

North Yorkshire County Council**Pension Board****20 July 2017****Conferences /Training Events - Feedback****1.0 Purpose of the Report**

To provide feedback from recent conferences/training events attended by Pension Board Members.

2.0 Background

The following Conferences/training events were attended by the Chairman of the Pension Board, David Portlock, and Phil MacDonald, as indicated:-

- Local Pension Boards – Two Years On (CIPFA Conference) – David Portlock (Chairman)
- “Brave New World” (LGPS Conference) - David Portlock (Chairman) and Phil MacDonald

Appendix 1, attached to the report, provides feedback on Local Pension Boards – Two Years On (CIPFA Conference) and was compiled by David Portlock;

Appendix 2, attached to the report, provides feedback on “Brave New World” (LGPS Conference) and was compiled by Phil MacDonald.

3.0 Recommendations

- (i) That Members note the feedback reports provided and determine what action, if any, should be taken by the Board as a result of the issues raised.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

Background Documents: Presentations provided at:-

- Local Pension Boards – Two Years On (CIPFA Conference)
- “Brave New World” (LGPS Conference)

CIPFA - Local Pension Boards Two Years On....Conference 28 June 2017

Headline Issues & Questions for NY Local Pension Board

Pensions Regulator Update

- The results of the TPR survey in 2016 have just been published on TPR website – see <http://www.thepensionsregulator.gov.uk/public-service-schemes/research-and-analysis.aspx?xtor=ES-231-%5bGovernance&Administration%5d-20170630-%5bPscontacts%5d--&ed2f26df2d9c416fbddddd2330a778c6=fjfxvgvf-fqdaxgrd> for summary and detailed results. We were told that the survey had been sent to Scheme Managers for completion – **who within NYPF received and completed the survey?**
- TPR will be using its enforcement powers much more robustly from now on
- Reporting Breaches of Law - **what is the NYPF process for deciding whether Breaches of Law should be reported? Do officers consult with the Chairs of PFC/PB or the Treasurer/Monitoring Officer?**
- TPR will be addressing Cyber Security over coming year. Administering Authorities will be expected to have robust arrangements in place. No definition of “robust” given, but you’ll know you haven’t got robust arrangements if for example systems crash, there is inadequate back-up or personal and confidential information is hacked!
- Governance, record-keeping, internal controls and member communications are TPR’s key focus areas for 2017/18

DCLG

- The current DCLG team of 5 is relatively inexperienced in LGPS issues
- Some comfort from the fact that Marcus Jones continues to be the Minister with responsibility for LGPS
- Period of uncertainty following snap election and Brexit distraction

Pension Ombudsman

- **Has NYPF had any involvement with the Ombudsman – eg any Determination Opinions/Letters?**
- **How many complaints are made to the Scheme Manager?**
- **Does NYPF receive the Ombudsman Interactive Newsletter?**

Cyber Security and the LGPS

- This was a presentation by Squire Patton Bogs (Lawyers)
- PB can add value and ask the “awkward” questions....
- Consider if PB members should be given a specific secure non-home email address
- Consider use of secure devices rather than “paper packs”
- GDPR (effective from May 2018) should be considered now. **What is NYPF’s timetable and plan for implementing GDPR?**
- **Does NYPF use “3rd party” processors? If so, for what?**
- **Do Auditors, Actuaries, Internal Audit, Printers to name some examples have robust procedures in place for data protection in connection with data transferred from NYPF?**
- From May 2018 there will be only 72 hours to report breaches. **Does NYPF have a *Data Breach Plan*? What are the obligations on “3rd party” processors for reporting breaches to NYPF (service provider agreements will need to be reviewed)?** The 72 hours is an absolute period – it will include weekends and the time taken for “3rd party” processors to notify NYPF.
- **How is NYPF approaching the requirement for Enhanced Privacy Notices and the need to communicate about these with pension scheme members?**
- Slides 80 & 81 provide suggested *First Steps Towards Compliance*

Scheme Advisory Board

- Cost Transparency, whilst currently voluntary, is in the spotlight! **Has NYPF signed up to the *LGPS Advisory Board Code of Transparency*?**
- See slides 97 & 98 for Fund Managers who have so far signed up. **Are NYPF discussing cost transparency with its Fund Managers - if not why not?**

Potential issues for PB Work Plan 2017/18 (in no particular order of priority)

- Data Quality
- Cyber Security
- Governance for Pooling
- TPR priorities – governance, record-keeping, internal controls, member communications
- Cost Transparency
- PB Member competency and skills
- PB succession planning

LGPS Trustee Conference, Bournemouth on 29/30-Jun-17

Headline Issues & Questions for NY Local Pension Board

Context

- 'Brave New World' conference, so called because of the speed of implementation of asset pooling and BREXIT
- LGPS biggest in UK at c£216b, after USS at c£54b and the third largest in Europe
- LGPS Scotland is £26b and Northern Ireland £6b
- LGPS 5.3m members
- 89 LGPS schemes across England and Wales
- unclear why LGPS developed like it did into so many separate funds, it was noted that if we were to start again a different model (perhaps a funded model like the NHS and Teachers pension schemes) might be preferable

Funding level

- 85% (£37b liability) funding at '16 (72% at '13) although it would be c100% if valued in '17, all distorted by high investment yields and low bond yields of course
- a longer term view would be much more sensible rather than this expensive to administer 3 year lottery of valuations
- primary (CARE contributions) rates up, secondary (deficit contributions) variable
- LGPS nationally is in a healthy position overall right now because investments are up, inflation down, salary increases down and there is a slow down in life expectancy projections (-0.5% saving) and reduced ill health. **Has NYPF the Risk Management strategy been reviewed to 'lock-in' some of the gains?**

Ethical/Responsible Investment

- Environmental, Social and corporate Governance (ESG) pressures. **What approach does NYPF adopt; Level 1, 2 or 3? What do our Scheme Members want, are they prepared to risk investment returns for ESG?**

Asset Pooling

- re asset pooling, 8 pools of between £25b-£43b planned for Apr-18. **What's the status of our Border to Coast asset pool right now? Is it our intention to 'build and operate' as the London asset pool or 'outsource' set up as the Welsh asset pool?**
- unprecedented scale and complexity, we must not underestimate set up resources
- from London's experience, it takes much longer than you think

- only 46% of LGPS members got their annual benefits statement by the statutory deadline each year, not good enough from a TPR viewpoint. **Do our Scheme Members get their benefit statements on time every year?**
- **If asset pooling is such a good idea, why not have 1 fund like USS? Won't we have 1 fund in say 10 years time anyway or will the £216b of LGPS assets be transferred to Government coffers to bring it into line with the other public sector schemes such as the NHS or Teachers?**
- **It'd be a good idea to benchmark the performance of the 8 asset pools, set up costs and investment performance?**

Employer Concerns

- anecdotally, many employers want to leave lgps we're told
- higher bar (funding contributions) for employers wanting to exit within 10 years discussed
- may need a different risk profile per employer, one size does not fit all

Procurement

- £35m saved through national framework agreements for Fund Managers, etc
- **I'd be keen to see if we are using Baillie Gifford etc via the most cost effective means, via a framework if that's the case?**
- equally, I'm more interested in quality as much as price and in particular the overall performance of fund managers benchmarked against appropriate scales
- FANG stocks: Facebook, Amazon, Netflix and Google have a combined value equal to the entire FTSE100

VFM Thoughts re the Conference Itself

- **so was the conference good value, did I learn things and would I go again?**
- other funds sent at least two representatives, some a lot more with many Elected Members there too
- we are required as Pensions Board members to continually refresh our pensions training and evidence this, the conference was a convivial way to do this in a relaxed atmosphere and to hear and question thought leaders in the LGPS field
- personally, I learned a great deal and I am now able to much better contextualise where the NYPF fits in with other big pension schemes across the Europe. Equally it was great to sit next to and chat informally with the big names who are driving the LGPS agenda forward for government, particularly asset pooling where we clearly need to catch up quickly

- c£750 cost per person, a third of this being trains to Bournemouth return but this needs to be considered in the context of doing the right thing for a c£3b NYPF
- I would go again, perhaps every third year so that we could rotate other Pension Board members and give them the same learning opportunity

Phil MacDonald, 30-Jun-17