

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 12 January 2023 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Emma Barbery (Askham Bryan College), Councillor Anne Hook 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, Phillippa Cockerill and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

28. Apologies

Apologies were submitted by County Councillor Mike Jordan (North Yorkshire County Council).

29(a) Minutes

A Member queried Minute 17(b) as he had understood that all retired Fund members were to receive a paper communication in respect of how they received information from the Fund. It was clarified that everyone would receive a paper P60 in May 2023. An email detailing how future communications would be provided had been planned for January 2023, however, other work commitments had delayed this.

Resolved -

That the Minutes of the meeting held on 6th October 2022, having been printed and circulated, be taken as read, confirmed as a correct record and signed by the Chairman.

29(b) Progress on Issues Raised by the Board

Advice from the SAB was still awaited in relation to the Hymans Good Governance review.

Broadacres were no longer pursuing their initial request to join the NYPF. A Member asked whether Broadacres would be required to pay back the costs associated with the work that had been undertaken on their request. In response it was stated that the legal fees resulting from the process had been invoiced to Broadacres.

In respect of the BCPP Responsible Investment Policies, it was asked that an update on these and how they are influenced by the NYPF be provided to the next Meeting of the Board.

The triennial valuation was in process and would be completed by 31 March 2023. It was suggested that if a final report on this issue was provided to the PFC in March, then details be provided to the Board in April.

Resolved -

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

30. Declarations of Interest

There were no declarations of interest.

31. Public Questions or Statements

There were no public questions or statements.

32. Pension Fund Committee – Draft Minutes of Meeting held on 25th November 2022

Considered -

The draft minutes of the meeting of the Pension Fund Committee held on 25th November 2022.

The Chair noted that the majority of items considered at that meeting were on the Board's agenda for discussion at today's meeting.

Performance of the Fund

The Chair stated that this had been one of the principal issues on the agenda, following the recent poor performance of the markets, leading to a reduction in returns from investments. PFC workshops were being earmarked for consideration of the Investment Strategy, going forward, and all factors would be taken into consideration in terms of how best to protect the funding position of the Fund through the investments. It was emphasised that the NYPF took a long term view on investments and would not undertake a “knee-jerk” reaction to the recent poor returns from investments. It was also noted that the recent performance of investments had seen a reduction in performance related fees.

A Member raised concerns that feedback of a comparison between the performance of investments prior to pooling and after they had predominantly been taken over by BCPP continued to be put back with an explanation that insufficient time had elapsed to undertake a meaningful comparison. It was suggested that this issue be referred to the appropriate officer to obtain a response from BCPP as to when this could be expected to take place.

Resolved –

That the Minutes be noted.

33. Review of Terms of Reference

Considered –

The report of the Assistant Chief Executive (Legal and Democratic Services) inviting Members to undertake an annual review of the Terms of Reference of the Board.

Members considered that the current Terms of Reference were appropriate, however, it was considered that these be revisited following the implementation of the new Unitary Authority, as that would have implications in terms of the current definition of the membership, and who was represented. It was suggested that further consideration be given to this matter following the introduction of the new Council in terms of changing wording to outline who Members represented, but it was unlikely that the actual membership would change.

Resolved –

That the Terms of Reference be accepted as printed, with further consideration given to these following the introduction of the new unitary authority.

34. Pension Administration

Phillippa Cockerill, Head of Pensions Administration , 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 was provided to the PFC at their November 2022 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from the November 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 two new entries in the breaches log since the previous meeting of the Board, one of which related to the failure to issue two pension savings statements for 2021/22 by the statutory deadline. The matter had been reported to HMRC and they had issued a financial penalty. 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, which included additional training for officers and providing dedicated support to this process, going forward. It was noted that should a breach relate to incorrect data having been submitted by an employer, any subsequent fine could be passed on. The other breach related to an email being sent to the West Yorkshire Pension Fund which was not intended for them. This was entirely due to human error and the issue had been addressed with the staff member. Members discussed whether to report the breach to the Pensions Regulator and noted that the matters had been referred to the Internal Auditor who considered these to be very low risk. It was agreed therefore that given the low risk involved and that the issues had been addressed to prevent these from reoccurring, that no report to the Pensions Regulator should be made.

Annual Benefits Statements (ABS)

As of 6th January 2023, there were still 184 Annual Benefit Statement still outstanding. Of these, 107 statements had now been issued, and the remaining 77 had been determined to be longer eligible for an ABS. The 2022 process had, therefore, now been completed and preparation was underway for the 2023 process.

Major projects

Efforts continued to add employers to the i-Connect project, and it was hoped that the District and Borough Councils would be on-board by 31st March 2023. Currently 120 employers were on-boarded but there were still 107 employers to migrate. It was hoped this would be fully completed by 31st March 2024.

Broadacres Housing Association

Broadacres were no longer pursuing their request to become part of the NYPF.

Triennial Valuation

The final employer consultation on the valuation results would be completed by 8th February 2023.

All employers had now received their employer contribution rates for the next three years (effective 1.4.2023) and all queries had been responded to.

Data Scores

Following a request for a comparison of data scores at an earlier meeting, attempts had been made to compare data scores with other BCPP Pension Funds but there had been only three responses to this request. Details of the scores were provided for members to compare. It was explained that the Common Score related to data required for all Pension members, whereas the Conditional Score mainly related to data required to calculate pensions. The comparison of the data was discussed and it was suggested that the best performing Funds, from BCPP, would be a better comparison, to determine how the NYPF were performing, although it was acknowledged that the report could only reflect the details that had been supplied. It was clarified that the figure provided for the Common Score related to the accuracy of the data held for all members in those funds. It was noted that the NYPF would always seek to achieve the most accurate data possible.

LGPC Bulletins Log

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

Members highlighted the following issues in respect of the report:-

- It was clarified that the Pensions Dashboard was not due to be “onboard” until October 2024, although the timeframe had continually slipped, so had the potential to slip again, as it was dependent upon the completion of the McCloud project which was also subject to delay. It was suspected that, after an initial interest, use of the dashboard would probably be minimal, but every effort would be made to ensure the final deadline was met.
- In terms of McCloud it was noted that there was a large amount of data that required verifying. This was being done manually, resulting in a very time consuming process.
- It was suggested that LGR would see a significant increase in the transfer of pensions and asked whether that would impact on the capacity of the Administration Team. In response it was noted that recent recruitment had seen 4 new starters in the team and, following training, it was expected that they would be able to accommodate any influx of additional work created by re-opening the window for transfers into the NYPF. It was stated that the TUPE transfer of staff from other Authorities into the new unitary had created the opportunity for the transfer of benefits from other schemes into the NYPF to be re-opened for a 12 month period.

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.

35. Budget and Cashflow

Qingzi Bu presented a report that provided an opportunity for the Board to provide Pension Board members with an update on the Pension Fund's:-

- (a) 2022-23 budget and costs of running the Fund;

(b) 4 year cash flow forecast

In terms of the budget there had been a £3m underspend, mainly as a consequence of the recent poor performance of investments resulting in a reduction in fund manager fees.

In respect of the cashflow forecast, it was expected that the Fund would have a negative cashflow position in around two years' time. It was emphasised that this was an entirely normal position for Pension Funds. The NYPF had a plan in place for when this occurred.

The triennial valuation process had resulted in the draft contribution rates for employers being circulated for consultation. It was not expected that there would be a significant variation from the draft figures.

During a discussion of the report the following issues were raised:-

- The current funding position of the Fund was 107% as reported at the November meeting of the PFC. An update would be provided at the March 2023 meeting.
- A Member asked how the valuation could be accurate with the recent drop in the funding position coupled with the potential for a large influx of retirements at the time of LGR. In response it was stated that it was very unlikely that LGR would generate a large number of retirements, with the majority of staff being TUPE transferred. In terms of the Funding Position, it was clarified that the valuation was undertaken at a particular moment in time, and the funding position was over 120% then. This produces a general valuation position which is also based on historical data, giving a reasonably accurate estimate. It was stated that previous data could be provided to give historical context to the figures detailed on this occasion. It was emphasised that a long term view was always taken in terms of the figures provided. However, on this occasion, a 10% uplift had been added to past service liabilities on the Scheduled and subsumption body funding target to take account of higher short-term inflation.
- There was no expectation that arrangements would change significantly in terms of employer contributions to the Fund, following LGR, other than this now being combined in terms of the 8 Local Authorities, rather than separate contributions.
- The biggest impact currently on the Fund was inflation. The PFC would be considering how to address impacts on the Fund through regular Investment Strategy reviews.
- The strategy for addressing a cashflow negative position was outlined, ensuring that there was sufficient cash available for the operation of the Fund. It was emphasised that many other LGPS managed well with a negative cashflow.
- Contributions would be set fairly to reflect the current funding position but would also take account of the potential for that position to significantly change.

Resolved –

That the report and issues raised be noted.

36. Pension Fund Annual report 2021/22.

Qingzi Bu explained that, due to external accounting issues, the Final Accounts could not yet be signed off, despite the NYPF accounts having been completed, as these could not be published until the County Council's accounts were signed off.

Recent guidance had been received from CIPFA in respect of this situation and would be taken account of during the coming days. It was expected that the accounts would be signed off by the end of January 2023. There was also a delay to the valuation of infrastructure assets following the Government issuing a Statutory Instrument as to what LAs can include in this category, and the consultation period for this was still taking place.

The Audit Committee, the NYCC body that has the authority to sign off the accounts, had given delegated authority to its Chair, Vice Chair and the Section 151 Officer, to sign these off when provided by the External Auditor, so as not to delay the process.

In line with legislation, the Annual Report had been published on the NYPF website by the 1 December, with an explanatory note in respect of the non-inclusion of the Final Accounts.

During a discussion of the report the following issues were highlighted:-

- It was clarified that the Legal Advice referred to within the Annual Report related to advice sought in respect of the delay in the publication of the final accounts last year.
- A note had been placed on the public version of the Annual Report advising that the audit of accounts was ongoing and the Report would be updated as soon as that process had been completed.
- It was noted that there would be a new External Auditor for the Council and NYPF next year, therefore, it could not be determined whether the delay in this year's audit would have a knock-on effect for next year, although it was acknowledged that the timescales would be extremely tight if the deadlines were to be achieved. There would also be added complications in respect of next year being the first for the new unitary Council and some of the District Councils having outstanding accounts also.
- It was noted that, going forward, consideration was being given to separating Pension Fund accounts from those of the Administering Authority, allowing them to be signed off separately.
- Members asked that the final accounts were circulated to them as soon as the process was completed.
- It was noted that the Audit Issue referred to in the Annual Report related to the valuation of infrastructure investments, as referred to earlier.
- The draft Annual Report was now on the NYPF website and would be updated with some minor amendments once the accounts had been signed off, with the final version then appearing on the website.

Resolved –

That the report and issues raised be noted.

37. Internal Audit Reports

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

Details of the audit plan for 2022/23 were set out in the report with the audits of aspects of expenditure, income and investments starting shortly. Two remaining actions from the 2021/22 Audits had now been implemented. There were still other 2021/22 action that were not yet due to be implemented.

It was asked whether any reports would be ready for consideration at the April meeting of the Board. In response it was stated that all three were expected to be completed for the July meeting, however, there was no certainty that any of the reports would be available for April.

It was clarified that the Boxphish on-line training emails were generated by NYCC and related to cyber security, as there had been some doubt. It was noted that previously unannounced tests of cyber security had taken place with a number of people failing to recognise this. The biggest weakness in terms of cyber security was human error in not recognising this.

Resolved -

That the report be noted.

38. Risk Register

Phillippa Cockerill, introduced the report noting that the Risk Register received a complete update twice per year and was presented to the Board following that.

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

- It was suggested that the risk in relation to the solvency of the Fund should be upgraded given the recent fall in solvency. In response it was emphasised that the risks were determined through a formulaic process, and the formula would have derived the level of risk. It was also noted that the Fund remained over 100% solvent, therefore, this was not a significant risk at this stage.
- It was stated that having sufficient resources was the main risk to the Fund, currently, but there had been recent recruitment, and with sufficient time for bedding in, this risk could be downgraded.
- It was asked whether the failure of fund managers to generate a return, as had happened over the previous quarter, should be reflected in the Risk Register. In response it was stated that performance reviews were continually undertaken to ensure that fund managers were performing effectively.
- It was asked whether twice a year was sufficient for a review of the Risk Register. In response it was stated that the Register was constantly monitored with alterations made at the time, if required, with two formal reviews taking place and being reported on during the year.

Resolved:-

That the report, and issues raised, be noted.

39. Training

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

It was noted that current issues continued to be updated within Module 6 of the Hymans online training and that those that had completed it were advised when updates were in place. The Good Governance report, when published, would be likely to put more emphasis on training and knowledge, therefore, keeping up to date with issues would be important.

Members stated that they would welcome a training session on McCloud. They also noted that, previously, it had been agreed that training sessions would be provided prior to the commencement of Board meetings. This was acknowledged and it was stated that, subject to officers having time availability, training sessions would be provided in this manner, going forward.

Consideration would be given to holding a session with BCPP on how pooling had developed since it was introduced.

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 Members continue to provide details of any training they wish to be included on their training record:
- (iii) That consideration be given to training sessions immediately prior to Board Meetings, including sessions on McCloud and with BCPP.
- (iv) That the report , and issues raised, be noted.

40. 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.

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

6th April 2023

- (iii) That the 2023/24 proposed dates , as detailed in the report be noted as follows:-

Thursdays at 10am

6th July 2023

12th October 2023

11th January 2024

4th April 2024

The meeting concluded at 12noon.

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