

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 6 October 2022 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Emma Barbery (Askham Bryan College) and David Hawkins (York College).

Scheme Members:

David Houlgate (Unison), Simon Purcell (Unison), Gordon Gresty and Sam Thompson (Hambleton District Council)

In attendance as a Member of the Pension Fund Committee:

County Councillor George Jabbour

County Council Officers:

Steve Loach, Qingzi Bu, Ian Morton, Tom Morrison and Jo Foster-Wade.

Prior to the commencement of the Meeting, Members were provided with a presentation providing an update on the Cyber Security measures undertaken by the County Council and how they related to the North Yorkshire Pension Fund.

Copies of all documents considered are in the Minute Book

15. Exclusion of the Public and Press

Resolved –

That on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public was excluded from the meeting during consideration of agenda items: min.no. 20(b) – Confidential minutes of the Pension Fund Committee held on 1st July 2022

16. Chair's Welcome, Introductions and Apologies

The Chairman welcomed everyone to the Meeting. Apologies were submitted by Councillor Anne Hook (City of York Council).

17(a) Minutes

Resolved -

That the Minutes of the meeting held on 13 January 2022, having been printed and circulated, be taken as read and confirmed as a correct record and the Chairman would sign these at a convenient time.

17(b) Progress on Issues Raised by the Board

A response from Government had been provided in relation to the Hymans Good Governance review, however, advice from the SAB was still awaited in relation to this response.

An update on Cyber Security had been provided immediately prior to today's meeting.

An update on the inclusion of Broadacres within the NYPF would be provided later in the meeting.

In terms of pensioners being able to opt out of electronic communications, it was stated that a further communication would be issued between January and March 2023. This would remind pensioners that they could access their pensioner record online but the option to receive paper communication would remain in place. Members emphasised the need for pensioners to be able to choose their preferred method, as a number of people had difficulties with accessing online information. It was stated that there was no intention of forcing people to have online details.

In respect of the BCPP Responsible Investment Policies it was stated that these were progressed and reviewed on an annual basis and were currently awaiting approval by board to Coast's board, following the latest review. This cycle would continue and would be fed into the Pension Board for comment at appropriate intervals. All policies were reviewed periodically and were fed into the appropriate arenas for comment.

The triennial valuation was in process and would be completed by 31 March 2023. All employers had been invited to a virtual presentation by the Fund's actuary, Aon, on 2 November 2022 to discuss the initial results. The Board would continue to be provided with updates during that valuation process

The Board's Annual Report will be submitted to the November meeting of the Full County Council for the approval of the Administering Authority.

The other issues were included on the agenda and would be updated during consideration of those items.

Resolved -

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

18. Declarations of Interest

There were no declarations of interest.

19. Public Questions or Statements

There were no public questions or statements.

20(a). Pension Fund Committee – Minutes of Meeting held on 1st July 2022

The Chairman noted that the details of this meeting had been outlined at the previous meeting of the Board, however, the Minutes, which were not available at the time, were now provided for clarity. The Meeting of the PFC scheduled for 9th September 2022 had been cancelled, due to it being in the period of mourning following the death of Queen Elizabeth II.

Resolved –

That the Minutes be noted.

20(b). Pension Fund Committee – Confidential Minutes of Meeting held on 1st July 2022.

The Chairman noted that the Confidential Minutes from the meeting had been circulated with the papers for this meeting. He stated that should Members wish to discuss any issues arising from those Minutes the meeting would need to go into private session and the broadcast would need to be paused. Members of the Board did not raise any issues.

Resolved –

That the Confidential Minutes be noted.

21. Pension Administration

Jo Foster-Wade, Pension Employer Relationship Manager, provided Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that would have been provided to the PFC at their cancelled September 2022 meeting.

The following issues were highlighted:-

- PFC Report

The PFC report from the cancelled September 2022 meeting was provided as an Appendix.

It was asked whether the recent recruitment of additional staff was starting to have an impact on the backlog of work detailed in the report. In response it was stated that the new staff were currently undertaking training and adapting to the intensity of the work. It was expected that the impact of the recruitment, and the reduction of the backlog of work, would begin to be seen around April 2023.

- Breaches

There had been one new entry in the breaches log since the previous meeting of the Board relating to the failure to issue five pension saving statements for 2020/21 by the statutory deadline. The matter had been reported to HMRC and they had issued a penalty of £1,200 which, included penalties for seven statements issued late in previous years. Details of the breaches were outlined together with the actions that had been taken or were going to be taken to prevent this from reoccurring. It was considered that the introduction of the i-Connect system, which would provide monthly data submissions, would assist this situation as pay information would be submitted in real time rather than at year end. The pension team were also being provided with targeted training in this area. An individual staff member would remain on the team each year to keep the process consistent and to help with continual process improvement. Members discussed whether to report the breach to the Pensions Regulator and agreed that, as this related to human error, and processes had been put in place to prevent this from reoccurring, that no report should be made.

- Annual Benefits Statements (ABS)

The Annual Benefit Statement (ABS) process had, by the end of the September, seen 545 Statements still outstanding. This meant that 98.45% of statements had been issued. It was noted that the figures provided at today's meeting updated those provided in the report submitted to the cancelled September meeting of the PFC. Clarification was provided in respect of those not due a benefits statement and noted that those members had been identified as leavers prior to 31 March 2022..

The Chair stated that the Board were required to determine whether this breach of the regulations (100% of statements issued by 31 August) should be recommended to the PFC for reporting to the Pensions Regulator. He highlighted the improvements that had been made in the ABS process in recent years and that many of the delays were caused by data being submitted late/incorrect which was not within the control of the Admin Team. It was also emphasised that whereas some other Pension Funds met the requirement for ABS, they may not be as focussed on carrying out the same validation and accuracy checks. It was considered appropriate that accurate information was provided in the statements.

In conclusion, therefore, it was proposed that no report to the Pensions Regulator be recommended to the PFC. Members agreed with that course of action.

Efforts continued to add employers to the i-Connect project. NYCC were now included and the City of York were in the process of uploading files. 104 employers were now on the system. The roll out would continue until all employers were on-boarded hopefully by the year ending March 2023.

- Broadacres Housing Association

Broadacres had asked that their proposed transfer of pension benefits from the London Pension Fund Authority to the NYPF be put on hold for the time being to allow the impacts of the Government's recent mini budget to be taken account of.

- LGPC Bulletins Log

Details of recent LGPC bulletins, and the response to those, were set out in the report.

A Member asked whether the reorganisation for LGR would lead to a large reduction in numbers in the NYPF. In response it was stated that there was no such indication currently, with most of the staff being TUPEd across to the new Council.

Resolved -

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted, and it be recommended to the Pension Fund Committee that no further action be taken in respect of the breaches highlighted above, with no referral to the Pensions Regulator.

22. Funding Strategy Statement (FSS)

Tom Morrison presented a report that provided an opportunity for the Board to review the FSS prior to its submission, for consultation, to the Fund's employers. He noted that the FSS was due to have been considered for approval at the September meeting of the PFC, but the cancellation of that Meeting had resulted in this being approved by the Chief Executive, in consultation with PFC Members and the Treasurer, under his emergency powers. Section 2 of the report provided the details required by the Regulator.

The report captures the approach to determining employer contribution rates and was produced alongside the valuation currently taking place.

Details of the amendments since the previous publication of the FSS were set out in Section 3.

Usually the approach to inflation would be to use a long term assumption over 20 years, however, an additional one off allowance of 10% had been included due to the exceptional current rate of inflation and the expected impact on benefits in April 2023. It was noted that the funding level of the Fund was 115% after taking this into account.

Members highlighted the following issues:-

- A Member asked if the one off allowance for inflation, given the recent forecasts, was sufficient. In response it was stated that the 10% level of CPI inflation had been forecast for September 2022 and this was adjusted for as an exceptional event, however, going forward, it was unclear what inflation levels would be. It was clarified that 2.3% annual inflation figure thereafter was assumed as it was a straight forward and easy to understand approach, and that it was not practical to try to estimate inflation each year. Providing estimates which had a significant likelihood of being materially different from actual inflation rates would not be helpful to employers. It was noted that this was the first time in recent memory that a variation on the standard approach to inflation had been made. It was asked, should inflation levels be above that 2.3% level, would the Fund go into deficit resulting in investments having to be sold to pay pensions. In response it was stated that there were many variables that could affect this situation, for example, a recession could result in rapid a fall in inflation. Various scenarios had been modelled to derive the long term inflation assumption, which is why it was appropriate to use it.

- It was asked whether the remaining final salary aspect of pensions would have a major impact on the Fund going forward. In response it was stated that the final salary link was diminishing in importance as people retired and career average benefits gradually replaced benefits linked to the older iterations of the scheme.
- It was clarified that the pay award details were assumptions at this stage. LGR was not expected to have a material effect on the valuation.
- A Member queried whether the College sector was to be considered as equivalent to public sector scheduled bodies. In response it was noted that possible re-categorisation of colleges was the subject of a national review. A decision on this was expected in the coming months.

Resolved –

That the report be noted

23. Internal Audit Reports

Ian Morton, the Assistant Director – Audit and Assurance, provided the Pension Board with an update on Internal Audit activity.

The 2021/22 Audit Plan, had now been completed, with all the audited issues providing substantial assurance.

Copies of the reports were provided with the papers, and the following issues were highlighted:-

Expenditure

The audit had gone well, generally, with only a few minor issues that had now been addressed. Details of the minor issues were outlined, relating to a small fine in respect of change of bank accounts, with this having been addressed through changing the letter issued by the Fund.

The move to online payslips was discussed and it was noted that this created a major saving for the NYPF, however, the option to continue to receive printed details would remain as long as anyone required that format. A Member welcomed the retention of the hard copy details as he was aware that some people struggled with Information Technology.

Investments

The reporting of performance of investments in BCPP had been considered and whether improvements were appropriate. Actions had been agreed and were being implemented, as set out in the report. It was noted that there had been a minor in obtaining data from BCPP due to file sizes, which was being investigated.

IT Security

The presentation prior to the meeting had provided an update on Cyber Security.

Improvements had been required in relation to the business continuity plan.

Mandatory training required for staff to ensure that the Regulators guidelines were being met and that managers were automatically informed when staff had undertaken that training.

Timely updates to the Altair System were required, and communications were required between those involved to ensure that the updates were effective.

Noting that the issues raised within the audit report were classified as Priority 2, a Member asked why substantial assurance had been awarded. In response it was stated that the matter had been the subject of a long discussion, and, as the issues raised related to a failure to obtain routine assurance over things which the audit had identified that had taken place the overall risk was more appropriate for substantial assurance. Further details on the follow up actions undertaken would be provided in the next report to the Board.

The issue of service level agreements between the PFC and NYCC were discussed, and it was asked whether staff were aware of these, in respect of the mandatory training issue. It was acknowledged that some internal Service Level Agreements were not applied appropriately, with confirmation that these are being carried out not necessarily taking place. The audit checked and affirmed that these were taking place, however, that was not always being conveyed to the manager.

Details of the audit plan for 2022/23 were set out in the report, and, following discussions with officers, aspects of expenditure, income and investments would be considered. It was stated that these would be different areas that had been considered in recent years to ensure that a broad spectrum of issues was being checked. Fifty days had been set aside to undertake the audits. It was noted that different areas of focus could be recommended by the Board, if considered appropriate, however, the structure for undertaking the audits was set by the Audit Committee and alternative priorities would require its approval.

Resolved -

That the report be noted.

24. Budget and Cashflow

Tom Morrison, introduced the report which would have been presented to the September 2022 meeting of the PFC.

- An update on last year's budget was provided. The main variance related to manager fees with these finishing below expectations as a result of the fluctuating markets. It was recognised that this element was an issue that could not be controlled and was an inevitable variation year on year. A Member asked whether fees should have decreased due to the pooling arrangements, as had been proposed when the pooling arrangements were introduced, as the budget set out an increase each year. He also asked whether a comparison of fees before and after pooling would be provided. In response it was noted that overall costs were lower since the Fund had joined BCPP, but it was emphasised that comparisons were better undertaken over a longer period of time. The longest duration investments with BCPP were still under 3 years, and any comparisons would not be on a like-for-like basis. The Member emphasised the need to ensure a review was kept on the agenda otherwise the comparison would be forgotten about. It was emphasised that regular meetings took place with representatives of BCPP to discuss performance and costs. It was also stated that the issue of investments being moved to pooling arrangements had been extensively discussed by both the Board and PFC since 2015/16 and this had to be accepted as it is a regulatory requirement for the Fund.

An update on the current position regarding the cashflow of the Fund was provided within the report and it was noted that the inflation had impacted on this. The forecast outlined in the report indicated the current direction of travel for cashflow, with the potential for this to become negative by next year. Should this be the case investments would need to be utilised to provide the additional funds required to pay pensions. A brief summary of how this could be achieved was provided.

Members highlighted the following issues:-

- The cashflow position of the NYPF was still good in comparison to many other LGPS Funds, all of which continued to operate effectively even when cashflow negative. It was emphasised that moving into this position would be expected as the Fund matures and would not be a concern for the operation of the Fund.
- A Member asked if the figure within the report set out for pay awards was accurate. It was stated, in response that, at this stage, this was an unknown factor, and the figures provided were estimated.
- It was asked whether the recent mini budget had impacted upon the Fund. In response it was stated that the LGPS did not share the issues that had impacted negatively on a number of private sector pension schemes, The differences were outlined, showing why there had been such an effect on those pension funds and not the LGPS. It was expected, however, that other influencing factors such as inflation and energy costs would continue to keep markets volatile, which were likely to impact in various ways on the Fund's investments, and would continue to be closely monitored.

Resolved:-

That the report, and issues raised, be noted.

25. Training

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

The Chairman stated that considerable time had elapsed since the major previous Skills, Knowledge and Training evaluation and asked Members whether this process should be undertaken now. He noted the availability of the Hymans online training modules, available for all Members, which enabled Members to keep up to date with current issues and considered that a repeat of the evaluation would assist in identifying gaps. In response Members suggested that they all complete the online training before a further full scale evaluation was considered, as this would enable the gaps in skills and knowledge to be filled. It was noted that current issues continued to be updated within Module 6 of the online training and that those that had completed it were advised when updates were in place.

Following the responses given The Chairman suggested that Members complete the online training, undertake any additional training/conferences and advise the Clerk to the Board accordingly, so that the training matrix can be updated.

Resolved -

- (i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly;

- (ii) that an updated evaluation of Skills, Knowledge and Training be not undertaken until Members have had sufficient opportunity to complete the Hymans training;
- (iii) That Members continue to provide details of any training they wish to be included on their training record:

26. Work Plan

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board for the coming year and providing meeting dates for the Pension Board until April 2023.

The Chair stated that the Work Programme had been altered to allow consideration of the External Auditor's report at the January 2023 meeting of the Board, due to its publication having been delayed due to extenuating circumstances, which were outlined. It was expected that the report would be available for the November meeting of the PFC, enabling it to go to the Board in January.

Resolved -

- (i) That the amended Work Plan, as detailed in Appendix 1 to the report, be noted.
- (ii) That the remaining dates of ordinary meetings for 2022/23, as detailed in the report be noted as follows:-

Thursdays at 10 am

2022/23

12th January 2023
6th April 2023

27. Employer Representative Vacancy

Resolved –

That the current vacancy for an Employer Representative and the steps being taken to fill that, be noted.

The meeting concluded at 12.25pm.
SL