

North Yorkshire County Council**Pension Board****20 April 2017****Preparation of Annual Report****1.0 Purpose of the Report**

To consider the preparation of an Annual Report of the Pension Board and determine to where this will be reported.

2.0 Background

2.1 The Terms of Reference for the Board, as detailed in the previous report, require that an Annual Report is submitted to the Administering Authority.

2.2 Following discussion at the previous meeting, consideration has been given, by officers, to Annual Reports produced by other local Pension Boards throughout the country, with a view to developing an appropriate publication. The details obtained were wide ranging, from a 20 page glossy brochure to two sides of A4.

2.3 It was suggested, therefore, that the advice of the North Yorkshire Pension Fund's Independent Observer, Peter Scales, be sought in relation to this matter, as he had previously been involved in the development of Annual Reports for local Pension Boards.

3.0 Annual Report

3.1 Details of the comprehensive advice of Peter Scales are provided in Appendix 1 to this report.

3.2 Pension Board members are invited to make comments on the preparation of an Annual Report, based on the advice provided, and determine to where this should be submitted and whether one report will suffice as a submission to the various different bodies.

4.0 Recommendations

- (i) That Members determine the content of the Annual Report, based on the advice provide, with a draft submitted to the next Meeting on 20th July 2017;
- (ii) That members determine where the Annual Report should be submitted and whether the same report could be reported to the various different bodies.

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Background Documents: None

ADVICE PREPARED FOR

North Yorkshire Pension Fund

Annual reporting by the Pension Board

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[Report date: 3rd April 2017]

Background

I have been asked to advise on the requirements for local pension boards to prepare an annual report or report to the Scheme Advisory Board, and on best practice in terms of format and content.

Regulatory requirements

The regulations are 'silent' on the need for an annual report but refer to the need to have regard to guidance issued by the Secretary of State and to compliance with any requirements imposed by the Pensions Regulator.

Secretary of State guidance

The DCLG has not issued formal guidance under the regulations in relation to local pension boards nor has it sought to revise or update its guidance on governance compliance issued in 2008. It seems therefore that DCLG is relying on guidance issued by the SAB and tPR.

SAB guidance

This is the principal guidance, issued in February 2015, on the creation of local pension boards and has been widely utilised to establish boards. While this does not constitute statutory guidance, it is generally expected that this would form some type of benchmark against which administering authorities/local pension boards would be monitored.

Section 8 of the guidance deals with reporting but much of this relates to the formal reporting of requests, recommendations and concerns, and breaches or non-compliance. However, sections 8.6 to 8.8 are relevant to the issue of annual reporting and I have reproduced these in **Annex A** for ease of reference.

The guidance sets out items that a report "**could include**" and, while not specifically related to an annual report, this section of the guidance offers an indication of what might be best practice.

Public Service Pensions Act 2013

As I mentioned in my recent report to the Pension Fund Committee, the SAB reports on its website, each fund's compliance with the terms of clause 6 of the Act on information which each fund should include on its website relating to the local pension board. North Yorkshire is fully compliant in this respect.

Other information from the SAB

In March 2015, the SAB issued a Q & A document which includes a section on information which a Board must publish. Question 16 is relevant, viz: "What information about a Local Pension Board or by a Local Pension Board will need to be published?" I have reproduced this question and answer in **Annex B** for reference but the key bullet states that "An annual report on the work of the Board to be included in the Fund's own annual report".

The Pension Regulator's Code of Practice 14

The Code covers the many areas where local pension boards are required to report, e.g. conflicts, breaches, but does not mention an annual report requirement.

North Yorkshire Pension Board Terms of Reference

The final point of reference is the terms of reference under which the Board operates and these were drawn up originally by reference to the guidance referred to above. The guidance states that it is each administering Authority to establish their local reporting arrangements and I have reproduced the relevant sections of the ToR in **Annex C**.

Conclusions

There are to my knowledge no formal requirements regarding annual reporting by local pension boards and no requirement to report to the SAB, DCLG or tPR other than in cases of concern, conflict or breach.

Administering authorities are required to determine their own arrangements and I would suggest the following as key elements of good practice:

The Pension Board to undertake a self-assessment of performance both as a Board and individually at the end of each year. This should include some assessment of effectiveness and a knowledge and skills self-assessment (as suggested by tPR).

Prepare an annual report for the Pension Fund Committee to include:

- The results of the performance self-assessment
- A review of work undertaken over the past year compared to plan, including any recommendations to the PFC and their response
- A forward work plan for the coming year
- Attendance at meetings
- A summary of any conflicts raised or contentious voting
- Training completed and planned
- A summary of actual expenditure against budget and a budget for the coming year.

Prepare a summary version of the report for inclusion in the Fund annual report.

Ensure that employers and scheme members are made aware of the report, either by direct circulation or by weblinks.

The style and content of the report should be consistent with pension fund reporting generally. My advice would be to keep the reports succinct and simple in order to avoid any perception of cost excess. The emphasis of the report should be accountability and openness.

Peter Scales
Independent Governance adviser

Annex A

Extract from guidance issued by the Scheme Advisory Board in February 2015

- 8.6 A report to full council (or equivalent) or another committee/officer the Administering Authority has delegated to receive it, could include:
- 8.6.1 a summary of the work of the Local Pension Board;
 - 8.6.2 details of areas reported to the Board to be investigated by the Local Pension Board and how they have been dealt with;
 - 8.6.3 details of any conflicts of interest that have arisen in respect of individual Local Pension Board members and how these have been managed;
 - 8.6.4 whether there are any risks or other areas of potential concern which the Board wishes to raise with the Administering Authority (although legal advice to the Local Pension Board should not be shared with a full council meeting and nor should a summary of it, since once legal advice goes beyond the intended 'client' and / or confidentiality is lost, privilege will be waived and this would also have an impact on the availability of the FOIA exemption for legally privileged information);
 - 8.6.5 details of training received and future training needs;
 - 8.6.6 the work plan for the last year and a draft of the work plan for the following year; and
 - 8.6.7 details of any expenses and other costs incurred by the Local Pension Board and anticipated expenses for the forthcoming financial year. These costs will be met as part of the administration costs of the Fund.
- 8.7 The above topics should also form the basis of ongoing regular reports to the Administering Authority/Pension Committee who should be asked to comment on the draft work plan, for views on how complaints and risks reported to the Board have been managed and confirm that the Local Pension Board is acting within its terms of reference and in accordance with good governance principles.
- 8.8 Information being reported from the Local Pension Board should also be communicated to members and employers of the scheme to encourage engagement and promote a culture of transparency.

Extract from the SAB Q & A issued in March 2015

16. What information about a Local Pension Board or by a Local Pension Board will need to be published?

When appointments to the Board have been made the Administering Authority must publish the name of Board members, their contact details and whether they represent employer, member (or other) representatives. In addition the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board should also be published.

The terms of reference including the role of the Board must also be published.

The following documents are also required for a Local Pension Board and should be published:

- Knowledge and Understanding policy and framework
- Code of conduct for Board members
- Conflicts Policy (Board must have regard to Administering Authority policy)
- Register of interests for its members (Board must have regard to Administering Authority policy)

In respect of the work of the Board the Administering Authority should also publish the following information:

- Agenda and minutes
- Training and attendance logs
- An annual report on the work of the Board to be included in the Fund's own annual report.

It would seem appropriate that much of the above information would be available on the Administering Authority's website. Where relevant it should also be included in the Fund's Annual Report and appropriate changes should be made the Fund's Governance Compliance Statement.

Extract from the of the North Yorkshire Pension Board's Terms of Reference

6) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

11) Board Meetings – Notice, Minutes and Reporting

The Pension Board shall annually report to the Administering Authority on its nature and activities. The precise content of this report will be subject to consideration and agreement at a meeting of the Board but as a minimum should include:

- a. details of members attendance at meetings of the Pension Board
- b. details of training and development activities made available to Pension Board members and attendance at such activities
- c. details of any recommendations made by the Pension Board to the Scheme Manager and the Scheme Manager's response to those recommendations
- d. details of costs incurred in the operation of the Pension Board
- e. a review of the effectiveness of the Board (see Section 6)

In consideration of items of business at its ordinary meetings the Pension Board shall determine whether it wishes to make recommendations to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

The Pension board shall also report as required by the regulations to the Pensions Regulator and the National Scheme Advisory Board.