

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 11 April 2019 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

County Councillor Mike Jordan (North Yorkshire County Council), Councillor Ian Cuthbertson (City of York Council) and Louise Branford-White (Hambleton District Council).

Scheme Members:

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

In attendance:-

County Council Officers:

Phillippa Cockerill, Amanda Alderson, Steve Loach and Ian Morton.

Copies of all documents considered are in the Minute Book

189(a) Apologies for Absence

There were no apologies for absence.

189(b) Vacancies for Employer and Scheme Member Representatives

The Chairman introduced David Houlgate who had been appointed to the Pension Board to fill one of the current Scheme Member representative vacancies. Mr Houlgate provided details by way of introduction to other Members of the Board and it was noted that he was a Unison Branch representative and a Unison Pensions Champion.

In terms of the vacant position for an Employer representative it was noted that the potential candidate, previously identified, would no longer be pursuing the position.

Further efforts would be made to fill the current vacant positions.

Resolved -

- (i) That David Houlgate be appointed to the Pension Board for a four year term of office; and
- (ii) That the issues outlined be noted.

190(a) Minutes

Resolved -

That the Minutes of the meeting held on 24 January 2019, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

190(b) Progress on Issues raised by the Board

The issue of the appointment of a Scheme Member representative to the Border to Coast Pension Partnership (BCPP) Joint Committee had now been resolved with Nicolas Wirz, from Northumbria Pension Board, having been appointed to that position. Communication had been established between the Pension Board and the representative with details of issues raised at the previous Joint Committee having been provided.

In relation to arranging a meeting between representatives from the various Pension Boards of the Pension Funds involved in BCPP, it was noted that the various Chairs of the Boards had arranged a meeting for 22 May 2019 in Leeds, with a further meeting being arranged to take place around the time of the Pool's Annual Conference. Members were asked to submit details they would like to be discussed at those meetings, to the Chairman, prior to the events. It was noted that South Yorkshire Pension Fund were steering and supporting the Group, going forward.

The Board still had concerns regarding the availability of appropriate information, particularly in relation to financial details, being made available by the Pool for Pension Boards to consider. Those concerns had been mirrored in communications back from the Scheme Member representative appointed to the Joint Committee. Members considered that BCPP were not being as open and transparent as they stated that they would be. Issues in relation to transparency had been outlined by the Pension Board in response to the consultation undertaken by MHCLG. Representations would continue to be submitted to BCPP with a view to obtaining the relevant information to allow the Pension Board to effectively monitor the development of the arrangements.

It was noted that the Terms of Reference for the Pension Board would be reviewed at the July meeting with the Pension Fund's Independent Observer, Peter Scales and Treasurer, Gary Fielding, attending the meeting to assist with the consideration of the review.

In respect of the skills matrix/self-evaluation questionnaire it was noted that a Member had not yet completed this, therefore, an overall analysis of training needs could not be undertaken until that was returned. The Member indicated that he would complete the self-evaluation questionnaire should he be successful at the forthcoming Council elections.

In relation to the addition of “failure of an employer with no guarantor” to the Fund’s Risk Register it was stated that this had been added, not as a separate risk, but as an addition to an existing risk.

Resolved -

That the report, and further action undertaken, be noted.

191. Declarations of Interest

There were no declarations of interest.

192. Public Questions or Statements

There were no questions or statements submitted by members of the public.

193. Pension Fund Committee held on 21 February 2019

The Chairman noted that the draft Minutes for the meeting had not been cleared as yet, therefore, he provided brief details of what was considered at the meeting, highlighting the following:-

- ◆ Consideration was given to the Investment Strategy, in a confidential section of the meeting, which related to the transition of North Yorkshire Pension Fund (NYPF) assets into the Pool, in particular the transition of global equities. Further consideration would be given to this matter at a special meeting of the Pension Fund Committee to be held on 25 April 2019.
- ◆ The meeting considered various options in relation to providing equity protection and, again, further consideration would be given to this matter at the special meeting taking place on 25 April 2019.

It was clarified that equity protection was being sought to protect against any major dip in equity investments and the Chairman provided details of the type of protection that was being considered. It was noted that this would help to mitigate against the risks to investments in view of the current good solvency position of the Fund.

- ◆ Issues relating to Pensions Administration and the response to the MHCLG consultation were separate agenda items for later in the meeting.
- ◆ The NYPF budget and three year cash projection were discussed. It was noted that the forecast position for 2018/19 was £1.5m under budget, due to performance related costs being lower, related to a fall in the markets in Quarter 3.

In terms of the three year cash flow, it was noted that this showed a move towards a deficit position, however, it was expected that a surplus would again be in place by 2021. A further, in-depth evaluation, of the position would be undertaken at the time of the triennial valuation. The Chairman noted that he had raised issues relating to the rising costs of pooling operations, and it had been emphasised that Council Taxpayers and Pension Scheme Members were paying for those costs.

- ◆ The valuation of the Fund, at the time of the report for the meeting, had been £3.4bn, down from £3.6bn, in the previous quarter, with solvency down from 108% to 102%. It was noted that since then markets had recovered and solvency was now at around 105%.
- ◆ A report on pooling was provided and this would be discussed later in the meeting.

Resolved -

That the Minutes, and issues raised, be noted.

194. Membership of the Board

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting Members to provide a temporary continuation of the current membership of the Board until a full review of the Terms of Reference had been undertaken and implemented.

The report highlighted that, when the Board was created in July 2015, the terms of office set out in the Terms of Reference provided the Independent Chair of the Board, and Members appointed at that time, a four year term. This was due to come to an end in July 2019.

To enable an effective and consistent approach to be undertaken, in respect of the forthcoming review of the Terms of Reference for the Board, it was proposed that the Independent Chair, together with those appointed in July 2015, be provided with an extension to their terms of office until January 2020. It was noted that, should Members agree to this course of action, then the matter would have to be referred to the County Council for them to approve as Administering Authority.

Resolved -

That it be recommended to the County Council that the Independent Chair and Members appointed to the Board in July 2015, be given a temporary continuation to their terms of office until January 2020, allowing a comprehensive review of the Board's Terms of Reference to be undertaken in a consistent and effective manner.

195. Pensions Administration

Considered -

The report of Legal and Democratic Services, presented by the Head of Pensions Administration, Phillippa Cockerill, providing Members with an update on key initiatives undertaken by the administration team of the NYPF.

The following issues were addressed within the report:-

- ◆ The report and appendices that were submitted to the Pension Fund Committee in February 2019.
- ◆ The Breaches Log.

- ◆ Update on annual benefit statements.
- ◆ Letter review project.
- ◆ GMP reconciliation project.
- ◆ Pension team structure.

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

- ◆ The annual benefit statements for 2019 were now being prepared, with year-end data awaited. Around 150 returns, for 30k members, were expected, with a small number already received.

Members noted that there had been some issues in terms of the publication of annual benefit statements for 2018, and there had been, in particular, some difficulties in relation to the submission of data by a major employer. In response it was noted that there were around 200 outstanding issues/queries from the previous year's annual benefit statements and work continued to address this, with specific work being undertaken alongside the major employer. It was expected that further queries would arise in relation to the development of the 2019 annual benefit statements. Details of the work being undertaken alongside City of York were provided.

It was stated that NYCC had been provided with a one month extension in terms of data provision for the annual benefit statements 2019. It was acknowledged that this was due to the large number of employees and payrolls from which the data had to be obtained. It was asked whether this opportunity could also be afforded to other employers and it was stated that this would be discussed with them and determined whether it was required.

- ◆ The letter review was still continuing with a view to reducing the number of standard letters issued. Unfortunately the latest release of the admin software had broken some key functionality and discussions were ongoing with the supplier to have the issues resolved so development could recommence.
- ◆ GMP reconciliation - the reconciliation stage was continuing to progress and a project plan had been developed to deliver this. It was expected the active and deferred member records would be corrected in May 2019 with all pensioners being corrected by the March 2020 pension instalment. The Pension Fund Committee would determine the tolerances in terms of the reconciliation, subsequently.
- ◆ Pension team restructure - a lengthy review of the current pension team structure had been undertaken, alongside analysis of the flow of work through the team, and it had been determined that a restructure of the section was required.

Details of the objectives of the restructure and expected benefits were outlined. It was expected that the new structure would go live on 1 June 2019. It was noted that the team would continue to evolve and develop as the service moved forward. It was noted that, temporarily, the administration

team would be moving to White Rose House in Northallerton and that this would coincide with the restructure.

Members sought confirmation as to whether systems would be in place, appropriately, for the temporary move and whether the move would also affect the implementation of the restructure. In response it was emphasised that combining the two would lead to less disruption. In terms of the restructure it was clarified that the technical experts would remain within the section, but would receive appropriate training to enable them to supplement the other teams, to ensure that peaks of work could be covered by the whole of the team.

- ◆ A Member noted the CIPFA benchmarking returns in relation to the administration service and emphasised the need for information to be provided so that comparisons could be carried out as to services given prior to pooling, and those after pooling. In response it was emphasised that the pooling arrangements were in relation to investments and that the pensions' administration service for NYPF would continue as of now and, therefore, there were unlikely to be significant savings in that respect. Members emphasised, however, that there was a need to ensure all the appropriate information was in place in terms of costs related to transferring from the previous arrangements to pooling arrangements, to enable the Fund to determine whether this had been cost effective, as this had been stated as a major factor in undertaking pooling arrangements.

The Chairman emphasised that the lack of information coming from the pooling arrangements was a cause of concern for the Pension Board and stated that the issue would be discussed further when the pooling item was considered later on the agenda. He stated that pooling related to investment management, with, currently, the administration undertaken in respect of that provided by separate Investment Managers employed by NYPF. The pooling arrangements would lead to one Investment Manager and comparisons of costs would be required in relation to those arrangements. The NYPF would continue to have its own administration arrangements and, therefore, administration team, which would continue to be benchmarked against other Pension Fund Authorities.

- ◆ A Member still had concerns that costs for the pooling arrangements were rising and without the appropriate information in place, as of now, it would be difficult to provide a comparison and monitor the situation, going forward. He emphasised the need to have a base figure to allow the Pension Board to carry out this process. Another Member stated that she believed that the appropriate figures would come out in due course, allowing appropriate comparisons to be made.

The Chairman noted that these issues would be discussed at the combined meeting of Pension Board Chairmen, from those Pension Funds involved in the pooling arrangement for BCPP, on 22 May 2019.

- ◆ The Chairman highlighted the praise offered by the Pension Fund Committee in relation to the performance of the administration team and asked that the Pension Board also commend the value for money provision delivered by the team. Members concurred with the commendation outlined by the Chairman.

- ◆ It was noted that work was ongoing in relation to the non-receipt of some notifications via the “tell us once” system provided by the Department for Work and Pensions.

Resolved -

- (i) That the contents of the report, together with the issues raised, be noted;
- (ii) That the contents of the Breaches Log be noted.

196. Internal Audit Reports

Considered -

The report of Audit Manager, Ian Morton, providing the Board with an update on Internal Audit activity.

The current status of the 2018/19 Audit Plan was detailed as follows:-

- ◆ Pension Fund investments - delayed until June due to the timing of the transition of funds into the Pool, which is the focus of the audit.
- ◆ Pension Fund income - in progress.
- ◆ Pension Fund expenditure - draft.

A proposed Audit Plan for 2019/20 would be presented to the next meeting of the Pension Board, following discussions with officers. A total of 50 days for pensions’ audit work had been provisionally agreed by the Audit Committee and this would allow 45 days for targeted pensions’ audits.

The implementation of agreed actions for 2017/18 audits were shown in summary in an Appendix attached to the report.

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

- ◆ The Chairman queried the delay in the investments’ audit, in relation to the deadline set by Internal Audit, and asked whether this would be met. In response it was stated that it was expected that the Internal Audit would be completed in time and that the deadlines for external audit would be met. In relation to this it was expected that details would be available for the July meeting of the Pension Board.
- ◆ Details of the Audit Plan would be provided to the July meeting of the Pension Board and comments from Members would be taken account of at that time. A Member noted that the Audit Plan had already been agreed by Audit Committee and wondered whether it could be altered in view of that. In response it was emphasised that Audit Committee had only agreed to the 50 days of audit work, rather than the detail. It was emphasised that due process had been followed in relation to this and the Audit Plan also applied to the County Council. It was noted that, if required, for future years, the detailed Audit Plan could be brought forward and submitted for consideration to the April meeting of the Pension Board.

- ◆ Issues around how Internal Audit reports would be undertaken in relation to investments made through the pooling arrangements were discussed. It was noted that an officer working group had been working on this issue and it was suggested that the matter could be discussed at the forthcoming meeting of Pension Board representatives. Members emphasised the need to address this matter to ensure that duplication was not occurring and unnecessary costs were not being generated. It was noted that the Pension Fund's Internal Auditors, Veritau, would be involved in the process, as this was a major risk to the Pension Fund and, therefore, they would carefully monitor the situation and would look to be involved in a joint operation for the audit process. It was considered appropriate that a joint auditing process was developed in relation to the pooling investment.

Resolved -

That the report, and issues raised, be noted.

197. Pooling (including Response to MHCLG)

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services), presented by the Senior Accountant, Strategic Resources, providing Members with an update on the progress made towards the LGPS pooling arrangements and providing details of a response to the recent MHCLG consultation on the development of pooling arrangements.

The report highlighted the following issues:-

Transition of Funds

The main concentration of work had been around transition to the various sub-funds, with a number of workshops having been held in respect of the different sub-funds.

The next sub-funds to be launched were the global equity alpha, alternatives and fixed income. The workshops were currently concentrating on those asset classes and decisions on the commitment from funds would be required over the upcoming months.

The current transition timeline for the launch of the remaining sub-funds was:-

- ◆ Alternatives - Quarter 1 2019 onwards.
- ◆ Global equities - Quarter 3 2019.
- ◆ Fixed income - Quarter 3 2019 onwards.
- ◆ Property - Quarter 4 2020.

The first sub-funds that NYPF were expected to transfer into were the UK Equity Alpha and the Global Equity Alpha Sub-Funds during 2019, and due diligence would be completed in advance of all the transitions.

It was clarified that three external Fund Managers had now been appointed in terms of the UK Equities Sub-Fund, therefore, due diligence would be carried out on these.

It was noted that the Fund Managers for the Global Equities Sub-Fund had not been appointed as yet, but it was expected that these would be in place before the transfer

of funds allocated by NYPF to this portfolio. Due diligence would be carried out on the appointed managers before that transfer took place. It was noted that the other Pension Funds involved would also be undertaking due diligence, accordingly.

In terms of the current Fund Managers for the NYPF it was noted that their contracts would be terminated as the transition to the pooling arrangements took place.

In terms of the timetable for UK Equity transition it was noted that this was on track.

MHCLG Asset Pooling Consultation

The MHCLG had prepared new statutory guidance on LGPS asset pooling which set out the requirements of administering authorities, replacing the previous guidance and building on previous Ministerial communication on Investment Strategies. The guidance covered the following areas:-

- ◆ Structure and scale of LGPS Pools.
- ◆ Governance.
- ◆ Transition of assets to the Pool.
- ◆ Making new investments outside of the Pool.
- ◆ Infrastructure investment.
- ◆ Reporting.

A 12 week informal consultation had taken place on the draft guidance, which ended on 28 March 2019. The NYPF drafted a response in conjunction with both the Pension Fund Committee and the Pension Board. The final response was attached as an Appendix to the report.

Shareholder Representation on BCPP Board

It was stated that the Chair of the Pension Fund Committee had now resigned as a non-Executive Director of the BCPP Board. His replacement had yet to be appointed.

Meetings

The next officer operations group would meet on 24 April 2019. The meeting on 19 March discussed the sub-fund transitions, joint working opportunities, the MHCLG consultation and year end reporting. It was noted that discussions had taken place on the Governance Plan for the Pool and it was asked when this would be available for the Pension Board. In response it was noted that the Governance Charter had been shared, however, Members emphasised the need to see the plan to ensure that the Governance Charter was being followed, an issue that was covered by Internal Audit for the North Yorkshire Pension Fund. In relation to this it was noted that the Pool had its own Internal Audit arrangements in place and it was expected that appropriate details of the operational due diligence undertaken by the Pool would be cascaded down in due course.

Members emphasised the need to see much more information in relation to the pooling arrangements to enable monitoring and comparison to be undertaken. In terms of this it was noted that there was some uncertainty about what details were confidential, at this stage, however, further enquiries would be made as to what could be shared with the Pension Board.

It was emphasised that there was an expectation that reports would be fed through to the Board to show that governance was being adhered to appropriately, through the pooling arrangements, however, at this stage, it was unknown how the auditing of those arrangements would be undertaken in terms of the separate Pension Funds and it could be that this was undertaken through a joint auditing venture.

Members suggested that this matter be considered further, going forward, and added to the progress on issues raised by the Board report for future meetings.

A meeting of the Joint Committee was held on 11 March 2019, the next being on 4 June 2019. The previous meeting had discussed the appointment of the Chairman/Vice-Chairman and Directors of the Board, the Governance Charter, the response to the MHCLG consultation and the transition of funds. The new Scheme Member representative had also attended that meeting.

In relation to that, Members noted that there had been some difficulty in obtaining reports back from the Scheme Member representative, as they had been advised that much of the detail was confidential and, therefore, could not be fed back to Pension Boards. In respect of this it was noted that the matter had been discussed with the Treasurer and it stated that further discussions would be undertaken with him with a view to allowing more information to be shared between the Pool and Pension Board.

A Member noted that a budget was in place for the Pool, but details had not been provided. In response it was stated that the Pool budget had been to shareholders for approval, however, the Pension Fund Committee was yet to sign up to that, and as soon as that had been undertaken details would be shared with Pension Board Members.

The Chairman again raised concerns regarding the lack of information that was being provided to Pension Boards as BCPP deemed this to be confidential. A number of Pension Boards, whose Pension Funds were within BCPP, had similar concerns. It was noted that the issue had been raised with officers and it was asked that this, again, be discussed at the BCPP officer group. It was further suggested that the Scheme Member representative, on the Joint Committee, should also take this matter up.

A Member raised concerns regarding the lack of time provided to Pension Board Members to comment on the MHCLG consultation paper, however, it was noted that this paper had been on-line since January 2019 and a 12 week period was provided for consultation. It was acknowledged, however, that Pension Board Members were directly contacted in relation to this very close to the deadline for when the submission was required.

Clarification was provided on voting guidelines and corporate governance for the pooling arrangements and it was noted that the Pool was operated as a Teckal, as it was owned by the 12 Pension Funds involved and the appropriate guidelines for the operations of such companies were in place.

Resolved -

- (i) That the report be noted;
- (ii) That further representations be made in relation to the provision of information from BCPP to the Pension Board.

198. Training and Skills Matrix/Self-Assessment

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training and the skills matrix and self-assessment questionnaires.

It was noted that new Board Member, David Houlgate, would require copies of the skills matrix/self-assessment questionnaires to complete and return for evaluation alongside the other returns.

The Chairman noted that the majority of responses had now been received in terms of the questionnaires and the results would now be evaluated with a view to establishing a training plan based on the evidence obtained. He suggested that a workshop approach to the development of a training plan may be appropriate. An evaluation of the results would be undertaken and discussed with the Pension Funds' Independent Observer and the Treasurer to the Fund at the July meeting of the Pension Board.

It was noted that the Treasurer of the Fund had stated that he would provide a link for Pension Board Members in relation to appropriate Pension Regulatory modules that could be completed. It was stated that the Treasurer would be reminded of this with a view to the link being provided as soon as possible.

Resolved -

- (i) That a further approach be made to the Treasurer in relation to the provision of a link to the Pensions' Regulatory modules;
- (ii) That the updated training record, as detailed in an Appendix to the report, be noted and any further relevant training undertaken subsequently be added to that record;
- (iii) That an evaluation of the completed skills matrix and self-assessment questionnaires be undertaken; and
- (iv) That following the evaluation of the questionnaires, a workshop be arranged to determine training needs for Pension Board Members, following consultation with the Independent Observer for the Pension Fund and the Treasurer of the Pension Fund, at the next meeting of the Board.

199. Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work by the Pension Board.

It was noted that the meeting of the Board scheduled for 10 October 2019 had been changed to now take place on 3 October 2019, to avoid a clash with the BCPP conference. In relation to this it was noted that the BCPP AGM conference was scheduled for the same date of the next Pension Board meeting on 18 July 2019. The Chairman noted that the Treasurer and Independent Observer were due to attend that meeting of the Board and sought assurances that they would not be attending the BCPP conference instead.

Resolved -

- (i) That the work plan as set out in Appendix 1 to the report be approved;
- (ii) That the dates of ordinary meetings, as detailed, be noted; and
- (iii) That assurances be sought from the Independent Observer to the Pension Fund and the Treasurer of the Pension Fund that they would be attending the next meeting of the Pension Board.

200. Other Business

(The Chairman accepted the following item as urgent business, due to the issue having been raised by a Member of the Pension Board prior to the meeting and it having been discussed at the previous meeting of the Pension Fund Committee.)

Global Initiative to require Companies to report their Tax Payments Country by Country

The issue had been raised in conjunction with investments by Pension Funds and how this issue inter-related. The Chairman noted that he had raised the matter at the most recent meeting of the Pension Fund Committee and there had been some sympathy from Pension Fund Committee Members in respect of this matter. It was emphasised, however, that Pension Fund Trustees had a responsibility for obtaining the best returns from their investments and that had to be balanced against matters such as this.

In relation to such issues the Chairman stated that the Pension Board had to take care not stray into areas that were solely in the remit of the Pension Fund Committee and not to advocate a particular political stance.

Resolved -

That the issue raised be noted.

The meeting concluded at 12 noon.

SL/JR