you may also wish to consider ad-hoc reviews when you complete any significant pieces of work.

While you remain ultimately responsible for your scheme's overall investment objectives, it is important to acknowledge and understand the roles that you and your adviser(s) can have in determining whether or not these objectives are met. For example, trustees may decide not to act on advice received or delay acting on advice received, which could result in the value of the investment opportunity presented diminishing. Performance review sessions should be objective and consider evidence of how the adviser is meeting their objectives with appropriate allowances for the impact of trustee decision-making and governance structures and the interaction with the trustees, alongside any other relevant external factors, on the outcome actually achieved.

You may wish to incorporate the review of your investment consultant's performance with the effectiveness review of your board.



For further information, see our **scheme management skills guide**.

## Case studies

We have developed the following case studies to assist you in identifying the areas of investment consultancy services you should consider when setting objectives for your adviser.

### Investment consultant objectives and performance measurement (DB)

The trustees of the XYZ DB pension scheme had retained ABC Investment Consultants as their investment advisers for many years. XYZ was a full service client of ABC and any investment-related issues the scheme had were dealt with by ABC. Fees were generally charged on a time-cost basis but the fees for more significant items, like manager selection exercises and asset-liability modelling, were based around an agreed fixed fee scale or agreed separately in advance. The trustees acknowledged the following:

- Appropriate investment and risk management advice, in the absence of unlimited employer contributions, was the key driver in ensuring that members received their benefits in full and recognised that the service was of significant value to their scheme.
- The balance between an adviser providing advice and the trustee being the decision-maker added complexity to any assessment of “value added”.
- There was a risk that the “potential value” of good advice could be lost due to the trustees being unable to make effective decisions in a timely manner or being unwilling to make a decision to the full extent of the advice provided.
- It was important to distinguish between the difference made by process driven improvements (arising, for example, from the impact on the funding level from employer deficit repair contributions) and value add driven improvements (arising, for example, from recommendation of investment managers that out-performed).
- It was difficult to define an appropriate period to measure and attribute performance given the potential for investment market volatility and general market noise to distort.
- It would be challenging to develop a robust framework that could work in all environments.
- They would also need to consider how the trustees’ governance and decision-making structures contributed to (investment) outcomes.
- Changes to their current governance arrangements should also be considered (for example, appointment of a professional trustee, creation of an investment committee or increasing the number and frequency of trustee meetings).

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The trustees agreed to adopt a balanced scorecard approach, where performance against a number of clear objectives set for their investment consultant would be assessed using a combination of quantitative and qualitative measures.

The trustees looked at the services outlined as part of ABC's response to the invitation to tender that they had submitted a number of years previously and decided to group them under six key objectives that they would monitor:

1. Demonstration of value added.
2. Delivery of specialist processes.
3. Proactivity of advice.
4. Support with scheme management and compliance.
5. Relationship and service standards.
6. Support with additional matters arising.

The trustees acknowledged that short-term market movements and the trustees' and employer's business planning cycles could both distort and influence activity undertaken and agreed to monitor performance over both a one and three-year horizon, using different weights against each key objective.

The trustees were mindful that the investment activity required varied from time to time. They set out under each key objective the individual services they felt should be considered in forming a view on the investment adviser's performance against the main objective. The trustees did not assign weightings to the individual services under each objective as they recognised that not all services were required within each monitoring period.

The trustees shared their proposed performance monitoring framework with their investment consultant and included their proposal that the effectiveness of the trustees' governance and decision-making framework over the performance period, would also form part of the assessment. Following discussion and some revisions, the template set out in the table below was agreed.

The investment consultancy firm also outlined an offer to the trustees whereby an element of their fees (10%) would not be paid if their service did not meet a particular level and that a "bonus" fee (5%) would be paid if their service exceeded a particular higher level. The trustees were interested in this concept but were concerned about their ability to apply a consistent approach when assessing objectives qualitatively.

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The trustees asked their consultant to prepare a further version of their template against which they set out what they believed “good” and “bad” service looked like. Following further discussion and some revisions, the trustees agreed the template and the date at which the first assessment would take place.

As part of their ongoing annual assessment cycle, the trustees and the investment adviser also agreed to consider whether any changes to the template or their investment governance structure were necessary.

### Example scorecard

| Objective  | 1 year     | 3 year     |
|--|------------|------------|
| <b>1. Demonstration of value added</b>   | <b>30%</b> | <b>30%</b> |
| <ul style="list-style-type: none"> <li>• Help the trustees to deliver an investment return of liabilities + x% per annum measured over rolling N- year periods</li> <li>• Help the trustees to stabilise and improve the scheme’s funding level over time</li> <li>• Increase the asset value of the scheme through their investment manager selection, research and recommendations and through their portfolio construction</li> <li>• Increase the asset value of the scheme through tactical and medium-term asset allocation</li> <li>• Enable the trustees to implement their scheme’s investments on a more competitive fee basis through negotiation on implementation and periodic benchmarking of fees</li> <li>• Help the trustees to transition any assets between investment managers on a cost-effective basis</li> <li>• Help the trustees to implement an investment strategy which adds value through the integration of ESG (including climate change) and stewardship considerations in their investment manager appointments</li> <li>• Enable the trustees to access a wider range of opportunities and portfolios of assets (and/or build portfolios of assets)</li> <li>• Help the trustees to manage their scheme cashflows needs in a more cost-effective manner</li> </ul> |            |            |

continued over...

| Objective   | 1 year     | 3 year     |
|---|------------|------------|
| <b>2. Delivery of specialist services</b>   | <b>20%</b> | <b>30%</b> |
| <ul style="list-style-type: none"> <li>• Complete asset liability modelling and scenario/sensitivity modelling using their in-house models (or proprietary modelling tools)</li> <li>• Help the trustees to decide on an appropriate risk and performance objective for the scheme</li> <li>• Help the trustees to develop and define their investment beliefs</li> <li>• Help the trustees to review their investment governance arrangements and terms of reference for any sub-committees or delegated authorities</li> <li>• Help the trustees to develop and maintain an appropriate framework to track progress against strategic objectives</li> </ul> |            |            |
| <b>3. Proactivity of advice</b>   | <b>15%</b> | <b>5%</b>  |
| <ul style="list-style-type: none"> <li>• Advise the trustees on new investment opportunities or emerging risks</li> <li>• Advise the trustees on market pricing opportunities to mitigate or transfer risk</li> <li>• Deliver training to enable the trustees to engage with new investment opportunities, emerging risks or opportunities to transfer risk</li> <li>• Advise on any changes in the investment governance arrangements or delegated authorities which are necessary to enable the trustees to best access the emerging opportunities</li> </ul>   |            |            |

continued over...

| Objective   | 1 year     | 3 year     |
|---|------------|------------|
| <b>4. Support with scheme management and compliance</b>   | <b>20%</b> | <b>20%</b> |
| <ul style="list-style-type: none"> <li>On a regular (quarterly) basis, monitor the performance of the scheme's investments relative to the liabilities and also the performance of the scheme's investment managers and any direct investment</li> <li>Produce investment reports, briefing papers and investment advice in advance of trustee meetings and on a timely basis</li> <li>Review and update as appropriate the scheme's statement of investment principles</li> <li>Provide periodic written advice on direct investments held</li> <li>Provide trustee training as required</li> <li>Ensure compliance of the scheme's investment arrangements with developments in regulation and all legislation</li> </ul>                     |            |            |
| <b>5. Relationship and service standards</b>  | <b>10%</b> | <b>10%</b> |
| <ul style="list-style-type: none"> <li>Agree any changes of (named) investment consultant(s) and meeting cover with the trustees in advance</li> <li>Maintain fees in line with tender submission</li> <li>Agree fee budget with trustees for any significant piece of work</li> <li>Clear understanding of the scheme's goals and objectives</li> <li>Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme</li> <li>Strong positive working relationship with the trustees</li> <li>Work collaboratively with other advisers and provide effective support to trustees when engaging with other stakeholders</li> <li>Appropriate management and mitigation of any conflicts of interest</li> </ul> |            |            |

continued over...

| Objective  | 1 year     | 3 year     |
|--|------------|------------|
| <b>6. Support with additional matters arising</b>  | <b>5%</b>  | <b>5%</b>  |
| <ul style="list-style-type: none"> <li>Provide advice and assistance to the trustees on any other issues arising (for example, following corporate transaction or significant corporate event impacting the pension scheme)</li> </ul> |            |            |
| <b>Scheme's governance and decision-making framework</b>   | <b>Y/N</b> | <b>Y/N</b> |
| <ul style="list-style-type: none"> <li>Has the governance structure and the level of engagement by the trustees helped or hindered the delivery of improved investment and funding outcomes?</li> </ul>                                |            |            |



## Investment consultant objectives and performance measurement (DC)

The trustees of the XYZ pension scheme had recently appointed an investment consultant to help them with their growing DC scheme and decided to put in place a formal objective and performance assessment structure for them. The trustees acknowledged the following:

- Appropriate investment and risk management advice was a key driver in delivering good outcomes for members.
- The balance between an adviser providing advice and the trustees being the decision-maker added complexity to any assessment of “value added”.
- There was a risk that the “value” of good advice could be lost due to the trustees being unable to make effective decisions in a timely manner or being unwilling to make a decision to the full extent of the advice provided.
- It was important to distinguish between services based around processes (for example, from running a tender exercise for an investment service provider) and services based around value add (arising, for example, from recommendation of active investment managers that out-performed).
- It was difficult to define an appropriate period to measure and attribute performance given the potential for investment market volatility and general market noise to distort.
- It was difficult to understand how the performance of the investment strategy contributed to outcomes for different segments/age groups of the membership.
- It would be challenging to develop a robust framework that could work in all environments.
- They would also need to consider how the trustees’ governance and decision-making structures contributed to (investment) outcomes for members.
- Changes to their current governance arrangements should also be considered (for example, appointment of a professional trustee, creation of an investment committee or increasing the number and frequency of trustee meetings).

The trustees agreed to adopt a balanced scorecard approach, where performance against a number of clear objectives set for their investment consultant would be assessed using a combination of quantitative and qualitative measures.

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The trustees reviewed the range of services outlined as part of the investment consultant’s response to the invitation to tender and decided to group the range of services under seven key objectives that they would base their monitoring on:

1. Demonstration of value added.
2. Delivery of specialist processes.
3. Proactivity of advice.
4. Support with member engagement and communication.
5. Support with scheme management and compliance.
6. Relationship and service standards.
7. Support with additional matters arising.

### Example scorecard

| Objective   | 1 year     | 3 year     |
|---|------------|------------|
| <b>1. Demonstration of value added</b>  | <b>15%</b> | <b>15%</b> |
| <ul style="list-style-type: none"> <li>• Help the trustee to put in place an appropriate default arrangement and range of self-select funds that enable members’ needs to be met and improved outcomes to be delivered</li> <li>• Increase the value of the individual member funds through their investment manager selection, research and recommendations</li> <li>• Help the trustee to implement an investment strategy which adds value through the integration of ESG (including climate change) and stewardship considerations in their investment manager appointments</li> <li>• Enable the trustees to implement their scheme’s investments on a more competitive fee basis</li> <li>• Help the trustee to transition any assets between investment managers on a cost-effective basis</li> <li>• Enable the trustees to access a wider range of opportunities and portfolios of assets (and/or build portfolios of assets)</li> </ul> |            |            |

continued over...

| Objective  | 1 year     | 3 year     |
|--|------------|------------|
| <b>2. Delivery of specialist services</b>  | <b>20%</b> | <b>30%</b> |
| <ul style="list-style-type: none"> <li>• Analyse/model the scheme's membership profile and expected member outcomes and provide recommendations on the appropriate investment strategy and investment manager fund combinations to adopt</li> <li>• Help the trustees to decide on an appropriate risk and performance objective to set for their default arrangement(s) and the range of self-select funds to meet the needs of members</li> <li>• Help the trustees to decide on an appropriate range of decumulation options, in consultation with key stakeholders, to do the following: <ul style="list-style-type: none"> <li>– enable members to take their benefits in the form they require</li> <li>– to help the trustees to develop and define their investment beliefs</li> <li>– to help the trustees to review their investment governance arrangements and terms of reference for any sub-committees or delegated authorities</li> </ul> </li> </ul> |            |            |
| <b>3. Proactivity of advice</b>  | <b>15%</b> | <b>5%</b>  |
| <ul style="list-style-type: none"> <li>• Advise the trustees on new investment opportunities or emerging risks</li> <li>• Advise the trustees on market pricing opportunities to mitigate or manage risk</li> <li>• Deliver training to enable the trustees to engage with new investment opportunities, emerging risks or opportunities to manage risk</li> <li>• Advise on any changes in the investment governance arrangements or delegated authorities which are necessary to enable the trustees to best access the emerging opportunities</li> </ul>  |            |            |

continued over...

| Objective  | 1 year     | 3 year     |
|--|------------|------------|
| <b>4. Support with member engagement and communication</b>   | <b>15%</b> | <b>15%</b> |
| <ul style="list-style-type: none"> <li>Through the use of communication and behavioural techniques, help the trustees effectively engage with their membership to better understand their needs and assess how the default arrangement(s) and range of self-select funds meets their needs.</li> </ul>   |            |            |
| <b>5. Support with scheme management and compliance</b>  | <b>20%</b> | <b>20%</b> |
| <ul style="list-style-type: none"> <li>On a regular (quarterly) basis, monitor the performance of the scheme's investment strategies and also the performance of the scheme's investment managers</li> <li>Produce investment reports, briefing papers and investment advice in advance of trustee meetings and on a timely basis</li> <li>Assist the trustees with the review and update as appropriate the scheme's statement of investment principles</li> <li>Provide periodic written advice on any direct investments held</li> <li>Provide trustee training as required</li> <li>Provide support in the assessment of value for members and the impact of cost and charges in preparation of the chair's statement</li> <li>Ensure compliance of the scheme's investment arrangements with the regulations</li> </ul> |            |            |
| <b>6. Relationship and service standards</b>   | <b>10%</b> | <b>10%</b> |
| <ul style="list-style-type: none"> <li>Agree any changes of (named) investment consultant(s) and meeting covers with the trustees in advance</li> <li>Maintain fees in line with tender submission</li> <li>Agree fee budget with trustees for any significant piece of work</li> <li>Clear understanding of the scheme's goals and objectives</li> <li>Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme</li> <li>Strong positive working relationship with the trustees</li> <li>Appropriate conflicts of interest or management and mitigation of any conflicts</li> </ul>  |            |            |

| Objective   | 1 year | 3 year |
|---|--------|--------|
| <b>7. Support with additional matters arising</b>   | 5%     | 5%     |
| <ul style="list-style-type: none"> <li>Provide advice and assistance to the trustees on any other investment issues arising (for example, following corporate events, or change in corporate pension policy)</li> </ul> |        |        |
| <b>Scheme's governance and decision-making framework</b>  | Y/N    | Y/N    |
| <ul style="list-style-type: none"> <li>Has the governance structure and the level of engagement by the trustee helped or hindered the delivery of improved investment and funding outcomes?</li> </ul>                  |        |        |

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Free online learning for trustees



A trustee guide to:

**Setting objectives for providers of investment consultancy services**

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### Assessment Criteria for Strategic Objectives

1. Support the Fund in the development and implementation of a suitably diversified Investment Strategy, reflecting the Fund's risk appetite and funding position, that outperforms its investment objectives over the long term
  - Advise and support the Fund in developing its investment beliefs and long term objectives
  - Advise the Fund on the assessment, understanding and managing of risks
  - Assist in the development of a suitably diversified portfolio that outperforms its investment objectives over the long term
  - Advise the Fund on new investment opportunities and provide any training or support required in advance of any investment in new asset classes
  - Assist with timely and cost effective implementation of the investment strategy, including advising on any short term tactical solutions available prior to implementation e.g. equity protection
  
2. Support the Fund in influencing the development of suitable sub-funds within the Border to Coast Pensions Partnership Pool and the assessment of these offerings to ensure they meet the needs of the NYPF
  - Support officers in influencing the development of suitable sub-fund offerings that meet the needs of the NYPF through attendance at workshops where necessary
  - Advise on the suitability of new investment opportunities in the pool
  - Assist officers and Members on their understanding of any offerings provided by the pool
  - Provide suitable due diligence where necessary to help inform the Committee's decision making on any new investment opportunities
  - Provide advice on alternative options where investment opportunities are not available within the pool to allow NYPF to implement its investment strategy
  - Provide advice where necessary on the transition of assets into the Pool
  
3. Provide clear, concise, timely and understandable investment advice to the Pension Fund Committee and officers of the Fund, including supporting on ongoing performance monitoring of the Fund's investment managers
  - Provide clear, concise, timely and understandable investment advice to the PFC in the form of quarterly reporting and attendance at Committee meetings and workshops
  - Advise the Committee on any emerging risks or issues that may impact on the Fund's investments

- Provide the Committee with frequent updates on market conditions
  - Support the Committee on the performance monitoring of individual investment managers and advise on appropriate action to take where performance targets are not being met
  - Provide monitoring on the Fund's actual asset allocation against its strategic target allocation and advise on rebalancing
  - Provide advice to officers on the monitoring/reporting requirements for any new investments
4. Support the Fund in ensuring that its investment arrangements are in accordance with relevant regulation
- Support the Fund in the development and review of its Investment Strategy Statement and ensure that assets are invested in accordance with this Strategy
  - Support the Fund in ensuring that its assets are invested in accordance with relevant regulations
  - Provide assistance on the completion of relevant investment sections within the NYPF Statement of Accounts and Annual Report
  - Help to keep the Fund up to date with any regulatory changes
5. Provide advice and assistance to the Pension Fund Committee or officers of the Fund on any other relevant issues that could impact on the Fund's ability to achieve its long-term investment objectives
- To assist the Fund with investment queries in a timely manner
  - Maintaining of fees in line with a pre-agreed budget for significant pieces of work
  - Raise any key client team personnel changes in a timely manner
  - To assist officers in the preparation of Committee meetings



## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

22 NOVEMBER 2019

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- |  |                 |
|--|-----------------|
| (a) 2019/20 budget - cost of running the Fund    | (see section 2) |
| (b) the 2019/20 cashflow projection for the Fund | (see section 3) |

**2.0 2019/20 BUDGET- COST OF RUNNING THE FUND**

- 2.1 The latest forecast outturn position against the 2019/20 budget is attached as **Appendix 1**. An overspend of £6.5m is reported which is mainly due to overspends on Investment Fees (£6.2m) and Consultants' Fees (£230k).
- 2.2 As noted in the report to the Pension Fund Committee in July, the transaction costs disclosed by the fund managers at the end of 2018/19 were much higher than had been anticipated. These fees were disclosed after the Committee had agreed the 2019/20 budget and therefore the budget reflects a lower level of expenditure. It is important to note that this increase in forecast management fees does not impact on the net performance as they are not new costs, it is as a result of increased transparency on fees deducted from the Fund. In addition, as these transaction costs are deducted from assets under management there will also be no impact on cashflow.
- 2.3 The forecast for Investment Fees has been reduced by £900k in the quarter to £25.4m. This reduction is mainly due to performance fees being £1.3m less than previously reported, following the disinvestment from the Baillie Gifford Global Alpha Fund. This reduction is partially offset by higher management fees of £400k which have increased in line with the value of the fund. The forecast reflects the current valuation of the Fund and takes account of known factors such as the movement of funds during the period. However, it is difficult to predict the future market value of the Fund or the number of transactions that will be undertaken by the fund managers in the year, both of which will determine the actual fees charged.
- 2.4 Forecast expenditure on Consultants' fees is £380k, which exceeds the budget by £230k. In addition to the annual fixed fee of £69k, fees totalling £190k have been incurred for work on setting up Equity Protection, for due diligence on a number of BCPP sub-funds and for the Investment Strategy Review undertaken as part of the 2019 Triennial Valuation. A further estimate of c.£120k has been made for fees

incurred during the remainder of 2019/20. Whilst funds are being transitioned into the Pool, in order to undertake appropriate due diligence, it is likely that consultant fees will continue to be higher than in previous years.

- 2.5 Expenditure of £31k is forecast for the GMP Reconciliation Programme in 2019/20. This is mainly due to £21k of expenditure originally planned for 2018/19 not being incurred until 2019/20. In addition, £10k is required to allow a final reconciliation of GMP data and HMRC data, following a change in the HMRC process for responding to queries.
- 2.6 Other Admin Expenses are expected to exceed the budget by £22k. Costs have increased due to the planned addition of the Address Look Up and Member Self-Service modules to the Altair system (£70k in 19/20). This has been partially offset by the £50k underspend on the Website Review which is not expected to begin until 2020/21.
- 2.7 Variances are also reported against Oversight and Governance costs. Actuarial Fees are increased by £30k due to additional triennial valuation fees and work on Investment Strategy modelling. Custodian Fees will reduce in the second half of the year as the assets under custody are moved to the pool, leading to an underspend of around £30k.

### **3.0 1 YEAR CASHFLOW PROJECTION**

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cashflows of the Fund over the next year. This cashflow includes the contribution income and benefits payable, the main inflow and outflow of the Fund, which will determine when the Fund will turn cashflow negative (deficit). In addition to this it also includes all other items that go through the bank account, for example, any costs of administering the scheme; this provides a more accurate prediction of the cash position of the Fund.
- 3.2 A 3 year cashflow position is normally reported but as the results of the 2019 Triennial Valuation are not yet fully available, anything beyond the current year would not reflect the true cashflow position at this stage. A review of the cashflow position will be undertaken as soon as the results from the 2019 Triennial Valuation are available and an updated cashflow position for the next 3 years will be provided to the Committee.
- 3.3 The estimated cashflow for the Fund in 2019/20 is a £4.7m deficit. This deficit position is mainly due to the £13m prepayment of deficit contributions relating to 2019/20 in 2017/18. The deficit has reduced since that of £12.1m reported to the Committee in the September meeting due to a £6.5m net decrease in payments made from the Fund and a £0.9m decrease in the costs of administering the Fund. This net decrease in the payments made of £6.5m is mainly as a result of increased Investment Income of £3.5m from Permira and an increase in the Management Fees being deducted from assets under management rather than invoiced to the Fund of £1.8m.

4.0 **RECOMMENDATIONS**

4.1 Members to note the contents of the report.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

13 November 2019

## North Yorkshire Pension Fund - 2019/2020 Budget - Cost of Running The Pension Fund

|  | Expenditure<br>to 30/9/19<br>£k | Original<br>Budget<br>2019/2020<br>£k | Forecast<br>2019/2020<br>£k | Variance<br>£k |
|--|---------------------------------|---------------------------------------|-----------------------------|----------------|
| <b>EXPENDITURE</b>                         |                                 |                                       |                             |                |
| <b>Admin Expenses</b>                      |                                 |                                       |                             |                |
| Finance and Central<br>Services inc ESS    | 0                               | 520                                   | 520                         | 0              |
| Pensions Administration<br>Team            | 0                               | 980                                   | 980                         | 0              |
| GMP Reconciliation<br>Programme            | 29                              | 0                                     | 31                          | 31             |
| Pension Data<br>Reconciliation             | 9                               | 100                                   | 100                         | 0              |
| Other Admin Expenses                       | 134                             | 260                                   | 282                         | 22             |
|  | <b>172</b>                      | <b>1,860</b>                          | <b>1,913</b>                | <b>53</b>      |
| <b>Oversight and Governance</b>            |                                 |                                       |                             |                |
| Actuarial Fees                             | 72                              | 70                                    | 100                         | 30             |
| Custodian Fees                             | 33                              | 130                                   | 100                         | -30            |
| Consultants Fees                           | 213                             | 150                                   | 380                         | 230            |
| Pooling Project Costs                      | 146                             | 140                                   | 146                         | 6              |
| Pooling Operational<br>Charge              | 272                             | 980                                   | 980                         | 0              |
| Other O & G Expenses                       | 35                              | 110                                   | 110                         | 0              |
|  | <b>770</b>                      | <b>1,580</b>                          | <b>1,816</b>                | <b>236</b>     |
| <b>Investment Fees</b>                     |                                 |                                       |                             |                |
| Investment Management<br>Base Fee invoiced | 994                             | 4,000                                 | 3,000                       | -1,000         |
| Performance Fees<br>Base Fee invoiced      | -1,581                          | 3,500                                 | 2,200                       | -1,300         |
| Investment Base Fees<br>deducted from Fund | 0                               | 11,700                                | 20,200                      | 8,500          |
|  | <b>-587</b>                     | <b>19,200</b>                         | <b>25,400</b>               | <b>6,200</b>   |
|  |                                 |                                       |                             |                |
| <b>TOTAL</b>                               | <b>354</b>                      | <b>22,640</b>                         | <b>29,129</b>               | <b>6,489</b>   |

The negative values in the "Expenditure to 30/9/19" column are due to costs in respect of 2018/19 that are yet to be invoiced for.

## North Yorkshire Pension Fund - 2019/2020 Cashflow Projection

|  | Cashflow<br>2019/2020<br>£k |
|--|-----------------------------|
| <b>EXPENDITURE</b>                                     |                             |
| <b>Benefits</b>  |                             |
| Pensions   | 91,000                      |
| Lump Sums  | 25,600                      |
|  | <b>116,600</b>              |
| <b>Payments to and on account of leavers</b>           |                             |
| Transfers out  | 17,210                      |
| Refunds to leavers                                     | 600                         |
|  | <b>17,810</b>               |
|  |                             |
| <b>TOTAL EXPENDITURE</b>                               | <b>134,410</b>              |
| <b>INCOME</b>  |                             |
| Employer and Employee Contributions                    | 117,000                     |
| Transfers in (from other schemes)                      | 16,840                      |
| Investment Income                                      | 4,820                       |
|  |                             |
| <b>TOTAL INCOME</b>                                    | <b>138,660</b>              |
|  |                             |
| <b>SURPLUS/ (DEFICIT)</b>                              | <b>4,250</b>                |
|  |                             |
| <b>Add cost of administering the pension fund</b>      | <b>29,129</b>               |
| <b>Less Management Fees charged direct to the fund</b> | <b>(20,200)</b>             |
| <b>NET SURPLUS/ (DEFICIT)</b>                          | <b>(4,679)</b>              |

## North Yorkshire County Council

## Pension Fund Committee

22 November 2019

## Administration Report

## Report of the Treasurer

**1. Purpose of the Report**

- 1.1. To provide Members with information relating to the administration of the Fund over the year to date and to provide an update on key issues and initiatives which impact the administration team.

**2. Admission Agreements & New Academies**

- 2.1. The latest position relating to Admission Agreements and academy conversions are shown in **Appendix 1**.

**3. Administration****3.1. Membership Statistics**

| Membership Category                            | At 30/06/2019 | +/- Change (%) | At 30/09/2019 |
|--|---------------|----------------|---------------|
| Active   | 32,627        | +2.56%         | 33,462        |
| Deferred                                       | 37,440        | +1.07%         | 37,842        |
| Pensioner<br>(incl spouse & dependant members) | 23,136        | +1.85%         | 23,563        |
| <b>Total</b>                                   | <b>93,203</b> |                | <b>94,867</b> |

**3.2. Throughput Statistics**

- Period from 1 July 2019 to 30 September 2019

| Casetype                       | Cases Outstanding at Start | New Cases   | Cases Closed | Cases Outstanding at End |
|--------------------------------|----------------------------|-------------|--------------|--------------------------|
| Transfer In quotes             | 1                          | 44          | 39           | 6                        |
| Transfer Out quotes            | 14                         | 175         | 172          | 17                       |
| Employer estimates             | 17                         | 89          | 97           | 9                        |
| Employee estimates             | 26                         | 283         | 261          | 48                       |
| Retirement quotes              | 91                         | 707         | 661          | 137                      |
| Preserved benefits             | 153                        | 778         | 701          | 230                      |
| Death in payment or in service | 17                         | 86          | 73           | 30                       |
| Refunds                        | 74                         | 529         | 550          | 53                       |
| Actual retirement procedure    | 123                        | 530         | 549          | 104                      |
| Interfund transfers            | 33                         | 212         | 195          | 50                       |
| Aggregate member records       | 13                         | 204         | 167          | 50                       |
| Process GMP                    | 129                        | 1           | 7            | 123                      |
| Others                         | 101                        | 399         | 295          | 205                      |
| <b>Total Cases</b>             | <b>792</b>                 | <b>4037</b> | <b>3767</b>  | <b>1062</b>              |

- Alongside the above cases the Pensions team also handled 5,619 phone calls (average 106 per day) and 2,260 emails received via the Pensions Inbox (average 34 per day) in the quarter to 30 September 2019.

### 3.3. Performance Statistics

- The performance figures for the period 1 July 2019 to 30 September 2019 are as follows:

| Performance Indicator  | Target in period | Achieved |
|--|------------------|----------|
| Measured work achieved within target                                 | 98%              | 95%      |
| Customers surveyed ranking service good or excellent                 | 94%              | 93%      |
| Increase numbers of registered self-service users by 700 per quarter | 700              | 1,677    |

- High work volumes and high demand within the team continue to impact our ability to meet the agreed performance indicator for work achieved within target. We continue to focus on clearing the oldest dated work and reduce throughput time. The significant increase in self-service users was triggered by the issuing of annual benefit statements and better communication about them.

### 3.4. Commendations and Complaints

- This quarter the following commendations and complaints were received:

#### Commendations

| Date      | Number | Summary   |
|-----------|--------|---|
| July 2019 | 2      | Excellent service, staff approachable and patient |
| Aug 2019  | 0      |   |
| Sept 2019 | 1      | Very helpful staff                                |

#### Complaints

| Date      | Number | Summary   |
|-----------|--------|---|
| July 2019 | 0      |   |
| Aug 2019  | 3      | 2 IHER – appeal against benefits being declined<br>1 Admin – overstated benefits due to overstated pay figure |
| Sept 2019 | 0      |   |

- The complaint categories are:
  - Admin - these can relate to errors in calculations, delays in processing and making payment of benefits.
  - Regs - these relate to a complaint where regulations prevent the member being able to do what they want to.
  - IHER - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

### Lessons Learned

Having reviewed the complaints received in the period there were no obvious trends or lessons to be learnt.

### 3.5. Annual Benefit Statements 2019

The latest position regarding annual benefit statements as at 30 September 2019 is:

- Deferreds: issued 36,797 out of 36,797 - 100%
- Actives: issued 30,843 out of 31,172 – 98.94% (95.69% at 31 August)
- 329 unissued statements – these members not actually entitled to a statement for the following reasons
  - Not worked in post in the year
  - Outstanding work on record
  - Record is no longer active
  - Not actually an active member at statement date

## 4. Issues and Initiatives

### 4.1. GMP Reconciliation

- ITM have undertaken a dry run of the rectification calculation for pensioner and dependant members resulting in 476 requiring correction.
- The results of the dry run are included at **Appendix 2 & 3**, to summarise:
  - 94 members are being underpaid by a total of £4,311.52 pa
  - 381 members are being overpaid by a total of £65,422.69 pa
  - 105 have an historical underpayment to a total of £36,055.60
  - 370 have an historical overpayment to a total of £447,820.42
  - 182 members require manual review and recalculation by the administration team
- We will correct every difference.

### 4.2. Breaches Policy & Log

- The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 4** for review. There is one new entry relating to annual benefit statements.

### 4.3. Efficiency Initiatives

- The major retirement options letter that has been in development has finally been released into live testing. This entails parallel running the new letter alongside the existing letter to ensure the correct options and information is being provided. The letter still does not pull calculation results so figures are being manually input at the moment. This issue continues to be discussed with Heywoods.

### 4.4. Administration System Review

- The licence for the current system, Altair, expires on 31 December 2019 with the option to extend for a further two years. We will be extending for the full two years to allow time for a full review and procurement process to be undertaken.
- An outline business case has been presented to the Project Board and approval has been given to proceed to procure:
  - Employer online portal
  - Member online portal
  - Administration system
  - Integrated payroll
- The employer portal enables us to move to monthly online returns enabling us to regularly capture validated data along with leavers and joiners instead of catching up at year end.
- It removes the need for the large year end process enabling more time for the production of annual benefit statements.
- Integrated payroll provides pensioner payroll as part of the administration system removing the need to input data manually onto a separate payroll system and the overhead of maintaining and managing two separate sets of data. It also enables us to provide a better customer journey by providing one online portal throughout a member's lifetime in the Fund.



## 5. Member Training

- 5.1. The Member Training Record showing the training undertaken over the year to 31 March 2019 is attached as **Appendix 5**.
- 5.2. Responses to the CIPFA Skills Matrix are being collated and it is anticipated the results of the assessment will be brought to the next meeting. The outcome of this will be considered alongside the Fund's business plan and budget which will also be brought to the February meeting.
- 5.3. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 6**. Please contact Ashleigh Burdess (01609 536053 or email [Ashleigh.burdess@northyorks.gov.uk](mailto:Ashleigh.burdess@northyorks.gov.uk)) for further information or to reserve a place on an event.

## 6. Meeting Timetable

- 6.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 7**. Due to the closure of the Brierley Building, there will be a change of venue for future meetings, Members will be updated once the new venue has been confirmed.

## 7. Recommendations

- 7.1. Members to note the contents of the report.
- 7.2. Members to note the contents of the Breaches Log and determine whether a breach should be reported to the Pensions Regulator or not.

Gary Fielding  
Treasurer of North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

14 November 2019

| Name of School                                | Local Education Authority | Multi Academy Trust (MAT) Name      | Conversion Date | Current Position                   |
|---|---------------------------|-------------------------------------|-----------------|------------------------------------|
| Friarage Primary School                       | NYCC                      | Scalby Learning Trust               | 1.9.2019        | Complete                           |
| OLQM York                                     | COYC                      | St Margaret Clitherow Academy Trust | 1.9.2019        | Complete                           |
| St Aelred's York                              | COYC                      | St Margaret Clitherow Academy Trust | 1.9.2019        | Complete                           |
| St George's RC Primary School, York           | COYC                      | St Margaret Clitherow Academy Trust | 1.9.2019        | Complete                           |
| St Wilfrid's RC Primary School                | COYC                      | St Margaret Clitherow Academy Trust | 1.9.2019        | Complete                           |
| Starbeck Primary School                       | NYCC                      | Northern Star Academies Trust       | 1.9.2019        | Completed                          |
| Northallerton School & Sixth Form College     | NYCC                      | Arete Learning Trust                | 1.9.2019        | Completed                          |
| Keeble Gateway Academy, Sowerby               | A new Free School         | Elevate Academy Trust               | 1.9.2019        | Completed                          |
| Cambrai Primary School, Catterick             | A new Free School         | Lingfield Education Trust           | 1.9.2019        | In progress                        |
| Sherburn High School                          | NYCC                      | STAR Multi Academy Trust            | 1.10.2019       | In progress                        |
| St John's CoE VC Primary School Knaresborough | NYCC                      | Elevate Multi Academy Trust         | 1.10.2019       | Delayed from 1.6.2019. In progress |
| Brayton CoE Primary School                    | NYCC                      | STAR Multi Academy Trust            | 1.11.2019       | In progress                        |
| Carnagill Community Primary School            | NYCC                      | Dales Academies Trust               | 1.11.2019       | Will be progressed nearer the time |
| Marton cum Grafton VA Primary School          | NYCC                      | Elevate Multi Academy Trust         | 1.11.2019       | Delayed from 1.6.2019. In progress |
| Danesgate Community School                    | COYC                      | South York Multi Academy Trust      | 1.11.2019       | Will be progressed nearer the time |
| Skipton Parish CoE School                     | NYCC                      | Yorkshire Causeway Schools Trust    | 1.1.2020        | Will be progressed nearer the time |
| Rillington CP School                          | NYCC                      | Elevate Multi Academy Trust         | 1.1.2020        | Will be progressed nearer the time |
| Thornton Dale CofE Primary School             | NYCC                      | Elevate Multi Academy Trust         | 1.1.2020        | Will be progressed nearer the time |

| <b>Name of School</b>                          | <b>Local Education Authority</b> | <b>Multi Academy Trust (MAT) Name</b>                | <b>Conversion Date</b> | <b>Current Position</b>  |
|--|----------------------------------|--|------------------------|--|
| St Mary's Catholic Primary, Selby              | NYCC                             | Possibly with Bishop Konstant Catholic Academy Trust | 1.2.2020               | Will be progressed nearer the time   |
| Holy Family Catholic High, Carlton             | NYCC                             | Possibly with Bishop Konstant Catholic Academy Trust | 1.2.2020               | Will be progressed nearer the time   |
| St Robert's Catholic Primary School, Harrogate | NYCC                             | Possibly with Bishop Wheeler Catholic Academy Trust  | 1.2.2020               | Will be progressed nearer the time   |
| Barkston Ash RC Primary School                 | NYCC                             | Possibly with Bishop Wheeler Catholic Academy Trust  | 1.9.2020               | Will be progressed nearer the time   |
| St Joseph's Catholic Primary School, Tadcaster | NYCC                             | Possibly with Bishop Wheeler Catholic Academy Trust  | 1.9.2020               | Will be progressed nearer the time   |
| St Wilfrid's Catholic Primary School, Ripon    | NYCC                             | Possibly with Bishop Wheeler Catholic Academy Trust  | 1.9.2020               | Will be progressed nearer the time   |
| St John Fisher Catholic High School, Ripon     | NYCC                             | Possibly with Bishop Wheeler Catholic Academy Trust  | 1.9.2020               | Will be progressed nearer the time   |
| St Hedda's Roman Catholic Primary School       | NYCC                             | St Margaret Clitherow Academy Trust                  | Not known              | Delayed from 1.10.2019   |
| St Hilda's Roman Catholic Primary School       | NYCC                             | St Margaret Clitherow Academy Trust                  | Not known              | Delayed from 1.10.2019   |
| All Saints, York                               | COYC                             | St Margaret Clitherow Academy Trust                  | Not known              | Delayed from 1.9.2019  |
| Naburn CoE Primary School                      | COYC                             | South York Multi Academy Trust                       | Not known              | Delayed from 1.10.2018. Will be progressed nearer the time   |
| Lord Deramore's Primary School                 | COYC                             | South York Multi Academy Trust                       | Not known              | Delayed from 1.11.2018. Will be progressed nearer the time   |
| Fishergate Primary School                      | COYC                             | South York Multi Academy Trust                       | Not known              | Delayed from 1.12.2018. Will be progressed nearer the time   |
| Escrick CoE VC Primary School                  | NYCC                             | South York Multi Academy Trust                       | Not known              | Will be progressed when conversion date known  |
| Elvington CoE Primary School                   | COYC                             | South York Multi Academy Trust                       | Not known              | Actuarial calculations provided based on conversion date of 1.7.18. Conversion delayed, new date not yet known |

| Name of School                     | Local Education Authority | Multi Academy Trust (MAT) Name   | Conversion Date | Current Position   |
|------------------------------------|---------------------------|----------------------------------|-----------------|--|
| Langton Primary School             | NYCC                      | Evolution Schools Learning Trust | Not known       | Original conversion date was 1.10.2016 but MAT advised it has been delayed. New date not yet known.  |
| Thirsk School & Sixth Form College | NYCC                      | Arete Learning Trust             | Not known       | Original conversion date was 1.2.2018. MAT has advised no definite agreement in place at present   |
| Stillington Primary School         | NYCC                      | Not yet known                    | Not known       | Proposed conversion date was 1.2.2019 with Hope Learning Trust. Project now on hold. School no longer converting with Hope Learning Trust and new sponsor being sought |

**Admission Bodies –17 ‘in progress’**

| <b>Name of Employer</b>  | <b>Name of Contractor</b>                        | <b>Staff Transfer Date</b> | <b>Current Position</b> |
|--|--|----------------------------|-------------------------|
| Glusburn Community Primary School (NYCC)   | Bulloughs Cleaning Services Ltd                  | 1.4.2018                   | Complete                |
| Red Kite Learning Trust<br>Oatlands Junior School  | Taylor Shaw (Elior)                              | 1.9.2019                   | Complete                |
| City of York Council libraries   | Explore York Libraries & Archives Mutual Limited | 1.4.2019                   | Complete                |
| Outwood Grange Academies Trust:<br>Outwood Academy Ripon<br>Easingwold School<br>Outwood Primary Academy Greystone | Churchill Contract Services                      | 1.4.2019                   | Complete                |
| STAR MAT   | RCCN Ltd   | 1.7.2019                   | In progress             |
| Hope Learning Trust<br>George Pindar School<br>Graham School   | Hutchison Catering Limited                       | 1.9.2019                   | In progress             |
| Askham Bryan College   | Aramark  | 1.9.2019                   | In progress             |
| NYCC – Holy Trinity (Ripon) Infants School   | Melllors Catering Services Limited               | 1.9.2019                   | In progress             |
| NYCC – Grove Road Primary School   | Compass Contract Services (U.K) Limited          | 1.9.2019                   | In progress             |
| School Yorkshire Causeway Schools Trust – Pannal Primary   | Compass Contract Services (U.K) Limited          | 1.9.2019                   | In progress             |
| Northern Star Academies Trust<br>Hookstone Chase Primary<br>New Park Primary School<br>Starbeck Primary School     | Compass Contract Services (U.K) Limited          | 1.9.2019                   | In progress             |
| Yorkshire Collaborative Academy Trust<br>Hawes CP School<br>Leyburn Primary School<br>Lothersdale Primary School   | P&A Food Management                              | 1.9.2019                   | In progress             |
| NYCC – Boroughbridge Primary School  | P&A Food Management                              | 1.9.2019                   | In progress             |

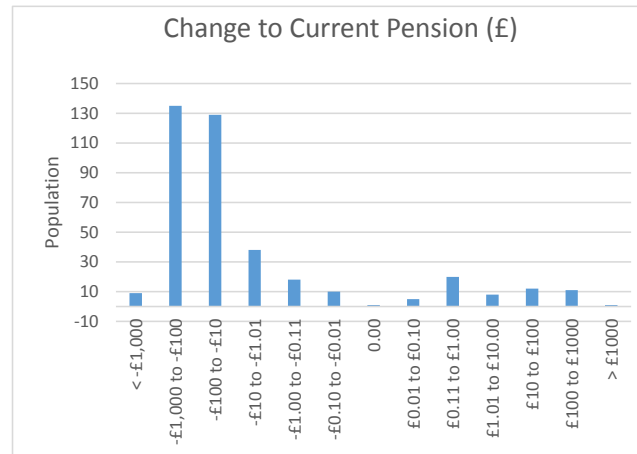
| <b>Name of Employer</b>  | <b>Name of Contractor</b>                                      | <b>Staff Transfer Date</b>            | <b>Current Position</b>  |
|--|--|---------------------------------------|--|
| NYCC – Grewelthorpe Primary School   | P&A Food Management  | 1.9.2019                              | In progress  |
| Ebor Academy Trust<br>Camblesforth CP School<br>Braeburn Primary & Nursery Academy<br>Ebor Academy Filey Filey Nursery & Infants School<br>Lakeside Primary Academy<br>Osbadwick Primary Academy<br>Park Grove Primary Academy<br>Tadcaster Primary Academy<br>Tockwith CE Primary Academy | Hutchison Catering Limited                                     | 1.11.2019                             | In progress  |
| Selby College – 5pprox... 7 catering staff   | Contractor not yet appointed                                   | Tentative<br>6.1.2020 or<br>24.2.2020 | In progress  |
| City of York Council (Haxby Hall Care Home)  | Yorkare Homes Ltd  | March 2020                            | Future service rate provided, admission agreement will be progressed nearer the time. The transfer is now on hold (service was due to transfer January 2019) |
| Harrogate Borough Council – Security Contract at Harrogate Convention Centre   | Contractor not yet appointed                                   | June 2020                             | In progress  |
| NYCC – HAS Extra Care Facilities   | Contractors not yet appointed                                  | 1.10.2020                             | Potential outsource of six units   |
| Hope Learning Trust - Skelton School   | Absolutely Catering Limited (part of the CH&Co Catering Group) | TBC                                   | Delayed from 1.4.2019.   |

## Exiting Employers – 12

| Name of Employer  | Date exited the Fund                             |
|---|--|
| OCS Group UK Limited                                      | 31.3.2017  |
| Superclean Services Limited                               | 16.7.2017  |
| Joseph Rowntree Charitable Trust                          | 31.12.2017                                       |
| York Arts Education (Community Interest Company)          | 31.3.2018  |
| Hutchison Catering Limited (contract at Canon Lee School) | 19.7.2018  |
| Be Independent  | 31.7.2018  |
| Housing & Care 21   | 31.8.2018  |
| Consultant Cleaners                                       | 31.10.2019 (voluntary liquidation) – in progress |
| Absolutely Catering Limited                               | Two contracts ceased 4.1.2019 – in progress      |
| The Wilberforce Trust                                     | 22.3.2019 – in progress                          |
| Dolce Limited   | 14.4.2019 – in progress                          |
| Schools Plus  | 30.4.2019  |

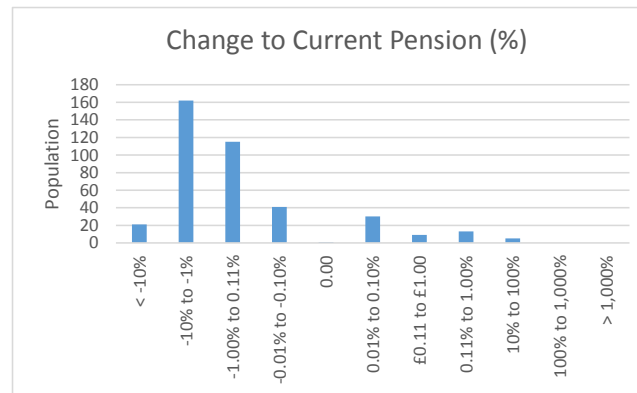
North Yorkshire LGPS Rectification Dry Run Summary - Pensioners

| Change to Current Pension (£) | Number of members |
|-------------------------------|-------------------|
| < -£1,000                     | 9                 |
| -£1,000 to -£100              | 135               |
| -£100 to -£10                 | 129               |
| -£10 to -£1.01                | 38                |
| -£1.00 to -£0.11              | 18                |
| -£0.10 to -£0.01              | 10                |
| 0.00                          | 1                 |
| £0.01 to £0.10                | 5                 |
| £0.11 to £1.00                | 20                |
| £1.01 to £10.00               | 8                 |
| £10 to £100                   | 12                |
| £100 to £1000                 | 11                |
| > £1000                       | 1                 |



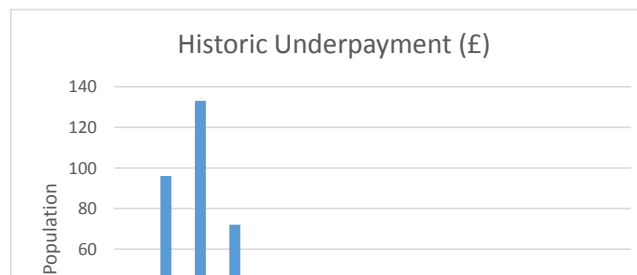
|                  |                   | Change to current pension £pa |
|------------------|-------------------|-------------------------------|
| Pension Increase | Total             | £3,932.38                     |
|                  | Number of members | 57                            |
|                  | Average           | £68.99                        |
|                  | Maximum           | £1,121.94                     |
| No change        | Number of members | 1                             |
| Pension Decrease | Total             | -£62,622.24                   |
|                  | Number of members | 339                           |
|                  | Average           | -£184.73                      |
|                  | Maximum           | -£1,503.92                    |

| Change to Current Pension (%) | Number of members |
|-------------------------------|-------------------|
| < -10%                        | 21                |
| -10% to -1%                   | 162               |
| -1.00% to 0.11%               | 115               |
| -0.01% to -0.10%              | 41                |
| 0.00                          | 1                 |
| 0.01% to 0.10%                | 30                |
| £0.11 to £1.00                | 9                 |
| 0.11% to 1.00%                | 13                |
| 10% to 100%                   | 5                 |
| 100% to 1,000%                | 0                 |
| > 1,000%                      | 0                 |



|                  |                   | Change to current pension % |
|------------------|-------------------|-----------------------------|
| Pension Increase | Number of members | 57                          |
|                  | Average           | 2.98%                       |
|                  | Maximum           | 41.24%                      |
| No change        | Number of members | 1                           |
| Pension Decrease | Number of members | 339                         |
|                  | Average           | -2.89%                      |
|                  | Maximum           | -30.50%                     |

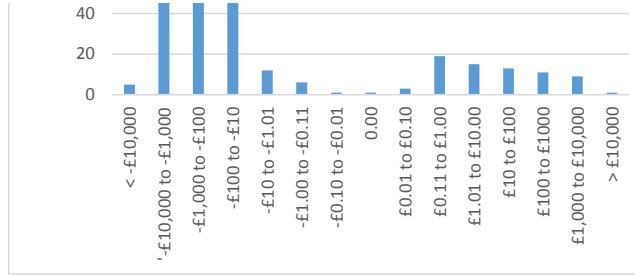
| Historic Underpayment (£) | Number of members |
|---------------------------|-------------------|
| < -£10,000                | 5                 |
| '-£10,000 to -£1,000      | 96                |
| -£1,000 to -£100          | 133               |
| -£100 to -£10             | 72                |
| -£10 to -£1.01            | 12                |
| -£1.00 to -£0.11          | 6                 |



|              |                   | Historic underpayment/overpayment £ |
|--------------|-------------------|-------------------------------------|
| Underpayment | Total             | £33,341.41                          |
|              | Number of members | 71                                  |
|              | Average           | £469.60                             |
|              | Maximum           | £13,409.41                          |
| No change    | Number of members | 1                                   |
|              | Total             | -£427,950.27                        |



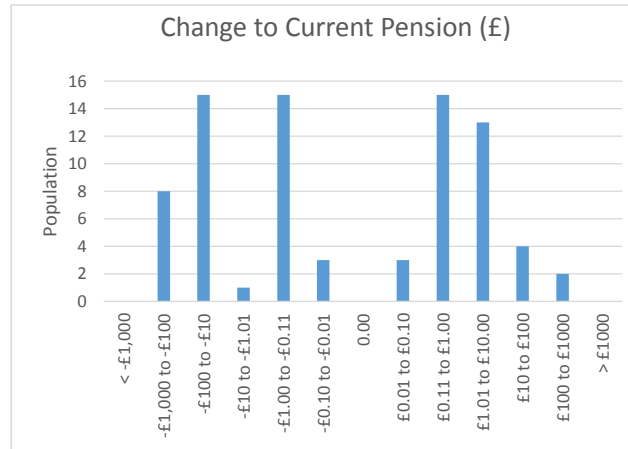
|                   |    |
|-------------------|----|
| -£0.10 to -£0.01  | 1  |
| 0.00              | 1  |
| £0.01 to £0.10    | 3  |
| £0.11 to £1.00    | 19 |
| £1.01 to £10.00   | 15 |
| £10 to £100       | 13 |
| £100 to £1000     | 11 |
| £1,000 to £10,000 | 9  |
| > £10,000         | 1  |



|             |                   |             |
|-------------|-------------------|-------------|
| Overpayment | Number of members | 325         |
|             | Average           | -£1,316.77  |
|             | Maximum           | -£18,721.59 |

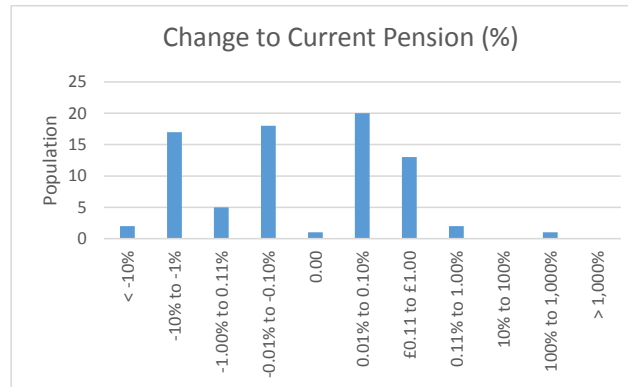
North Yorkshire LGPS Rectification Dry Run Summary - Dependants

| Change to Current Pension (£) | Number of members |
|-------------------------------|-------------------|
| < -£1,000                     | 0                 |
| -£1,000 to -£100              | 8                 |
| -£100 to -£10                 | 15                |
| -£10 to -£1.01                | 1                 |
| -£1.00 to -£0.11              | 15                |
| -£0.10 to -£0.01              | 3                 |
| 0.00                          | 0                 |
| £0.01 to £0.10                | 3                 |
| £0.11 to £1.00                | 15                |
| £1.01 to £10.00               | 13                |
| £10 to £100                   | 4                 |
| £100 to £1000                 | 2                 |
| > £1000                       | 0                 |



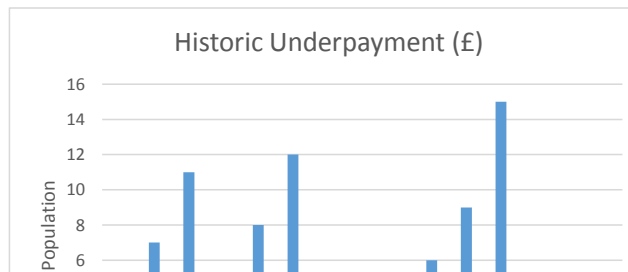
|                  |                   | Change to current pension £pa |
|------------------|-------------------|-------------------------------|
| Pension Increase | Total             | £379.14                       |
|                  | Number of members | 37                            |
|                  | Average           | £10.25                        |
|                  | Maximum           | £125.32                       |
| No change        | Number of members | 0                             |
| Pension Decrease | Total             | -£2,800.45                    |
|                  | Number of members | 42                            |
|                  | Average           | -£66.68                       |
|                  | Minimum           | -£437.85                      |

| Change to Current Pension (%) | Number of members |
|-------------------------------|-------------------|
| < -10%                        | 2                 |
| -10% to -1%                   | 17                |
| -1.00% to 0.11%               | 5                 |
| -0.01% to -0.10%              | 18                |
| 0.00                          | 1                 |
| 0.01% to 0.10%                | 20                |
| £0.11 to £1.00                | 13                |
| 0.11% to 1.00%                | 2                 |
| 10% to 100%                   | 0                 |
| 100% to 1,000%                | 1                 |
| > 1,000%                      | 0                 |



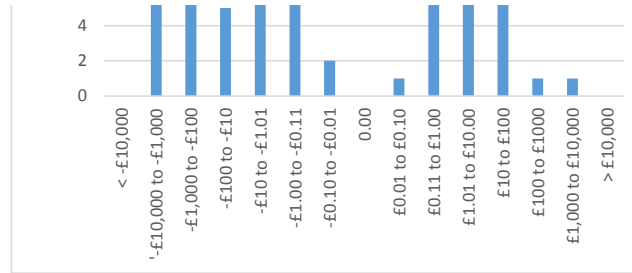
|                       |                   | Change to current pension % |
|-----------------------|-------------------|-----------------------------|
| Pension Increase      | Number of members | 36                          |
|                       | Average           | 4.96%                       |
|                       | Maximum           | 171.94%                     |
| No change (to 6 d.p.) | Number of members | 1                           |
| Pension Decrease      | Number of members | 0                           |
|                       | Average           | -17.27%                     |
|                       | Minimum           | 4200.00%                    |

| Historic Underpayment (£) | Number of members |
|---------------------------|-------------------|
| < -£10,000                | 0                 |
| -£10,000 to -£1,000       | 7                 |
| -£1,000 to -£100          | 11                |
| -£100 to -£10             | 5                 |
| -£10 to -£1.01            | 8                 |
| -£1.00 to -£0.11          | 12                |



|              |                   | Historic underpayment/overpayment £ |
|--------------|-------------------|-------------------------------------|
| Underpayment | Total             | £2,714.19                           |
|              | Number of members | 34                                  |
|              | Average           | £79.83                              |
|              | Maximum           | £1,136.89                           |
| No change    | Number of members | 0                                   |
| Total        |                   | -£19,870.15                         |

|                   |    |
|-------------------|----|
| -£0.10 to -£0.01  | 2  |
| 0.00              | 0  |
| £0.01 to £0.10    | 1  |
| £0.11 to £1.00    | 6  |
| £1.01 to £10.00   | 9  |
| £10 to £100       | 15 |
| £100 to £1000     | 1  |
| £1,000 to £10,000 | 1  |
| > £10,000         | 0  |



|             |                   |            |
|-------------|-------------------|------------|
| Overpayment | Number of members | 45         |
|             | Average           | -£441.56   |
|             | Minimum           | -£3,372.99 |

**Appendix 4**

| Date       | Category       | Description of Breach   | Cause of Breach  | Regulation being breached | Effect of Breach & Wider Implications  | Response to Breach  | Referred to PFC | Referred to PB | Outcome of Referral to PFC & PB  | Reported to Regulator | Progress Review 1 | Progress Review 2 | Progress Review 3 |
|------------|----------------|---|--|---------------------------|--|---|-----------------|----------------|--|-----------------------|-------------------|-------------------|-------------------|
| 31/08/2017 | Administration | Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members                            | Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.   |                           | 85.88% of Active members received a statement = 14.12% did not<br>94.51% of Deferred members received a statement = 5.49% did not  | Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identified in real time rather than at year end. | 14/09/2017      | 19/01/2018     | Noted the position, no requirement to report. Creation of Breaches Log to record position.   | N                     | 30/11/2017        | 28/02/2018        | 30/05/2018        |
| 08/11/2017 | Administration | Statutory deadline for issuing Personal Savings Statements not met for all members                                      | Human error  |                           | 2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected  | Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed  | 22/02/2018      | 19/01/2018     | PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.   | N                     | 30/04/2018        | 31/08/2018        | 30/09/2018        |
| 18/12/2017 | Administration | Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits | Human error  |                           | Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme. | As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.  | 22/02/2018      | 19/01/2018     | PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.   | N - Reported to HMRC  |                   |                   |                   |
| 31/08/2018 | Administration | Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members                            | Year End queries still outstanding at issue date.  |                           | 86.52% of Active members received a statement = 13.48% did not<br>99.76% of Deferred members received a statement = 0.24% did not  | Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated   | 22/11/2018      | 11/10/2018     | PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.                                | N                     | N/A               | N/A               | N/A               |
| 31/08/2019 | Administration | Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members                            | Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. | Reg 89 of LGPS Regs 2013  | 100% of Deferred members received a statement.<br>95.69% of Active members received a statement. (1,342 members did not)   | Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.<br>Number reduced to xxx as at 9 October, work will continue until end of year to further reduce number unissued.  | 22/11/2019      | 03/10/2019     | PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. |                       | 31/10/2019        | 30/11/2019        | 24/12/2019        |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |
|            |                |   |  |                           |  |   |                 |                |  |                       |                   |                   |                   |

| Date                | Title or Nature of Course                   | Mulligan P | Swiers H | Weighell J | Clark J | Portlock D | M Chambers | A Solloway | A Thompson | C Lunn | *I Gillies | *C Steward | *I Cuthbertson | Unison (Vacancy) | Unison (Vacancy) |
|---------------------|---|------------|----------|------------|---------|------------|------------|------------|------------|--------|------------|------------|----------------|------------------|------------------|
| 5 July 2018         | Investment Strategy Workshop                | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          | ✓          |            | ✓      | ✓          |            |                |                  |                  |
| 13 September 2018   | Investment Strategy Workshop                | ✓          | ✓        | ✓          |         | ✓          | ✓          |            | ✓          | ✓      |            | ✓          |                |                  |                  |
| 14 September 2018   | Investment Strategy Workshop                | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          |            | ✓          |        |            |            |                |                  |                  |
| 17- 19 October 2018 | PLSA Annual Conference, Liverpool           |            | ✓        | ✓          |         |            |            |            |            |        |            |            |                |                  |                  |
| 31 October 2018     | Additional PFC meeting- Investment Strategy | ✓          | ✓        | ✓          | ✓       |            | ✓          |            | ✓          |        |            | ✓          |                |                  |                  |
| 8-9 November 2018   | BCPP Annual Conference                      | ✓          | ✓        | ✓          | ✓       | ✓          |            |            | ✓          |        |            |            |                |                  |                  |
| 22 November 2018    | Investment Strategy Workshop                | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          |            |            | ✓      | ✓          |            |                |                  |                  |
| 5-7 December 2018   | LAPFF Conference - Bournemouth              |            |          |            |         |            |            |            |            |        |            |            |                |                  |                  |
| 14 February 2019    | Investment Strategy Workshop                | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          |            | ✓          |        |            |            |                |                  |                  |
| 21 February 2019    | Investment Strategy Workshop                | ✓          | ✓        | ✓          |         | ✓          | ✓          | ✓          | ✓          | ✓      |            |            |                |                  |                  |
| 25 February 2019    | LGPS Members Spring Seminar - Leeds         |            |          |            |         | ✓          |            |            |            |        |            |            |                |                  |                  |
| 25 April 2019       | Investment Strategy Workshop- Leeds         | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          | ✓          |            | ✓      |            |            |                |                  |                  |
| 13-15 May 2019      | PLSA Local Authority Conference, Cotswolds  |            |          |            | ✓       |            |            |            |            |        |            |            |                |                  |                  |
| 24 May 2019         | Manager workshop                            | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          |            |            |        |            |            |                |                  |                  |
| 20 June 2019        | Global Equity workshop                      | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          | ✓          | ✓          | ✓      |            |            |                |                  |                  |
| 4 July 2019         | MAC Workshop                                | ✓          | ✓        | ✓          | ✓       | ✓          | ✓          |            |            | ✓      |            |            | ✓              |                  |                  |

\*City Of York Council Members – Ian Gillies/Chris Steward (Sub) - May 2017 to May 2019 / Ian Cuthbertson – May 2019 - Present

## UPCOMING TRAINING AVAILABLE TO MEMBERS

| <b>Provider</b> | <b>Course / Conference Title</b>  | <b>Date(s)</b>            | <b>Location</b>              | <b>Themes / Subjects Covered</b>   |
|-----------------|-----------------------------------|---------------------------|------------------------------|--|
| LAPFF           | Annual Conference                 | 4,5,6<br>December<br>2019 | Hilton Hotel,<br>Bournemouth | <p>Programme includes:-</p> <p>Day 1</p> <p>Update on Investor Tailing Dams Initiative/Controlling Food Waste and Plastic Production/LAPFF Engagement Round Up</p> <p>Day 2</p> <p>National Grid's net zero emissions scenario/Just Transition/Realistic approach to energy transition/Employees on the Board/Cyber security-Social Media abuse/Failing companies/Directors remuneration/ After the FRC</p> <p>Day 3</p> <p>Gender Diversity Panel/Arcelor Mittal: The journey towards carbon neutrality</p> |
| LGA             | LGPS Annual Governance Conference | 23-24<br>January<br>2020  | Principal Hotel, York        | <p>The planned programme includes sessions on:</p> <ul style="list-style-type: none"> <li>• Scheme Advisory Board</li> <li>• Checking compliance</li> <li>• Cost cap</li> <li>• Regulating the reforms</li> </ul>  |

|      |                                     |                    |  |  |
|------|-------------------------------------|--------------------|--|--|
|      |                                     |                    |  | <ul style="list-style-type: none"> <li>• Scheme simplification</li> <li>• Investment spotlight</li> <li>• Legal</li> </ul> |
| PLSA | Investment Conference               | 11- 13 March 2020  | EICC, Edinburgh                                    | TBC- Save the date   |
| PLSA | Local Authority Conference          | 18-20 May 2020     | De Vere Cotswold Water Park Hotel, Gloucestershire | TBC- Save the date   |
| PLSA | Annual Conference & Exhibition 2020 | 14-16 October 2020 | ACC Liverpool                                      | TBC – Save the date  |

## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2019/20

| Meeting Date      | Time & Venue                               | Event                  | Fund Managers               |
|-------------------|--|------------------------|-----------------------------|
| 21 November 2019  | 10am, The Oak Room, 3 Racecourse Lane      | Pension Fund Workshop  | 2 Managers (BCPP and 1 TBC) |
| 22 November 2019  | 10am, The Brierley Room, 3 Racecourse Lane | Pension Fund Committee |                             |
| 20 February 2020  | 10am, TBC                                  | Pension Fund Workshop  | 2 Managers TBC              |
| 21 February 2020  | 10am, TBC                                  | Pension Fund Committee |                             |
| 21 May 2020       | 10am, TBC                                  | Pension Fund Workshop  | BCPP Sub-Fund Managers TBC  |
| 22 May 2020       | 10am, TBC                                  | Pension Fund Committee |                             |
| 1 July 2020       | 10am, TBC                                  | Pension Fund Workshop  | BCPP Sub-Fund Managers TBC  |
| 2 July 2020       | 10am, TBC                                  | Pension Fund Committee |                             |
| 10 September 2020 | 10am, TBC                                  | Pension Fund Workshop  | BCPP Sub-Fund Managers TBC  |
| 11 September 2020 | 10am, TBC                                  | Pension Fund Committee |                             |
| 26 November 2020  | 10am, TBC                                  | Pension Fund Workshop  | BCPP Sub-Fund Managers TBC  |
| 27 November 2020  | 10am, TBC                                  | Pension Fund Committee |                             |



|                  |           |                        |                            |
|------------------|-----------|------------------------|----------------------------|
| 18 February 2021 | 10am, TBC | Pension Fund Workshop  | BCPP Sub-Fund Managers TBC |
| 19 February 2021 | 10am, TBC | Pension Fund Committee |                            |

## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 3 October 2019 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

**Members of the Board**

David Portlock (Independent Chairman).

**Employer Representatives:**

County Councillor Mike Jordan (North Yorkshire County Council), Councillor Anne Hook (City of York Council) and Louise Branford-White (Hambleton District Council).

**Scheme Members:**

David Houlgate (Unison), Gordon Gresty and Simon Purcell (Unison).

**County Council Officers:**

Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton and Jo Foster-Wade.

**Copies of all documents considered are in the Minute Book**

**216(a) Apologies for Absence**

There were no apologies for absence.

**216(b) Vacancies for Employer and Scheme Member Representatives**

It was noted that the vacancies for both Employer and Scheme Member Representatives on the Board remained as before and efforts to recruit to the vacancies would continue.

**Resolved -**

That this position be noted.

**216(c) Membership of the Board**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting the Board to determine which, if any, of the originally appointed Members of the Board in July 2015 were seeking to be re-appointed for a further four years,

Pension Board - Minutes of 3 October 2019/1

including the Independent Chairman, and which Members would step down from the Board, requiring a recruitment process to be undertaken.

It was noted that the Terms of Reference for the Board indicated that the terms of office for the Independent Chairman and Members appointed at that time, as being four years, with them seeking to be re-appointed or new appointments being made when that time had elapsed. A temporary extension to terms of office had been granted in April 2019 and, therefore, the terms of office would come to an end in January 2020.

It was noted that the Members affected were as follows:-

David Portlock - Independent Chair  
County Councillor Mike Jordan - Employer Representative  
Louise Branford-White - Employer Representative  
Gordon Gresty - Scheme Member Representative

County Councillor Mike Jordan indicated that he would be standing down from the role. He considered that, due to the new pooling arrangements, the Pension Board was now remote from the Pension Fund and he was not sure how the remit of the Pension Board would correlate with these arrangements going forward. He considered there was too much confidentiality and secrecy in terms of information coming from the Pool, which did not provide appropriate opportunities for the Pension Board to consider that. He considered that the Pension Board no longer had a meaningful input on the Pension Fund.

The Chairman noted that County Councillor Jordan was entitled to attend the January meeting of the Board, in line with the extension to the term of office granted earlier in the year. This vacancy would now be passed to the leadership of the ruling group with a view to an appointment being made to replace County Councillor Jordan at the November meeting of the County Council.

The Chairman, Gordon Gresty and Louise Branford-White indicated that they would be willing to continue their roles as Members of the Pension Board and, therefore, sought re-appointment to the Board.

#### **Resolved -**

- (i) That the appropriate action be undertaken to re-appoint the following Members to the Pension Board, from January 2020:-
  - ◆ David Portlock - Independent Chair
  - ◆ Gordon Gresty - Scheme Member Representative
  - ◆ Louise Branford-White - Employer Representative
- (ii) That appropriate action be undertaken to fill the vacancy left by County Councillor Mike Jordan, as Employer Representative representing North Yorkshire County Council, when he steps down from the Pension Board in January 2020.

#### **217(a) Minutes**

#### **Resolved -**

That the Minutes of the meeting held on 18 July 2019, having been printed and circulated, be taken as read and confirmed by the Chairman as a correct record.

Pension Board - Minutes of 3 October 2019/2

## **217(b) Progress on Issues raised by the Board**

In relation to the meetings of representatives of the various Pension Boards involved in the BCPP pooling arrangement, the Chairman noted that a further meeting was due to be held on 10 October 2019, at the BCPP Conference. He stated that he would provide a report back to the Board following that meeting.

In terms of the vacancies for both an Employer and Scheme Member Representative on the Board it was noted that these continued to be advertised. It was stated that the vacancies would be highlighted at forthcoming meetings of Employer Representatives and Section 151 Officers. It was noted that details of the Scheme Member Representative vacancy were also on the Scheme Member section of the website.

In respect of the non-receipt of papers from BCPP, to the Pension Board, due in the main to their confidential nature, as determined by BCPP, it was stated that these were now being supplied by the Treasurer to the Board, allowing details to be considered. It was noted that there was still no formal process in respect of the provision of papers from BCPP, therefore, this matter would continue to be monitored by the Pension Board.

The review of the Terms of Reference, agreed at the previous meeting, would now be submitted to the County Council meeting in November for approval, in line with the County Council being the administering authority.

In respect of the skills matrix/self-evaluation questionnaire it was noted that, initially, the returned questionnaires from Pension Board Members were to be evaluated with a view to developing a training plan, however, since then, the same skills matrix/questionnaire had been circulated to Pension Fund Committee Members to determine their training needs. As a result it was considered appropriate that a full training programme, taking account of both Pension Fund Committee and Pension Board Members, be developed, once the questionnaire results had been obtained from Committee Members.

A Member emphasised that the most relevant training opportunities were provided through being able to question officers about the papers submitted to the Pension Fund Committee as more knowledge about the specifics of the NYPF was obtained from such sessions, than from generic training opportunities.

It was suggested that to address this, sessions could be arranged either prior or at the conclusion of Pension Board meetings, in a similar way to how this was arranged for the County Council's Audit Committee, to allow direct training around the intricacies of the NYPF to be delivered. The Chairman stated that he would consider this approach for future meetings.

The issue regarding membership of the Board had been dealt with earlier in the meeting.

In relation to the matter concerning the Internal Audit report, with limited assurance given to Pension Fund expenditure, as discussed at the previous meeting, it was noted that the 2019/20 Internal Audit team would reconsider the details outlined and would report back to subsequent meetings of the Board.

**Resolved -**

That the report be noted and any further action highlighted be undertaken accordingly.

**218. Declarations of Any Interests**

There were no declarations of interest.

**219. Public Questions or Statements**

There were no public questions or statements.

**220. Minutes of the Pension Fund Committee meeting held on 13 September 2019**

The Chairman noted that the Minutes from the meeting were not available to distribute to Pension Board Members at the time of this meeting and, therefore, he would do a brief summary of what took place at the meeting, highlighting the following:-

◆ Triennial valuation

The latest triennial valuation was underway and would be approved in March 2020 once contribution levels had been approved. A consultation process was due to take place with employers over a six week period to determine contribution levels. The valuation was on-track. In relation to the discussions that took place at the Pension Fund Committee it was noted that there were unlikely to be major changes to contribution levels following this valuation, in terms of the major scheduled bodies, although there could be changes for some of the smaller bodies.

◆ Other Issues considered:-

- Governance of Fund
- Budget statistics
- Pension administration

◆ Performance of the Fund

It was noted that there had been a significant fall in the markets since the performance of the Fund had been reported to the Pension Fund Committee, however, no advice was available, as yet, as to the affect that this had on investments.

A Member asked whether details about investments, and the solvency level, had been provided to the meeting, with a view to establishing a baseline, to determine how these levels reacted to investments being moved into the pooling arrangements. In response it was noted that quarterly reports on investments were provided to Pension Fund Committee meetings, and, as yet, the investments with BCPP had not completed a full quarter. The first full quarter would be reported to the November 2019 meeting of the Committee, which in turn would be available to Members of the Board to consider. In terms of the solvency level this has not been provided to the previous meeting of the Committee as this would be set by the triennial valuation process, which was yet to be completed, however, it was noted that this was still above 100%.

The Member who highlighted the issues raised concerns that information was not being monitored by the Pension Board in terms of setting a baseline to

determine how investments were developing under the new pooling arrangements and whether this was having an effect on the solvency level. The Chairman stated that the Board should be cautious in relation to that matter as it was the responsibility of the Pension Fund Committee to determine and monitor investments, with the Board ensuring that proper procedures were being followed, however, this did not prevent the Board from commenting on issues of concern. Members reiterated the issue regarding investments matter being the responsibility of the Pension Fund Committee, but also retaining the right to comment on issues, to the Committee, to raise concerns where justified. It was noted that employers were provided with an opportunity to question the Pension Fund Committee in relation to areas of concern regarding investments and those details were provided within the information submitted to Pension Fund Committee, which was also circulated to Pension Board Members. It was emphasised that issues of concern, raised with the Pension Fund Committee, would be highlighted in the minutes from the meeting and could be discussed at the subsequent meeting of the Pension Board.

**Resolved -**

That the details emerging from the Pension Fund Committee held on 13 September 2019 be noted.

**221. Pensions Administration**

**Considered -**

The report from the Head of Pensions Administration, Philippa Cockerill, providing Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that was provided to the Pension Fund Committee on 13 September 2019.

The following issues were highlighted:-

◆ **Annual Benefit Statements (ABS) 2019**

As at the cut-off date of 31 August 2019, 95.69% of active member statements had been issued, leaving 1342 having been identified as not having worked in the year or had a query existing which was being worked on. Since then this had been reduced to around 500 outstanding ABS. Details were provided as to the issues that arose which had resulted in the statements not being issued. It was noted that this was a substantial improvement on recent years in terms of issuing the statements on time. Particular praise was provided in relation to the City of York Council who had worked closely with the Administration Team, to significantly improve their year-end data performance in comparison to previous years.

A Member noted that there had been a large increase in the number of calls per day being dealt with by the Administration Team and wondered if there were particular issues that were causing this. In response it was stated that the self-service portal was not operating as effectively as it could, which resulted in large numbers of telephone calls, therefore, improvements to the system were being sought and it was expected that a new on-line system would be introduced shortly to significantly improve this situation. There had been a spike in the number of calls around the time of the issuing of ABS and

was expected that, in future, many of these queries would be dealt with through the improved on-line facilities.

It was noted that less than 1% of the total active members had an outstanding ABS.

It was asked whether the charging of employers was making a difference to the provision of information. In response it was stated that this had assisted in improvements to the year end results, ensuring that employers were opening up a dialogue with Pensions' Administration officers to address situations, rather than face the charges. Members welcomed the approach in terms of charging and the effect this had on the data provision.

Clarification was provided in relation to how the pensions' situation would be dealt with for employees in an academy trust, should that fold.

The Chairman asked whether there was a plan of action in place in terms of the outstanding ABS. In response it was stated that plans were in place, through continued discussions with employers to ensure that the outstanding ABS were issued. It was noted that the breach, in terms of not 100% of the ABS being issued by the deadline, had not yet been added to the Breaches Log, but would be prior to the next quarterly report.

It was noted, through discussion, that a breach of regulations could be issued by anyone - members of the Fund, officers and those overseeing the Fund.

Members stated that they would welcome the analysis of the non-issuing of the ABS and would monitor the situation, going forward, to determine whether a breach of regulations should be reported to the Pensions Regulator.

The software system for Pensions Administration was under review and the contract for the current systems had been extended allowing an opportunity for other systems to be investigated. It was expected that a new system would lessen the impacts caused by end of year data submissions, as data would be obtained on a monthly basis. The Scheme Member on-line system would also be enhanced, together with the website, ensuring that the self-service function was more accommodating, leading to less direct enquiries. It was also hoped to integrate payroll into one system, under a single process, which would eliminate the repeated process currently in place. It was hoped that the full system would be up and running by the end of 2021. In response to a question it was noted that it was not always in the member's interests to add multiple employments within the same employer together.

It was noted that there were continuing issues with the software that extracts calculation results into letters and work was continuing with Heywood in relation to finding a solution. Currently these figures were being added manually, which was not an ideal situation. The retirement option letter had been signed off and was ready to be released for live testing, which would happen this month, and would be made fully live should the initial testing be successful.

The Chairman welcomed the inclusion of Pension Fund Committee Member training within the Pensions Administration report to the Committee.

## **Resolved -**

- (i) That the contents of the report be noted and any action identified be undertaken accordingly.
- (ii) That the contents of the Breaches Log be noted, together with the forthcoming amendment regarding the issuing of ABS.
- (iii) That the Pensions' Administration team be formally congratulated by the Board, for their continued hard work, and the patient and collaborative work undertaken with employers, which continued to significantly improve their performance and the service provided to members of the Scheme.

## **222. Internal Audit Reports**

### **Considered -**

The report of Audit Manager, Ian Morton, providing the Pension Board with an update on Internal Audit activity.

The report highlighted the current status of the Audit Plan for 2018/19 previously approved by the Pension Board as follows:-

- ◆ Pension Fund investments - delayed following a request from Senior Accountant (Pensions).
- ◆ Pension Fund income - final - reasonable assurance.
- ◆ Pension Fund expenditure - final - limited assurance.

A copy of the final Pension Fund income report was attached as an Appendix. The implementation of agreed actions for 2017/18 audits was shown in summary, also an Appendix to the report.

The proposed Audit Plan for 2019/20 was attached as an Appendix to the report.

In relation to the Pension Fund income report it was noted that this had been given reasonable assurance. Discussion of that report highlighted the following:-

- ◆ An issue regarding employees who had moved bands and were paying at the incorrect rate during the year was highlighted. It was noted that this was corrected in the following year and that the matter was dealt with pragmatically by employers. It was emphasised that this was difficult to action immediately, with some scheme members moving up and down the scales during the year, hence the pragmatic approach, with correction at the year end, for the following year, being adopted. It was emphasised that this had a negligible effect on the scheme, in terms of returns, however the situation would continue to be monitored. It was noted that the frequency for assessing member contribution bandings was an employer discretion and that the Fund could not direct employers.
- ◆ Following a recent contribution reconciliation exercise between year-end data and month 12 contribution totals it was noted that only nine employers had a difference of greater than 10%. This is the tolerance level set by Officers as



being reasonable. These nine employers will be contacted to resolve the differences.

- ◆ A discussion took place in relation the position of academies and pension rates, reflecting the issue outlined earlier in the meeting regarding the DfE meeting pension payments should a multi academy trust fold.
- ◆ The Chairman referred to the action points outlined in the report and noted that some were proposed for implementation a substantial period after the report had been compiled and wondered why there was such a delay. In response it was noted that the implementation date provided indicated when all actions should be in place to address issues raised, allowing Internal Audit to return once to monitor the implementation of those agreed actions, rather than returning on numerous occasions. It was noted that this was an efficient process for all concerned and allowed for the actions, not only to be implemented, but to have an effect that could be measured. It was noted that the details of the audit were shared with the various teams as they were developed, rather than waiting for the audit to be completed before details were provided, which allowed actions to be implemented as the audit developed.

#### **Resolved -**

That the report be noted.

#### **223. Governance of the Fund**

Considered -

The report of the Treasurer providing Members with an opportunity to review the following governance documents:

- ◆ Investment Strategy Statement
- ◆ Funding Strategy Statement
- ◆ 2018/19 Annual Report

and to provide Members with an update on the governance arrangements of the Fund.

It was noted that a report that had been submitted to the September meeting of the Pension Fund Committee, in respect of the governance arrangements, was provided as an Appendix to this report. The documents were approved at the Pension Fund Committee meeting subject to a few minor amendments. It was noted that the Fund's Independent Professional Observer had undertaken a review of the governance arrangements of the Fund and a copy of that report was also included as an Appendix.

The Pension Fund's final accounts were approved by the Audit Committee at their meeting in July 2019 and had been included as Appendix 2 to the report.

The following issues and points were raised during the discussion of the report:-

- ◆ The potential for a reduction in employer contributions was discussed. It was stated that the policy outlined that, should the Fund be over 110% funded, the surplus would be returned to employers through a reduction in contributions.

It was emphasised, however, that this would be done over a number of years, rather than immediately. It was stated that taking this approach benefited both the Fund and the employers. It was noted that the level of 10% above the 100% funding had come from advice from the Actuary.

◆ Investment Strategy Statement

During discussion it was noted that all fund managers should be seeking to outperform the benchmark, set against their investment portfolio, as a fee was paid in relation to that. It was noted that there were two levels of fees for some Fund Managers, a basic fee for managing the investment portfolio and a performance fee.

◆ Funding Strategy Statement

It was asked how substantial a risk to the Fund was Guaranteed Minimum Pension (GMP) equalisation in terms of overall impact on the Fund. In response it was stated that there was a negligible risk, and therefore around a 0.3% adjustment had been made in year-end accounts to take account of this. It was asked whether McCloud would be a more substantial risk. In response it was noted that all the issues outlined, including GMP equalisation and McCloud would have approximately 1% risk to the Fund, therefore, in overall terms, were negligible. It was noted that the McCloud Judgment was still an unknown quantity and it would be a number of years before the implications were felt.

◆ Annual Report and Final Accounts

Clarification was provided in relation to the increasing oversight and governance costs, which related to additional costs arising from the development of the pooling arrangements.

The significant increase in Investment Managers' fees was noted and it was explained that this was due to there being more transparency from Investment Managers in terms of fees and charges, following an initiative developed by the Scheme Advisory Board. This did not have an effect on cash flow or net performance as the fees were already paid, however, the details were now more transparent. It was asked whether all Investment Managers were complying with the transparency initiative and in response it was noted that all were in line with that.

◆ Independent Observer's Annual Report on the Fund

Members noted the following issues in relation to the report:-

The Independent Observer shared the Pension Board's views in relation to the transparency of information and the role of local Pension Boards in the new pooling arrangements.

The Independent Observer had stated that the North Yorkshire Pension Board was well run and conformed to regulatory and guidance requirements.

It was noted that following the Independent Observer's report to the Pension Fund Committee, a response to the local Pension Board survey 2019, issued by the SAB, was to be provided and it should be emphasised that there was

significant compliance between the Pension Fund Committee and the Pension Board in North Yorkshire.

◆ Hymans Robertson Report on Good Governance in the LGPS

The Chairman noted that, following reports to the Pension Fund Committee, he was aware that many of the issues raised in the report were already in place for the NYPF and the Pension Fund Committee. It was noted that the Treasurer of the Fund had been involved in the consultation and development processes of the report.

A Member raised concerns that, although it had not been decided to pursue this matter, the issue of creating a new local authority body and joint committees had been raised and suggested that there was a potential that this may again arise in the future. It was emphasised that there was a need to ensure that democratically elected members were involved in the Pension Fund process, as they were answerable to the Council Taxpayer, however, it was noted that there was an opinion that independent bodies to oversee the LGPS would be preferred. It was stated that the Board would continue to monitor issues raised by the Scheme Advisory Board with a view to any potential changes to governance arrangements in the future.

◆ Deloitte (External Auditor) Final Report and Accounts for the year ended 31 March 2019

A Member suggested that much of what was provided in the External Auditor's report mirrored that outlined in the Internal Auditor's report. In response it was noted that there would always be a level of overlap in terms of issues being audited, however, there was significant differences in relation to the work undertaken by Internal Audit and External Audit.

It was also noted that this was the initial year for Deloitte as the External Auditor and, therefore, there would be some overlap as they would undertake an initial consideration of all financial controls to develop a baseline. This was the usual process when a new External Auditor was appointed.

It was noted that this had been the first year for the early publication of final accounts and it was expected that lessons would be learnt from the process with improvements made in the following years.

It was noted that the Independent Observer had raised an issue regarding why Internal Audit reports were not sent directly to the Pension Fund Committee, with these coming to Pension Board only. The Chairman stated that whilst he wished to discuss the issue with Internal Audit he did not want to duplicate the process and cause more work. In response it was stated that there was nothing to stop the Pension Fund Committee having Internal Audit reports, however, it was noted that details of issues raised on Internal Audit reports were provided within the Pension Board Minutes, which were on each agenda of the Pension Fund Committee. This provided an opportunity for Members of the Committee to discuss those matters if required. It was also noted that the Treasurer to the Fund received all Internal Audit reports and, if there were particular concerns, he would refer these to the Committee.

**Resolved -**

That the contents of the report and Appendices be noted and any action highlighted be undertaken accordingly.

**224. Investment Strategy Review**

Considered -

The report of the Treasurer providing Members with an update in the transition of funds to the Pool.

Previously a quarterly update was provided on pooling arrangements which had been mainly focused on the set-up of the Pool. The Pool was now operational and had moved from the initial set-up stage to the sub-fund set-up and transition stage. The focus from now, therefore, would be on investment sub-funds and the transition of funds. Each quarter an Investment Strategy report would be taken to the PFC where any investment decisions required and transition updates would be presented. It was proposed that the papers formed the basis of an update to the Board, going forward. As such the latest Investment Strategy review paper taken to the PFC meeting in September was attached as an Appendix.

A Scheme Member representative highlighted the report back from the Scheme Member appointed to the BCPP Joint Committee. He noted that the report had been somewhat disappointing in terms of the details provided, as the majority of issues were deemed, by BCPP, to be confidential. The main concerns of the Joint Committee representative were proposing additional representation from the unions on the Joint Committee and highlighting next year's budget for the Joint Committee as being £40,000. It was also noted that a second Scheme Member Representative would now be attending Joint Committee meetings. It was considered that a more robust approach should be undertaken in questioning why the information was deemed to be confidential, and could not be fed back to Pension Boards, and the NYPB Member would be taking that issue. In terms of there being more representatives on the Joint Committee it was suggested this was pointless unless a robust challenge was provided in terms of allowing details to be fed back into Pension Boards. Until that matter was addressed appropriately there was little point in having more representation.

It was noted that there were now a number of bodies that provided links between the BCPP and each of the Pension Funds (Joint Committee, Shareholders Group, Officer Group, Section 151 Group) which provided an opportunity for challenge in terms of the transparency of the reporting and the confidentiality of information. It was suggested that this challenge needed to be minuted so that Pension Board Members were aware.

**Resolved -**

That the contents of the report be noted.

**225. Board Evaluation of Skills Matrix Questionnaire**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) suggesting Members determine a way forward on Pension Board Member training in relation to the completed skills matrix and self-assessment questionnaires.

As indicated earlier in the meeting, self-assessment questionnaires had now been circulated to Pension Fund Committee Members, and it was considered appropriate to wait until they had completed and returned these, enabling a comprehensive training programme, to cover both Pension Fund Committee and Pension Board, to be developed.

A Member suggested that, in terms of training, practical training based on the NYPF would be more beneficial to new members, rather than general training, as that would be more relevant to the work of the Pension Board.

It was noted that some Members were attending fundamentals training shortly and it was asked that they provide feedback to the next meeting of the Board following their training events.

**Resolved -**

That an overall training plan be developed to take account of the results obtained from both Pension Board and Pension Fund Committee, which would identify skills gaps and areas where training was required.

**226. Training**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training.

Appendix 1 to the report detailed training events attended and activities undertaken by Pension Board Members and it was noted that this was up-to-date.

The Chairman noted that the BCPP Annual Conference would be taking place on 10 October 2019 and Members who attended could provide feedback on that at the next meeting of the Board.

**Resolved -**

That the report be noted.

**227. Work Plan**

Considered -

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

The dates for the final two meetings of the 2019/20 municipal year were highlighted within the report and it was noted that a timetable detailing the 2020/21 meetings would be available shortly.

**Resolved -**

- (i) That the current Work Plan be approved.
- (ii) That the dates of ordinary meetings, as detailed, be noted.

**228. Other Business which the Chairman agreed should be considered as a matter of urgency**

The Chairman agreed to the following issue being discussed as a matter of urgency as responses would be required before the next meeting of the Pension Board.

**The Pensions Regulator - Governance and Admin Risks in Public Service Pension Schemes - An Engagement Report**

The Chairman highlighted the Engagement Report that had been developed by the Pensions Regulator which had engaged with ten Local Government Pension Schemes to determine the governance and admin risks.

He suggested that the NYPF was comparatively good when taking account of the issues raised within the report. He suggested that he would welcome the views of officers in relation to the recommendations and findings outlined in the report and asked that they get back to him when they had considered these.

**Resolved -**

That the issues raised by the Chairman be noted and acted upon accordingly.

The meeting concluded at 12 noon

SL/JR