

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 23 November 2017 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors John Weighell OBE (Chairman), Michael Chambers, MBE, Cliff Lunn, Patrick Mulligan and Helen Swiers.

David Portlock – Chair of the Pension Board.

Councillor Jim Clark - North Yorkshire District Councils.

Apologies were received from County Councillors John Blackie and Andy Solloway.

There were no members of the public present.

Copies of all documents considered are in the Minute Book

29. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No 37 on the grounds that this 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.

30. Minutes

Resolved -

That the Minutes of the meeting held on 14 September 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

31. Declarations of Interest

There were no declarations of interest.

32. Public Questions or Statements

There were no questions or statements from members of the public.

33. Pension Fund Risk Management Policy

Considered -

The report of the Treasurer requesting Members to approve the North Yorkshire Pension Fund Risk Management Policy. A draft of the policy was attached to the report as an Appendix.

The policy had been produced following discussions at the Pension Fund Committee in July 2017 where it had been recognised that there was no formal risk management policy for the North Yorkshire Pension Fund.

It was expected that the policy would be reviewed every three years by the Risk Management Team, with details of the review brought to a meeting of the Pension Fund Committee.

Resolved -

That the NYPF Risk Management Policy be approved.

34. Administration Report - Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund, over the year, to date, and to provide an update on key issues and initiatives which impacted the Administration Team including:-

- ◆ Admission agreement and new academies.
- ◆ Membership statistics.
- ◆ Throughput statistics.
- ◆ Performance statistics.
- ◆ Annual Benefit Statements.
- ◆ GMP reconciliation.
- ◆ General Data Protection Regulations (GDPR) 2018.
- ◆ Efficiency initiatives.
- ◆ Complaints.
- ◆ Member training.
- ◆ Meeting timetable.

The following issues were highlighted in relation to the report:-

- ◆ A great deal of work had been generated for the Administration Section through the academisation of schools, with impacts on the work of the section. Additional resources were being sought to address the increased volume of work and to ensure that the Team was more resilient. It was noted that the Team were beginning to reduce the backlog of work highlighted in the report.
- ◆ A Member asked whether the situation in relation to the Wakefield academies had resulted in a knock-on effect for the Pensions' Team. It was noted that the previous minutes had indicated that a response would be sought from the Department for Education to determine whether they would be the guarantor for academies should a failure occur, in terms of agreements around pension funding and it was noted that details would be circulated to Members in relation to that.

- ◆ The GMP reconciliation had now commenced and the data had been provided to ITM Limited. An updated baseline was expected to be developed shortly and the project would be taken forward from there.
- ◆ An initial meeting had been held with NYCC representatives in relation to the General Data Project Regulations (GDPR) 2018, with further meetings planned to consider what action NYPF needs to take over and above that of the County Council.
- ◆ In terms of the efficiency initiatives a first template of the letters review had been created and a test had taken place to determine whether the concept was appropriate. Further feedback on these developments would be provided to subsequent meetings.
- ◆ A table of commendations and complaints was in the process of being developed and would be provided to future meetings of the Committee.
- ◆ The Chair of the Pension Board referred to the proposed breaches, policy and breaches' log, noting that these were in the process of being developed and wondered whether there was a timescale in relation to that. In response it was stated that these would be in place shortly and it was expected that details would be available for the next meeting of the Pension Board.
- ◆ The Chairman referred to a complaint that had been circulated to Members of the Committee and he noted that that issue was ongoing and the Treasurer would keep Members updated on that situation.
- ◆ Members noted that some of the details contained within the courses attended appendix were not up-to-date and it was asked that this be updated accordingly.

Resolved -

That the report be noted.

35. Budget/Statistics

Considered -

The report of the Treasurer highlighting:-

- (a) The expenditure/income position to date for 2017/18.
- (b) The cash deployment of the Fund.

The Treasurer stated that the pensions payroll expenditure of £39.6m and retirement grant payments of £14.4m were lower than the forecast by £0.2m. Contributions income was currently forecast to exceed budget by £1.2m. In the six months to 30 September 2017 there had been much greater instances of both transfers in and out compared to previous years. The forecast for performance related fees had increased and investment management fees had also increased, as a consequence of the excellent Fund performance and, therefore, an increase in assets under management of the past 12 months. The underlying year 2017/18 cashflow forecast for the Pension Fund was estimated at an in-year surplus of £1.2m.

Details of the cash deployment for 2017/18 were outlined in the report.

The following issues were raised in relation to the report:-

- ◆ A Member referred to the 'in and out' cash transfers to and from Permira and wondered why this was taking place. In response it was stated that this issue was being addressed with a view to making quarterly payments rather than the frequent transfers in and out.
- ◆ Issues relating to the M&G transfer were also discussed and it was noted that the matter would be considered in greater depth during discussion of the Investment Strategy later in the meeting.
- ◆ The Chairman of the Pension Board noted that previous discussions at Pension Board meetings had considered the cash position of the Fund and whether North Yorkshire Pension Fund would be cash negative, going forward. In response it was stated that, currently, the Fund expected to remain cash positive, although, there was a potential for this situation to change by 2022. It was noted that a number of other LGPS now operated in a cash negative situation and the situation would continue to be carefully monitored.

Resolved -

That the report be noted.

36. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 September 2017.

The report indicated that the absolute overall return for the quarter (+ 3.1%) was above the customised benchmark for the Fund (+1.5%) by +1.6%.

The 12 month absolute rolling return was +14%, 4.3% above the customised benchmark of 9.7%.

Absolute and relative returns of the rolling years to each of the last four quarter ends were provided by way of comparison.

The report provided details of individual Fund Managers' performance in respect of the following asset classes:-

- ◆ Overseas equities.
- ◆ Global equities.
- ◆ UK equities.
- ◆ Property.
- ◆ Diversified growth funds.
- ◆ Private debt.

Details relating to risk indicators, solvency, rebalancing, MIFID II and proxy voting were also provided.

The Fund's Investment Consultants, AON Hewitt, provided an analysis of the performance of the Fund during the quarter and the following issues were highlighted:-

- ◆ The Fund's investments had again performed very well during the quarter, with strong performance in equities from both Bailey Gifford and Standard Life.
- ◆ The overall value of the Fund had grown by 3% during the quarter.
- ◆ The markets continued to perform well currently and consideration was being given to the rebalancing of assets to take account of the increased funding levels of the Fund and try and protect those.
- ◆ Details of the performances of individual Fund Managers were highlighted, in particular, L&G and Newton.

Members discussed the reports and the following issues and points were raised:-

- ◆ Issues around L&G currently holding cash and the position regarding property investments were highlighted.
- ◆ Issues around the performance of diversified growth funds were highlighted.
- ◆ A discussion took place in respect of the performance of the bond market currently and it was noted that bond investments assisted with the diversification of the Fund.
- ◆ Issues around investments, transfers in and out of funds and diversification were discussed.
- ◆ The performance of Bluebay and Permira was considered, with specific reference to property investments and the current ratings of the Investment Managers by the Investment Consultants. It was explained why particular Investment Managers were not rated whilst others were.
- ◆ Details of the expected transfer into private debt investments were provided.
- ◆ An update was provided on the current situation relating to compliance with MIFID II by the Investment Managers.

Resolved -

That the report and issues raised be noted.

The following item was exempt from consideration by the public and press and the Minute in relation to that reflects that position

37. Investment Strategy Review

Considered -

The report of the Treasurer seeking approval from Members to make changes to the Investment Strategy, to de-risk the Fund, in light of the current funding level.

In view of commercial confidentiality this minute cannot be published at this time.

38. Pooling Arrangements

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposal to pool the assets of LGPS Funds and requesting them to approve the creation of an NYPF Responsible Investment Policy and voting principles that would be aligned with BCPP policies.

It was noted that the most recent meeting of the Joint Committee had been held on 20 October 2017 and the Chairman provided an update on that and other BCPP developments including the ongoing recruitment process. He noted that, as yet, an appointment to the post of Chief Investment Officer had not taken place. He stated that a special meeting of the Pension Fund Committee was to be arranged to allow discussions with BCPP representatives to explore the proposals for the transition of Funds into BCPP in greater detail. It was expected that the special meeting would be convened prior to the next scheduled meeting of the Pension Fund Committee. Discussions on the sub-fund structure and the transition plan would be considered at that meeting.

Other issues outlined included:

- ◆ The relationship between the 12 Funds and the Pool. It was noted that the Pool was operating appropriately and on a professional basis.
- ◆ The need to ensure that the Joint Committee and Shareholder Board are operating separately and appropriately.
- ◆ Comparison of costs in terms of current arrangements and pooling arrangements and ensuring that comparative data was maintained so that these could be determined in future.
- ◆ It was noted that, at the last Joint Committee, Members were asked to approve the BCPP Responsible Investment Policy and corporate governance voting guidelines. These were attached as appendices to this report. Joint Committee Members were asked to recommend to their Committees that their Funds individual policies, in this regard, were aligned to BCPP policies so as to ensure all could comply with LGPS Investment Regulations.

In relation to this request it was noted that, should the North Yorkshire Pension Fund disagree significantly with the policies and guidelines, as detailed, then they did not have to adopt those, as a customer of BCPP, however, unless the 12 Funds were in agreement with these policies, then it could not be set as a policy of BCPP. There was some concern that adopting the policy could place restrictions on North Yorkshire Pension Fund, however, it was noted the position would be reviewed, annually, by North Yorkshire Pension Fund, as part of its governance arrangements and should any policy be found to be too restrictive, then this could be reviewed at that time. It was noted that the suite of governance documents relating to BCPP would be submitted to the Pension Fund Committee for agreement and suggested alterations could be developed at that time.

Resolved -

- (i) That the report be noted; and

- (ii) That the creation of an NYPF Responsible Investment Policy and voting guidelines, aligned to the BCPP policies attached as Appendices to the report, be approved, subject to Members being provided with an opportunity to submit any fundamental concerns to the Treasurer, following further consideration of those policies, outside the Meeting.

39. Pension Board - Draft Minutes of the Meeting held on 12 October 2017

Considered -

The draft Minutes of the Pension Board held on 12 October 2017.

The Chairman of the Pension Board noted that amendments had been made to the Minutes, following their initial publication, and a revised version had now been published alongside the Pension Fund Committee papers on the website.

The Chairman of the Pension Board highlighted the following significant issues that had been discussed at that meeting:-

- ◆ The current vacancy on the Pension Board for a Scheme Member representative and attempts to fill that - the Chairman stated that he would ensure that the Pension Fund Committee was kept up-to-date in relation to the filling of that vacancy.
- ◆ The continued concern of some of the Pension Board Members in relation to their not being a Scheme Member representative on the Joint Committee for BCPP.
- ◆ The following work-streams were to be developed and a one page summary regarding project scope provided:-
 - Management, administration and governance process and procedure
 - Development of improved customer services
 - Scheme member and employer communications.

Details for the development of these projects would be considered at the next meeting of the Pension Board.

The meeting concluded at 12.15 pm

SL/JR