

## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 18 January 2018 at County Hall, Northallerton commencing at 10.00 am.

#### Present:-

#### Members of the Board

David Portlock (Independent Chairman).

#### Employer Representatives:

Councillor Ian Cutherbertson (City of York Council), Louise Branford-White (Hambleton District Council) and Phil MacDonald (Hull University).

#### Scheme Members:

Gordon Gresty, Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

#### In attendance:-

County Council Officers: Amanda Alderson, Phillippa Cockerill, Gary Fielding, Steve Loach, Ian Morton and Jo Wade.

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**Copies of all documents considered are in the Minute Book**

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#### 119a. Apologies

County Councillor Mike Jordan submitted his apologies for absence.

#### 119b. Vacancy for Scheme Member Representative

The Chairman advised that an application had been received in relation to the vacancy for a Scheme member Representative, however, confirmation was awaited from the applicant as to whether management approval would be provided for attendance at Pension Board meetings and to undertake work required in relation to being a Member of the Pension Board.

Stella Smethurst raised concerns that, potentially, a manager may not provide permission for a representative to attend meetings, or undertake work, and, in the meantime, the Pension Board was operating without balance in terms of the number of employer representatives and Scheme member representatives. She also noted that she would be retiring, and therefore stepping down from the Pension Board in August 2018, and emphasised the need to address this position going forward.

The Chairman acknowledged the issues raised and stated that he would pursue this matter with the applicant, and their line manager, with a view to obtaining a satisfactory response.

#### **120a. Minutes**

In relation to Minute No. 114, Pension Board Projects, it was clarified that County Councillor Mike Jordan would lead on the Development of Improved Customer Services project, with Councillor Ian Cuthbertson assisting and Councillor Ian Cuthbertson would lead on the Scheme Member and employer communications project, with County Councillor Mike Jordan assisting. It was noted that further discussion on these matters would be undertaken later in the meeting under the relevant agenda item.

#### **Resolved -**

That the Minutes of the meeting held on 12 October 2017, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

#### **120b. Progress on Issues raised by the Board**

It was noted, by the Chairman, that the majority of issues highlighted were agenda items for this meeting and would be discussed at the relevant point.

It was agreed that the issue regarding the appointment of Scheme member representation, through a co-option process, to the Joint Committee of BCPP remain on the report for future meetings, to ensure that the issue remained current.

#### **Resolved -**

That the report be noted.

#### **121. Declarations of Interest**

There were no declarations of interest submitted.

#### **122. Public Questions or Statements**

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

#### **123. Treasurer of North Yorkshire Pension Fund - Annual Discussion**

The Treasurer of North Yorkshire Pension Fund, also Corporate Director - Strategic Resources at NYCC, Gary Fielding, introduced himself and highlighted his role in relation to those positions.

He outlined how the Pension Fund Committee exercised the County Council's powers as Administering Authority for the North Yorkshire Pension Fund and how he, as Treasurer, managed the day to day process for the Administering Authority. He provided details of a number of the functions he was required to manage.

It was suggested, at this stage, that the issue later in the agenda relating to pooling should be discussed, enabling the Treasurer to provide input into the Board's consideration of that matter.

The report of the Treasurer, providing Pension Board Members with an update on the progress made towards the LGPS pooling arrangements was considered and the following issues and points were raised:-

- ◆ The structure of the company had now been agreed and a number of appointments had been made. It was noted that the original plan for BCPP to be operational from April 2018 would not now happen, and it was expected that this would commence in July 2018. The Treasurer stated that a Chief Investment Officer had yet to be appointed, however, the need for a Head of HR had been identified and an appointment would be made. Members discussed the appointment of the Head of HR, referring to the aim of pooling being to reduce costs compared to what was in place now. The structure identified appears to have a large number of Heads of Service for a relatively small organisation. Members of the Board also suggested that it would be appropriate for them to be provided with details of the structure, which was currently not for publication, to enable them to monitor the development of the pooling arrangements appropriately.

In response the Treasurer stated that he would make enquiries as to whether the structure could be provided to Members of the Pension Board with appropriate restrictions in place, to ensure that this was not provided in the public domain. He outlined how the structure provided was required to ensure that BCPP was compliant with the FCA. He also provided details as to the necessity for a Head of HR at this stage of the development of the pool.

- ◆ A Member asked whether concerns had been expressed by North Yorkshire Pension Fund in relation to the Chief Investment Officer not being appointed yet. The Treasurer explained the current position regarding the Chief Investment Officer for the Pool noting that an Interim Chief Investment Officer was in place and consideration was currently being given as to whether that position would be made permanent or whether an additional appointment would be required. He acknowledged that the post was important and that the Pension Fund Committee would monitor investments to determine how they progressed in comparison to the investments currently held by North Yorkshire Pension Fund.

The Treasurer again clarified that the structure for the Pool was required to ensure the body was FCA compliant.

- ◆ The Chairman stated that he had exchanged emails with the Chief Executive Officer of BCPP and had outlined the role of Pension Boards in monitoring governance arrangements and compliance and had sought details of how that process would be undertaken with the Pool. He noted that as governance arrangements were developed by the Pool it would be determined how the Pension Board would be involved in monitoring those.
- ◆ Issues around the future role of the Head of HR for the Pool were discussed and it was noted that it was for the Chief Executive Officer of the Pool to determine how the structure was developed, going forward.

The Chairman stated that the Pension Board did not need to consider the day to day running of the Pool, as the Pension Fund Committee would be involved with that. Members acknowledged that position, but highlighted the need to be provided with appropriate detail such as the budget and staffing structure to enable appropriate monitoring to be undertaken. It was suggested that there was no reason why those documents could not be provided to the Pension Board as confidential papers. The Treasurer again stated that he would discuss the matter with BCPP with the aim of providing the information requested by the Pension Board.

- ◆ Members discussed the operational costs highlighted by the Treasurer and it was emphasised that the nature of the industry, and the operations involved, related to the costs highlighted. It was noted that there were a number of large contracts included within the costs.
- ◆ A Member noted the BCPP website still referred to investments in infrastructure and asked whether this would be a necessity of being part of the Pool. The Treasurer emphasised that the role of the Pool was to provide investment vehicles for the Investment Strategy of North Yorkshire Pension Fund and the other Pension Funds involved and, currently, infrastructure projects were not part of the NYPF Strategy. He would not rule out potential investment in such projects, in the future, but currently the Strategy did not include those. He emphasised that the Pension Fund Committee would decide what North Yorkshire Pension Fund invested in and not the Pool, which had no power to determine the investments for the North Yorkshire Pension Fund.
- ◆ The Treasurer noted that the Shareholders and the Joint Committee would be responsible for ensuring that the strategies and priorities of each Pension Fund were adhered to.
- ◆ The Chairman emphasised that the Pension Board would offer comments to the Pension Fund Committee for those to be submitted back to the Pool in terms of governance, structure and budget.
- ◆ Members and the Treasurer further discussed how the Pool would implement the Investment Strategy of North Yorkshire Pension Fund and how representatives of the various Pension Funds and shareholders would hold BCPP to account to ensure that they were undertaking what was required of them. It was stated that the Joint Committee, and Pension Fund Committees, would be able to advise shareholders to ensure that their requirements were delivered.

**Resolved -**

That the issues, in relation to pooling, as discussed with the Treasurer of the North Yorkshire Pension Fund, be noted.

The following issues that did not relate to pooling were discussed with the Treasurer:-

- ◆ It was noted that a view from the DfE had been sought in relation to whether they would provide a guarantee for academies, in terms of pension provision, should they cease to operate or find themselves in financial difficulties and it was asked whether those details were available. It was noted that a response to this matter had been circulated to Pension Fund Committee Members and those details would be provided to Pension Board Members accordingly.
- ◆ Issues relating to the cashflow of the Fund were discussed, and it was noted that a number of Pension Funds were now in a negative cashflow position. It was noted that, currently, North Yorkshire Pension Fund had a positive cashflow and processes were being developed to try and maintain that position. The Treasurer emphasised that a negative cashflow position would not be over-problematic, going forward, but efforts were being made to try and

maintain the positive position for as long as possible. The Treasurer outlined the processes that would be put in place should a negative cashflow become reality.

- ◆ Arising from the overall discussions the Treasurer suggested that it may be appropriate for a meeting to be arranged, involving representatives from the various Pension Boards of those Pension Funds involved in BCPP to meet the Chief Executive Officer and discuss the development of the Pool. The Chairman stated that he would liaise with the Treasurer in relation to how that could be co-ordinated.

**Resolved -**

That the Treasurer be thanked for his attendance at the meeting and for the information provided and that he attend meetings of the Pension Board on an annual basis, to provide an update, or when specific issues arose that required his input.

**124. Employer Representative - Phil MacDonald**

The Chairman agreed that this matter should be considered as a matter of urgency because of the special circumstances outlined.

The Chairman reported that employer representative Phil MacDonald would be leaving his position at Hull University in March 2018 and, unless he found employment with another organisation covered by North Yorkshire Pension Fund, would be ineligible to continue in the representative role on the Pension Board. As such, this would be Mr MacDonald's last meeting of the Pension Board and the Chairman thanked him for his contribution to the work of the Board since his appointment. This was echoed by other Members of the Pension Board.

Mr MacDonald addressed the meeting, thanking everyone for their support during his time as employer representative stating that he had enjoyed the work undertaken alongside them. He highlighted how good it was to see the Pension Fund doing so well at the current time and how every effort should be made to maintain this position.

**Resolved -**

That Phil MacDonald be thanked for his service to the Pension Board and the good wishes of the Members of the Board be conveyed to him for his future work.

**125. Draft Minutes of the Pension Fund Committee held on 23 November 2017**

The Chairman provided details of the Minutes from the Pension Fund Committee meeting, as detailed, and the following issues and points were raised:-

- ◆ It was asked whether the disappointment of the Pension Board, regarding the position set out by the Pension Fund Committee in relation to Scheme member representation on the Joint Committee of BCPP was raised at the meeting. The Chairman stated that although the issue was not directly discussed the Pension Board Minutes were provided as an agenda item to the Pension Fund Committee and the full details of those discussions had been made available to Pension Fund Committee Members.
- ◆ It was asked whether the Pension Fund Administration Service would be in a position to meet the deadlines for the implementation of GDPR. In response

it was stated that extra resources had been obtained to assist with the implementation of the new data protection legislation with policies being developed in response to this. Support was being provided from the County Council's Data Protection Service. It was noted that compliance with the current Data Protection Act ensured that much of the new requirements were already being met. It was suggested that should issues arise in relation to this then the Pension Board should be informed.

- ◆ Reference was again made to the vacancy on the Pension Board and concern was raised regarding requiring an employer to provide permission to a Scheme member representative to enable them to attend meetings and undertake work on behalf of the Board. The Chairman noted that reference to this was contained within the Terms of Reference for the Pension Board and, therefore, had to be complied with. It was suggested that difficulties could arise from insisting on this, which could lead to Scheme member representatives not being available to participate on the Pension Board. The Chairman stated that he would give consideration to the issue raised and determine whether there was a possibility of addressing the issues to enable Scheme member representatives to be appointed appropriately.
- ◆ A Member referred to the letters review being undertaken by the Communications Section and asked how this related to the project he was undertaking in relation to Scheme Member and Employer Communications, in terms of possible duplication. In response it was emphasised that the project would be utilised to complement the review.

**Resolved -**

That the issues raised be noted.

**126. Review of Terms of Reference**

Considered -

The report of Legal and Democratic Services providing Pension Board Members with an opportunity to review the Board's Terms of Reference.

It was suggested that, should it be necessary, a further review of the Terms of Reference be undertaken to take account of governance of the pooling arrangements, when they were in place, otherwise, it was suggested that the Terms of Reference were appropriate as detailed.

**Resolved -**

That the Terms of Reference, as detailed in Appendix 1 to the report, be reaffirmed.

**127. Pensions Administration**

Considered -

The report of the Head of Pensions Administration providing Members with an update on key initiatives undertaken by the Administration Team of the North Yorkshire Pension Fund.

The report provided details in relation to the following issues:-

- ◆ Breaches Policy and log.
- ◆ Annual Benefit Statements.
- ◆ Altair Security.

The following issues and points were raised:-

- ◆ An Appendix to the report provided full details of the Breaches Policy and the breaches log.

It was asked whether the breaches log would be reported to the Pension Board on a regular basis. In response it was stated that the log would be presented to Members at all subsequent meetings of the Board, with either written or verbal updates provided.

Members suggested that the Pension Board had a responsibility to ensure that breaches were reported appropriately, however, advice would be required in relation to the reporting of those details. Providing relevant details to the Pension Board gave them a chance to consider the issues raised and, in turn, to refer to the appropriate body for action to be taken.

In response to a suggestion that the stage of referral to the Pension Board should be included on the breaches log it was stated that this would be put in place.

In terms of referral to the Pensions Regulator it was noted that the responsibility did not lie solely with representatives of the Pension Fund and that potential breaches could be reported to Pensions Administration from any appropriate source. Issues would then be investigated and considered in line with the process set out in the Policy.

- ◆ Issues around the breaches relating to information submitted for Annual Benefits Statements from employers were discussed. It was emphasised that it was important that a level of sharing of information had to be determined so as not to overburden officers, however, it was felt that there was a need for such matters to be considered by the Pension Board going forward. This position was acknowledged and would be addressed accordingly.
- ◆ Details of the revised Annual Benefit Statement were provided as an Appendix to the report and comments from the Pension Board were invited. Members welcomed the revisions made, describing them as positive and helpful.

A concern was raised regarding the inclusion of the nomination of a lump sum benefit, following the death of a member, as there could be issues arising from that if the member did not want others to know who they had nominated. It was noted that the benefits of including it outweighed any potential issues that might arise.

The Chairman commented that the Statements provided a large amount of information, however, it was noted that this had been reviewed in terms of what was provided previously, and far less was going to be provided on the Statement. It was emphasised that efforts were being made to ensure that the relevant information was contained within the first page of the Statement to encourage responses from those receiving the details.

The Chairman commented that he had not received a response to his email regarding the governance of the Fund and specifically details of the Roles and Responsibilities of those involved. The Head of Pensions Administration apologised as the work had been completed but not circulated.

**Resolved -**

- (i) That the contents of the Breaches Policy and log be noted, and the alterations outlined above be undertaken accordingly; and
- (ii) That the Annual Benefit Statement templates be noted; and
- (iii) That the response on Altair Security be noted.

**128. Internal Audit Reports**

Considered -

The report of Internal Audit providing the Pension Board with an update on Internal Audit activity.

The report highlighted that the Audit Plan for 2016/17 was now complete and details were provided as follows:-

- Pension investments - high assurance.
- Pension income - substantial assurance.
- Pensions expenditure - reasonable assurance.
- Altair IT system - substantial assurance.

A copy of the Pension Fund's expenditure final report was attached as Appendix 1.

The current progress of work being undertaken in line with the 2017/18 Plan was provided in the report.

It was expected that the final report on Pension Fund governance arrangements would be available for the next meeting of the Board.

The following issues and points were raised:-

- ◆ A Member suggested that there was a need to penalise employers that did not provide the information in a timely manner, on a repeated basis, to enable the Annual Benefits Statements to be distributed on time. In response it was noted that the position was challenging for the Administration Team and efforts were being made to work with employers, providing them with an opportunity to undertake appropriate changes, to ensure that information was provided on time.

In terms of employers' persistently not returning information in a timely manner it was noted that, should the North Yorkshire Pension Fund's interventions be not effective then the Pensions Regulator could step in and undertake training alongside the employer to ensure that they were meeting the required deadlines.

It was emphasised that when action was required it had to be ensured that the message was escalated to the appropriate level of officer within the employer to ensure that the process was addressed correctly.

- ◆ A Member expressed concern regarding the current process involved in ending a deceased pensioner's record. She noted that the current process, with North Yorkshire Pension Fund having to provide Employment Support Services with a copy of the Death Certificate was leading to a potential financial risk to North Yorkshire Pension Fund and it appeared that this bureaucratic step was unwarranted as it was unlikely that the death of a pensioner would be reported without that having been clarified by North Yorkshire Pension Fund.

A Member noted that the process was likely to be required by external audit to ensure that all checks had been made in relation to this matter, however, Members generally felt that this step in the process was causing undue risk and was not required.

It was suggested that further clarification be provided in relation to this process, to the Pension Board, to determine whether a more appropriate system could be developed, following discussions between the North Yorkshire Pension Fund Administration Service and Employment Support Services.

#### **Resolved -**

- (i) That the attached Internal Audit report be noted; and
- (ii) That the Pension Board supports North Yorkshire Pension Fund in relation to its attempts to simplify the process required in the cessation of deceased pensioner records, with a view to reducing the risk of financial loss to North Yorkshire Pension Fund.

#### **129. Review of Risk Register**

##### **Considered -**

The report of Legal and Democratic Services providing Pension Board Members with an opportunity to comment on the Pension Fund Risk Register.

Members were invited to provide feedback on the latest Risk Register and decide how they would like to review Pension Fund risks in the future, i.e. continue to receive the full Risk Register or focus on one key risk in detail at each review.

The latest version of the Risk Register was attached as an Appendix to the report and was last updated by officers in November 2017.

The following issues and points were raised:-

- ◆ A Member suggested that the main risk to the Fund was losing the current solvency position and that the Pension Fund Committee should dedicate its efforts towards maintaining this. The Chairman of the Pension Board, a regular attendee at Pension Fund Committee meetings, emphasised that the Committee was developing a strategy in an attempt to safeguard the current solvency position, to lower the risk of the Fund.

- ◆ It was also considered that it should be ensured that Pension Board Members were kept fully informed of the development of the pooling arrangements, with relevant information provided to determine how that risk was developing.
- ◆ Members were asked to consider whether they wished to continue to receive the full Risk Register, and monitor those details periodically, or whether they wished to give closer inspection to a specific risk at each meeting. A discussion on a way forward on this matter was undertaken and it was suggested that it was appropriate that the Board received periodic updates (every six months) on the full Risk Register, together with a verbal update as to whether the action to mitigate the risk had been undertaken, and what action had been undertaken, and why, if the actions previously detailed had not been fulfilled.

**Resolved -**

That the Pension Board would continue to consider all of the Risk Register, together with verbal updates on actions undertaken in relation to those risks, on a periodic basis, at subsequent meetings.

**130. Pension Board Projects**

Members provided updates in relation to the following projects, in respect of their position as project leaders:-

- ◆ Management, administration and governance process and procedure.

Mandy Swithenbank reported on the progress she had made in relation to this project, highlighting the following:-

- She provided a scoping report which indicated the proposed workstreams for the project. She highlighted the work being undertaken to develop the project and how she would work alongside Pensions Administration to correlate with the work that they were currently undertaking.
- It was suggested that the project leader and Pensions Administration communicate between meetings to determine the relevant information required for the project to be developed.
- A further report on the development of the project would be provided to the next meeting of the Pension Board, with an aim of producing a final report to the Pension Board in Autumn 2018.

- ◆ Development of Improved Customer Services/Scheme Member and Employer Communications

Councillor Ian Cuthbertson, Project Leader and assistant respectively, provided a brief outline of the projects.

He noted that Pensions Administration were undertaking a review of their standard letters, communications with members, etc., and he had contacted the Head of Pensions Administration to ensure that his project and their review were interlinked.

A discussion took place relating to the number of letters currently on the system and a reduction of the number of standard letters that could be utilised, going forward. The aim of the project and the review was to provide a much more simplified process and procedure. The Head of Pensions Administration suggested that it was beneficial to have the project being undertaken at the same time as the review as this allowed suggestions to be considered and implemented simultaneously.

The projects would be developed alongside Pensions Administration and reports back to subsequent meetings would follow.

**Resolved -**

That the initial reports on the development of the projects highlighted be noted and they continue to be developed as indicated.

**131. UK Stewardship Code - Compliance**

Considered -

The report of Legal and Democratic Services providing the Board with an update on the progress made towards the production of a North Yorkshire Pension Fund Statement of Compliance with the UK Stewardship Code and providing an opportunity to feed comments back on the draft Statement prior to Pension Fund Committee approval.

It was reported that the FRC published the first UK Stewardship Code for institutional investors in 2010, issuing an update in 2012 and that the Code would be revised in 2018. The Code's main focus is on UK equity investments. The Code aimed to enhance the quality of engagement between investors and companies to help improve the long term risk adjusted returns to shareholders. It also sought to set out a number of areas of good practice to which the FRC believed institutional investors should aspire.

A copy of the current UK Stewardship Code was appended to the report. Also appended to the report was a copy of the North Yorkshire Pension Fund Investment Strategy Statement and it was noted that this should explain the Fund's policy on stewardship with reference to the UK Stewardship Code.

To ensure that North Yorkshire Pension Fund was compliant with the latest guidance officers had drafted an NYPF Statement of Compliance with the UK Stewardship Code which was attached as Appendix 3 to the report. Board Members were requested to provide any comments on the draft Statement, in line with the Work Programme, and feedback would be reflected in the draft Statement before it was presented to Pension Fund Committee for approval at its February meeting.

Following the initial presentation of the report a number of issues and points were raised as follows:-

- ◆ It was asked how the pooling arrangements would ensure compliance with the Stewardship Code. In response it was noted that a number of Pool policies were currently being drafted and Funds would aim to align their policies the Pool's approach in relation to those matters. It was emphasised, however, that the compliance with the Stewardship Code related to the present position, therefore, this was being developed in relation to the Investment Strategy and governance of North Yorkshire Pension Fund.

When the pooling arrangements were in place the approach to the Stewardship Code would be re-visited.

- ◆ In Principle 3 of the draft Statement of Compliance, issued by North Yorkshire Pension Fund, it was suggested that the “expectation” to report should be changed to a “requirement” to report. Officers stated that they would make this amendment to reflect that suggestion and ensure that other similar matters were referred to as requirements rather than expectations.

**Resolved -**

That, subject to the feedback provided, the draft NYPF Statement of Compliance with UK Stewardship Code can be submitted to the Pension Fund Committee for approval.

**132. Pooling**

The issue was dealt with earlier in the meeting during the annual discussion with the Treasurer of the North Yorkshire Pension Fund.

**133. Training (including Feedback from any Courses attended)**

Considered -

The report of Legal and Democratic Services providing an update on Pension Board Member training.

Members confirmed that the details of their training contained within the Appendix to the report were up-to-date.

It was noted that the details of the course attended by Mandy Swithenbank and Councillor Ian Cuthbertson (Local Pension Boards Autumn Seminar - CIPFA - Liverpool November 2017) had yet to be circulated and the Clerk agreed to do this.

**Resolved -**

That the details of the course highlighted above be circulated, any further training opportunities be provided to Members accordingly and the report be noted.

**134. Work Plan**

Considered -

The report of Legal and Democratic Services detailing the areas of planned work by the Pension Board.

The current projects being undertaken by Board Members, as discussed earlier in the meeting, were highlighted. It was suggested that alterations be made to the work plan at items 15, 22 and 25, where it appeared that issues were the subject of repetition.

The Chairman and Clerk agreed to review the Work Plan and eliminate the repetition, with details provided to the next meeting of the Board.

**Resolved -**

That the amendments to the Work Plan be undertaken as indicated and the report be noted.

The meeting concluding at 12.45 pm.

SL/JR

DRAFT