

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 8th July 2021 via Microsoft Teams commencing at 10am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Ann Hook (City of York Council) and Louise Branford-White (Hambleton District Council)

Scheme Members:

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

Observer:

Sam Thompson (Hambleton District Council) – potential Scheme Member representative

County Council Officers:

Qingzi Bu, Phillippa Cockerill, Gary Fielding, Steve Loach, Nick Morgan, Ian Morton and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

285 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 and press were excluded from the meeting during consideration of Agenda item 8(b) – Confidential minutes of the Pension Fund Committee held on 4th June 2021

286 Chairman's Welcome and Introductions

The Chairman welcomed everyone to the formal, live broadcast, virtual meeting of the Pension Board. Members and officers introduced themselves for the benefit of the broadcast.

He announced that under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings would continue, with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach would be reviewed by full Council at its July meeting

287 Apologies for Absence

Apologies for absence were submitted by Emma Barbery (Askham Bryan College) and David Hawkins (York College) (Reserve Employer Representative).

288 Vacancy for Scheme Member Representative

It was noted that Sam Thompson (Hambleton DC) was attending today's meeting with a view to submitting an application for the vacant Scheme Member Representative position.

Resolved -

That the issue highlighted be noted.

289(a) Minutes

Resolved -

That the Minutes of the meeting held on 8 April 2021, 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;

289(b) Progress on Issues Raised by the Board

Details had been outlined in relation to the Scheme Member representative vacancy (above).

The outcome of the Hymans Robertson report on the future governance of the Local Government Pension Scheme (LGPS) had now been submitted to MHCLG, and their response was awaited.

A discussion relating to the Pension Fund Committee's (PFC) skills audit took place at the recent PFC meeting. A training programme was to be developed, on specific, relevant issues, potentially utilising the training opportunities offered by Hymans Robertson, for both the PFC and Pension Board Members. Members welcomed this approach.

In respect of consideration given as to whether a breach should be reported to the Pensions Regulator, regarding late issue of Pension Saving Statements, it was stated that further details were yet to be received back from HMRC.

The reports on Cyber Security would be presented to the Pension Board as soon as they were available with no indication, as yet, when this would be.

In relation to the comparison of data from investments and administration costs pre and post pooling, it was noted that this would commence when meaningful data became available, which would require an appropriate length of time. It was emphasised that account would also need to be taken of the changes to the Investment Strategy which had taken place during the transfer to pooling arrangements, which would also affect the position of investments.

The issue of the continuation of remote meetings and the return of face-to-face meetings would be considered by the Full County Council at its July Meeting.

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.

290. Declarations of Interest

There were no declarations of interest.

291. Public Questions or Statements

There were no public questions or statements.

292. Treasurer of the North Yorkshire Pension Fund – Annual Discussion

The Treasurer of the North Yorkshire Pension Fund, Gary Fielding, held his Annual Discussion with the Pension Board. Initially, he highlighted the following issues:-

- The previous year had been dominated by the impact of COVID 19, but had also resulted in an unexpected, highly successful year for the Fund, in terms of investments.
- At the end of June 2021 the value of the Fund was £4.5b, which was 4% above the benchmark. The funding level was now 125% in comparison to it being 114% at the end of March 2019.
- Assumptions for the Fund going forward were based on continued good returns from investments, through the success of the Investment Strategy, with equities being a key part of this.
- A great deal of work has been put in by the PFC over the years to move the funding position from 35% to its current position, and every effort is being made to retain that. Many meetings and workshops have been undertaken by PFC Members to develop the new Investment Strategy with a view to retaining current funding levels through de-risking.
- The importance of the PFC to the Fund, and ensuring that Members had a high level of knowledge in relation to the Fund and the LGPS, were emphasised.

- The recent meeting of the PFC agreed the Investment Strategy, going forward, and also approved the suite of Governance Documents that are reviewed on an ongoing basis.
- A large number of administration issues have been ongoing during the year, which had seen the administration extremely busy throughout the year, but they had coped admirably. Amongst the issues were:
 - A new administration system
 - Increase in Academies joining the Fund/transfers of contracts/Sub-Sectors/Policy amendments/employer compliance
 - Increases in the requirements of the various Regulatory Bodies
 - McCloud
 - Pensions' reconciliation
 - Annual benefits Statements and all the usual monitoring and compliance work.
- The PFC had recently signed off a revised Responsible Investments' Policy, but this would continue to be monitored and reviewed, going forward.
- Carbon impacts were a major concern currently, and whilst the Fund would be looking to invest in "green" investments/infrastructure, it had to be ensured that these were really "green" and were a good investment. A cautious approach would ensure that the correct balance was achieved.
- In terms of Local Government Reorganisation, whichever proposal was chosen, this would not affect the NYPF as the Government had indicated that they would determine which Council would be the Administering Authority, and the NYPF and PFC would continue in the same format.
- The 2022 Tri-ennial valuation was getting nearer with Government guidance awaited on how pooling will be accounted for in this.

Following the initial presentation a discussion was undertaken with Board Members. The issues and points raised are highlighted below:-

- A Member asked whether the new Investment Strategy still had too much exposure to equities and was, therefore, still relatively high risk. In response the Treasurer stated that this issue had been the subject of significant discussion amongst Members of the PFC, with differing views. As a result of the revisions to the Investment Strategy exposure to equities, over the previous 3-4 years, have been moved from 65% to 50%, significantly de-risking investments. The aim of the Strategy was to ensure that good returns on investments were maintained whilst seeking to retain the funding level obtained. He considered that the balance of the new Strategy felt right, and should this provide an opportunity to increase the value of the Fund that could provide the possibility of reducing contributions from employers, which would be of great benefit. A member raised concerns regarding suggestions that employers could be given a contributions "holiday" when the value of the Fund was above 115%. The Treasurer stated that this could be undertaken by way of a reduction in contributions, as payment holidays would be implemented, when funding levels were high, however, employers would be informed that any reduction in contributions could be reversed should funding levels drop.
- It was asked how Members of the PFC were provided with advice to make decisions on investment matters, and whether there were different views provided. In response the Treasurer stated that advice was provided by the Investment Consultants, the Independent Investment Advisor and NYPF Officers, which provided a variety of views, conflicting on occasions, which provided a robust challenge to be made to investment recommendations. The process was welcomed by Members and ensured that a necessary level of challenge was provided in respect of those decisions. The Chairman echoed

the issues set out by the Treasurer in respect of the challenge and differing views demonstrated by PFC Members and advisors.

- A Member asked how the relationship with the Pool impacted on the Investment Strategy. The Treasurer explained that although the Strategy was a stand-alone document, which was pertinent to the aspirations of the NYPF, there had to be some relationship to the investment opportunities offered by the Pool. He noted that should the Pool not offer an investment opportunity required by the Fund's Strategy, the Fund could invest outside the Pool, for example the current investment with Baillie Gifford, however, in the main, the NYPF would seek appropriate investment vehicles within the Pool.
- A Member noted that, originally, it was suggested that pooling had been introduced to allow the Government to have access to the LGPS accrued finances for infrastructure schemes, and he wondered whether this was still the case. In response the Treasurer stated that this had not taken place due to the liability that would be placed on the Government in using LGPS funds in this way. In terms of future projects it was unlikely that the Government would use funding directly for infrastructure schemes, but they were influencing pools to invest in these schemes, and, should such schemes be appropriate and generate the required levels of returns, pools would no doubt be investing in these projects. In terms of the NYPF it would be ensured that any such investments complied with the Investment Strategy. It was noted that use of the pool to explore investments in green infrastructure was beneficial as the combined funds from the participating Pension Funds ensured that this was far more achievable and cost effective.
- A Member asked whether the benefits of cost savings for the Fund, from the pooling arrangements, were beginning to materialise. In response the Treasurer stated that the costs position was a mixed picture and emphasised that the main role of the PFC was to oversee the performance of investments. Previously high fees were paid for good performance from investments, which was warranted as these brought a good return to the Fund, however, these fees had been reduced by participation in the pool as the combined funding helped to reduce these costs. The savings on Fund Managers were appreciated but it had to be ensured that the Fund's investments were performing appropriately, and that continued to be monitored. The Treasurer noted that BCPP also used internal Fund Managers for some of the investments which had also reduced costs. Members asked whether pooling was saving money for the LGPS as had been suggested when this was introduced. The Treasurer again stated that Fund Manager fees had been reduced, and it was expected that, overall, economies of scale would see all costs reduced, however, pooling was still in its infancy, and it would take time for the cost saving benefits to be seen, following the initial setting up costs.
- The Chairman, recognising the intensity of the work carried out by the NYPF in the previous year, asked if there were sufficient staffing resources, going forward, to cope with the ever increasing workload. The Treasurer stated that it was thought when pooling was introduced that the burden of work for the administration team would lessen, however, the opposite had proved to be the case with more pressure from the Regulatory Bodies, a large number of investigatory projects and the introduction of new systems. Currently there was no concerns that the service would be overwhelmed, with some recruitment having taken place and the new systems beginning to bed in. The service remained very busy and the Treasurer would continue to monitor the situation to ensure that it was coping effectively and more resources would be provided should that be required. The Chairman considered that, going forward, the Regulatory onus on the Fund would become increasingly stringent and challenging, which would increase workloads. A member raised concerns that

the intensity of work would remain high and this would have an impact on workloads and lead to difficulties in meeting timescales for pensioners. The Treasurer acknowledged this position, stating that the burden of regulations was likely to increase, as all Pension Funds were being exposed to the extra regulations, even though, in his opinion, much of this was not required for the LGPS.

Resolved –

That the Treasurer of the NYPF be thanked for his attendance at the Pension Board, and the details provided be noted and welcomed.

293(a) Minutes and Confidential Minutes of Pension Fund Committee meeting held on 4^h June 2021

The Minutes from the meeting were provided for Members' information. The Chairman noted that the majority of issues had been covered in the discussion with the Treasurer earlier in the meeting. Members raised no further issues in respect of the Minutes. There was no discussion of the confidential Minutes, therefore, the meeting did not move into private session.

Resolved -

That the Minutes of the PFC held on 4 June 2021 be noted.

293(b) Pension Fund Committee - update on Meeting held on 2nd July 2021

The Chairman noted that the Minutes from the meeting were not yet available, however, the issues discussed at that meeting would be considered later on the agenda at this meeting, therefore, discussions would be deferred to that item.

Resolved –

That this be noted.

(The Chairman agreed to take the following item at this stage to allow the Treasurer of the NYPF to consider the discussion of the Board.)

294 Risk Register review, Governance Documents review and draft NYPF Statement of Final Accounts

The report provided Pension Board members with the opportunity to review the risk register, suite of governance documents of the North Yorkshire Pension Fund (NYPF) and details of the NYPF draft Statement of Final Accounts.

It was noted that the PFC had recently considered the Governance Documents and had approved alterations, where appropriate. Details of the documents were provided to Board Members, with track-changes in place, providing an opportunity to determine any further changes to the documents before they were altered. The documents would continue to be reviewed during the year and brought back to the PFC and PB for further consideration.

The Risk management reports were also provided for comment and the draft Statement of Final Accounts was provided for information.

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

- The draft Statement of Final Accounts would be approved by the County Council's Audit Committee in September 2021.
- A Member noted that three of the risks in the Risk Register were currently graded as "red" and two others has increased levels of risk. Another Member drew attention to the "red" categorisation of Resources, noting the discussion held in relation to this earlier in the meeting, and emphasising that it was important that this was shown as a risk. The Treasurer agreed emphasising that it was important that the NYPF was open and honest around the risks faced.
- A member noted that the Responsible Investments Policy would continue to be reviewed and asked whether it would be brought to the Board following any subsequent reviews. In response it was stated that, unless confidential, all the papers from the PFC were shared with Board Members, therefore the Policy would be provided to the Board when revised.
- It was stated that the Business Plan appendix indicated actions for the initial few years, then had no definitive actions for the final year, and it was asked whether this would be completed, going forward. In response it was stated that the Business Plan would have details added as time progressed as it would be adapted to take account of issues arising and any matters that may have been subject to delay.

Resolved –

That the Risk Register, Governance Documents and draft NYPF Statement of Final Accounts be noted.

295 Review of Terms of Reference

Members were provided with an opportunity to review the Board's Terms of Reference. It was noted that although an annual opportunity was provided to review the Terms of Reference, due to the need to include issues relating to the provision of remote meetings and the possible escalation of matters, a review had taken place in Autumn 2020, with the necessary amendments made.

In relation to remote meetings it was asked whether the ability to hold such meetings should be retained in the Terms of Reference. The Chairman confirmed this to be the case as it would offer flexibility for the organisation of meetings should the necessity for a remote meeting arise.

Resolved –

That the current Terms of Reference, as set out in the appendix to the report, be re-affirmed.

296 Draft Annual Report

Members considered the draft Annual Report of the Pension Board for 2020/21, and were requested to suggest any amendments, before this was submitted to full County Council, as Administering Authority to the NYPF, for approval. The Annual Report would also be submitted to the Pension Fund Committee and Executive prior to submission for County Council approval

It was noted that, following approval by County Council, the Annual Report would be published on the NYPF website.

It was noted that some figures for inclusion in the report were still to be provided and had been highlighted in red.

Members suggested some alterations, including:-

- Inclusion of the reviewed Terms of Reference
- Inclusion of details of the informal meeting held in January

Resolved -

That the draft Annual Report of the Pension Board 2020/21 be approved, subject to the amendments outlined, and taken through the appropriate process before it is submitted to full County Council for approval and publication.

297. Pension Administration

The Pension Administration Manger, Phillippa Cockerill, 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 June 2021 meeting.

The following issues were highlighted:-

◆ PFC Report

The PFC report from their June 2021 meeting was provided as an Appendix.

◆ Workload

The Administration Team had seen a large increase in the workload since the beginning of the year.

◆ Annual Benefits Statements (ABS)

The process for the 2021 issuing of the ABS had now commenced and a with one outstanding employer file. The deadline for submission was 30 April 2021. Every effort was being made to complete the process on time.

◆ Integrated Payroll and development of systems

The Integrated Payroll was now being operated and was expected to be more efficient. This was part of the administration systems project to align ways of working to promote efficiency and effectiveness, which included the supply of data on a monthly basis via the Employer Portal.

◆ Performance Indicators

It was noted that performance statistics were currently down on required levels due to the volume of work. This was expected to improve with the introduction of the new systems. It was noted that other Funds were experiencing similar issues.

◆ Payment delays

Issues with AVC providers were causing payment delays which also affected the performance statistics for the Team.

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

- It was noted that the McCloud judgement had resulted in an external provider being recruited to obtain the necessary data from employers, with this required by March 2023. It was stated that the timescales would be difficult to achieve with further guidance on this awaited from the LGA. It was emphasised that it would be difficult to determine the overall cost of this as there were too many variable factors to estimate this at this stage.
- The Chairman noted that there had been no new breaches reported since the previous report to the Board and stated that the Breach reported at the April meeting, which had been recommended to not report to the Pensions Regulator by the Board, had that course of action agreed by the PFC.
- It was asked how challenging it would be to integrate the larger employers with the Employer Portal. It was emphasised that this was a significant piece of work which would be time consuming. It was also noted that changes to processes and practices also required time to become established, although there were no fundamental issues currently for the Administration Team.
- It was noted that the AVC provider, Prudential, had been requested to provide appropriate figures to the NYPF within a 45 day timeframe.

Resolved -

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

298. Internal Audit Reports

Audit Manager, Ian Morton, provided the Pension Board with an update on Internal Audit activity.

The report highlighted the Audit Plan for 2020/21, previously approved by the Pension Board, as follows:-

- ◆ Income and Investments Audits were underway with the final reports nearing completion.
- ◆ The Expenditure Audit had been completed and a copy was appended to the report – the Audit indicated substantial assurance with no major actions required.
- ◆ Two outstanding actions from the 2019/20 audits were detailed in Appendix 1 to the report and the reasons for their non-completion outlined.
- ◆ Veritau had recently taken on the Internal Auditing role for two further authorities, and it was expected that comparison of audits would be beneficial to other Authorities.

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

- A Member asked whether there would be other audits undertaken in respect of the NYPF as the report indicated that the issues audited were usually the same, year on year. In response it was stated other audits would be considered, with a Governance audit undertaken previously, and planning for next year's audits would take account of any suggestions.
- It was requested that additional details be provided in future reports when the implementation of actions had been delayed. It was stated that this would be taken account of for subsequent reports.
- It was expected that the final two audit reports would be available for the October meeting of the Board.

Resolved -

That the report be noted.

299. Dispute Cases and Exercise of Discretions - Annual update

Members considered details of the cases received via the Internal Dispute Resolution Procedure (IDRP) and those cases referred to the Pensions Ombudsman in the scheme year to 31 March 2021.

The following issues were highlighted:-

- There were two IDRP cases received in the period 1 April 2020 to 31 March 2021. Both of these related to ill health early retirement appeals against the relevant employers. Details were provided in an appendix to the report.
- There were two cases received from the Pensions Ombudsman in the period 1 April 2020 to 31 March 2021. A summary of each case and the outcomes were provided in an appendix to the report.
- Employer discretions were exercised throughout the year such as for flexible retirements, deadlines for transferring in, assessing employee contribution bands, etc.

Members discussed the report and the following issue was highlighted:-

- A Member asked about the reference to the West Yorkshire Pensions Authority in the IDRP cases. It was stated that, in response, that they had been used as an independent adjudicator to review the cases.

Resolved -

That the report be noted.

300. 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 the report providing details of training events attended, and activities undertaken by Pension Board Members was not now published as part of the report but did appear on the Meeting's web page and this was up to date.

It was noted that Hymans Robertson package of on-line training relevant to the LGPS was to be utilised for both PFC and PB Members. Members would be advised how to access the training in due course. Members should advise the Clerk when they had undertaken relevant training to allow the training record to be updated

Resolved -

- (i) That the report be noted
- (ii) that Members be advised on how to access the Hymans Robertson online training package.

301. 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 2022.

Resolved -

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

Thursdays at 10 am

2021/22

7th October 2021

13th January 2022

7th April 2022

302. Other business

Louise Branford-White

The Chairman noted that this would be the last meeting of Louise Branford-White, who had been a Member of the Board since its introduction in 2015, as she was leaving her current post, and would be ineligible to be a Board member in her new role. He thanked her for her service to the Pension Board and her valuable contributions to meetings and the work of the Board. This was echoed by other Members and officers of the Pension Board.

It was noted that Louise, as part of her role with the Board, had fed back issues to the Section 151 officers group, from the Pension Board. Nick Morgan had attended today's meeting as an observer, and would act in this role on a temporary basis until a permanent solution could be found.

Resolved -

That the issues highlighted be noted and Louise Branford –White be formally thanked for her service to the Pension Board.

The meeting concluded at 12.10pm.

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