

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 3 October 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 Anne Hook (City of York Council) and Louise Branford-White (Hambleton District Council).

Scheme Members:

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

County Council Officers:

Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

216(a) Apologies for Absence

There were no apologies for absence.

216(b) Vacancies for Employer and Scheme Member Representatives

It was noted that the vacancies for both Employer and Scheme Member Representatives on the Board remained as before and efforts to recruit to the vacancies would continue.

Resolved -

That this position be noted.

216(c) Membership of the Board

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting the Board to determine which, if any, of the originally appointed Members of the Board in July 2015 were seeking to be re-appointed for a further four years,

including the Independent Chairman, and which Members would step down from the Board, requiring a recruitment process to be undertaken.

It was noted that the Terms of Reference for the Board indicated that the terms of office for the Independent Chairman and Members appointed at that time, as being four years, with them seeking to be re-appointed or new appointments being made when that time had elapsed. A temporary extension to terms of office had been granted in April 2019 and, therefore, the terms of office would come to an end in January 2020.

It was noted that the Members affected were as follows:-

David Portlock - Independent Chair
County Councillor Mike Jordan - Employer Representative
Louise Branford-White - Employer Representative
Gordon Gresty - Scheme Member Representative

County Councillor Mike Jordan indicated that he would be standing down from the role. He considered that, due to the new pooling arrangements, the Pension Board was now remote from the Pension Fund and he was not sure how the remit of the Pension Board would correlate with these arrangements going forward. He considered there was too much confidentiality and secrecy in terms of information coming from the Pool, which did not provide appropriate opportunities for the Pension Board to consider that. He considered that the Pension Board no longer had a meaningful input on the Pension Fund.

The Chairman noted that County Councillor Jordan was entitled to attend the January meeting of the Board, in line with the extension to the term of office granted earlier in the year. This vacancy would now be passed to the leadership of the ruling group with a view to an appointment being made to replace County Councillor Jordan at the November meeting of the County Council.

The Chairman, Gordon Gresty and Louise Branford-White indicated that they would be willing to continue their roles as Members of the Pension Board and, therefore, sought re-appointment to the Board.

Resolved -

- (i) That the appropriate action be undertaken to re-appoint the following Members to the Pension Board, from January 2020:-
 - ◆ David Portlock - Independent Chair
 - ◆ Gordon Gresty - Scheme Member Representative
 - ◆ Louise Branford-White - Employer Representative
- (ii) That appropriate action be undertaken to fill the vacancy left by County Councillor Mike Jordan, as Employer Representative representing North Yorkshire County Council, when he steps down from the Pension Board in January 2020.

217(a) Minutes

Resolved -

That the Minutes of the meeting held on 18 July 2019, having been printed and circulated, be taken as read and confirmed by the Chairman as a correct record.

217(b) Progress on Issues raised by the Board

In relation to the meetings of representatives of the various Pension Boards involved in the BCPP pooling arrangement, the Chairman noted that a further meeting was due to be held on 10 October 2019, at the BCPP Conference. He stated that he would provide a report back to the Board following that meeting.

In terms of the vacancies for both an Employer and Scheme Member Representative on the Board it was noted that these continued to be advertised. It was stated that the vacancies would be highlighted at forthcoming meetings of Employer Representatives and Section 151 Officers. It was noted that details of the Scheme Member Representative vacancy were also on the Scheme Member section of the website.

In respect of the non-receipt of papers from BCPP, to the Pension Board, due in the main to their confidential nature, as determined by BCPP, it was stated that these were now being supplied by the Treasurer to the Board, allowing details to be considered. It was noted that there was still no formal process in respect of the provision of papers from BCPP, therefore, this matter would continue to be monitored by the Pension Board.

The review of the Terms of Reference, agreed at the previous meeting, would now be submitted to the County Council meeting in November for approval, in line with the County Council being the administering authority.

In respect of the skills matrix/self-evaluation questionnaire it was noted that, initially, the returned questionnaires from Pension Board Members were to be evaluated with a view to developing a training plan, however, since then, the same skills matrix/questionnaire had been circulated to Pension Fund Committee Members to determine their training needs. As a result it was considered appropriate that a full training programme, taking account of both Pension Fund Committee and Pension Board Members, be developed, once the questionnaire results had been obtained from Committee Members.

A Member emphasised that the most relevant training opportunities were provided through being able to question officers about the papers submitted to the Pension Fund Committee as more knowledge about the specifics of the NYPF was obtained from such sessions, than from generic training opportunities.

It was suggested that to address this, sessions could be arranged either prior or at the conclusion of Pension Board meetings, in a similar way to how this was arranged for the County Council's Audit Committee, to allow direct training around the intricacies of the NYPF to be delivered. The Chairman stated that he would consider this approach for future meetings.

The issue regarding membership of the Board had been dealt with earlier in the meeting.

In relation to the matter concerning the Internal Audit report, with limited assurance given to Pension Fund expenditure, as discussed at the previous meeting, it was noted that the 2019/20 Internal Audit team would reconsider the details outlined and would report back to subsequent meetings of the Board.

Resolved -

That the report be noted and any further action highlighted be undertaken accordingly.

218. Declarations of Any Interests

There were no declarations of interest.

219. Public Questions or Statements

There were no public questions or statements.

220. Minutes of the Pension Fund Committee meeting held on 13 September 2019

The Chairman noted that the Minutes from the meeting were not available to distribute to Pension Board Members at the time of this meeting and, therefore, he would do a brief summary of what took place at the meeting, highlighting the following:-

◆ Triennial valuation

The latest triennial valuation was underway and would be approved in March 2020 once contribution levels had been approved. A consultation process was due to take place with employers over a six week period to determine contribution levels. The valuation was on-track. In relation to the discussions that took place at the Pension Fund Committee it was noted that there were unlikely to be major changes to contribution levels following this valuation, in terms of the major scheduled bodies, although there could be changes for some of the smaller bodies.

◆ Other Issues considered:-

- Governance of Fund
- Budget statistics
- Pension administration

◆ Performance of the Fund

It was noted that there had been a significant fall in the markets since the performance of the Fund had been reported to the Pension Fund Committee, however, no advice was available, as yet, as to the affect that this had on investments.

A Member asked whether details about investments, and the solvency level, had been provided to the meeting, with a view to establishing a baseline, to determine how these levels reacted to investments being moved into the pooling arrangements. In response it was noted that quarterly reports on investments were provided to Pension Fund Committee meetings, and, as yet, the investments with BCPP had not completed a full quarter. The first full quarter would be reported to the November 2019 meeting of the Committee, which in turn would be available to Members of the Board to consider. In terms of the solvency level this has not been provided to the previous meeting of the Committee as this would be set by the triennial valuation process, which was yet to be completed, however, it was noted that this was still above 100%.

The Member who highlighted the issues raised concerns that information was not being monitored by the Pension Board in terms of setting a baseline to

determine how investments were developing under the new pooling arrangements and whether this was having an effect on the solvency level. The Chairman stated that the Board should be cautious in relation to that matter as it was the responsibility of the Pension Fund Committee to determine and monitor investments, with the Board ensuring that proper procedures were being followed, however, this did not prevent the Board from commenting on issues of concern. Members reiterated the issue regarding investments matter being the responsibility of the Pension Fund Committee, but also retaining the right to comment on issues, to the Committee, to raise concerns where justified. It was noted that employers were provided with an opportunity to question the Pension Fund Committee in relation to areas of concern regarding investments and those details were provided within the information submitted to Pension Fund Committee, which was also circulated to Pension Board Members. It was emphasised that issues of concern, raised with the Pension Fund Committee, would be highlighted in the minutes from the meeting and could be discussed at the subsequent meeting of the Pension Board.

Resolved -

That the details emerging from the Pension Fund Committee held on 13 September 2019 be noted.

221. Pensions Administration

Considered -

The report from the Head of Pensions Administration, Phillippa Cockerill, providing Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that was provided to the Pension Fund Committee on 13 September 2019.

The following issues were highlighted:-

◆ **Annual Benefit Statements (ABS) 2019**

As at the cut-off date of 31 August 2019, 95.69% of active member statements had been issued, leaving 1342 having been identified as not having worked in the year or had a query existing which was being worked on. Since then this had been reduced to around 500 outstanding ABS. Details were provided as to the issues that arose which had resulted in the statements not being issued. It was noted that this was a substantial improvement on recent years in terms of issuing the statements on time. Particular praise was provided in relation to the City of York Council who had worked closely with the Administration Team, to significantly improve their year-end data performance in comparison to previous years.

A Member noted that there had been a large increase in the number of calls per day being dealt with by the Administration Team and wondered if there were particular issues that were causing this. In response it was stated that the self-service portal was not operating as effectively as it could, which resulted in large numbers of telephone calls, therefore, improvements to the system were being sought and it was expected that a new on-line system would be introduced shortly to significantly improve this situation. There had been a spike in the number of calls around the time of the issuing of ABS and

was expected that, in future, many of these queries would be dealt with through the improved on-line facilities.

It was noted that less than 1% of the total active members had an outstanding ABS.

It was asked whether the charging of employers was making a difference to the provision of information. In response it was stated that this had assisted in improvements to the year end results, ensuring that employers were opening up a dialogue with Pensions' Administration officers to address situations, rather than face the charges. Members welcomed the approach in terms of charging and the effect this had on the data provision.

Clarification was provided in relation to how the pensions' situation would be dealt with for employees in an academy trust, should that fold.

The Chairman asked whether there was a plan of action in place in terms of the outstanding ABS. In response it was stated that plans were in place, through continued discussions with employers to ensure that the outstanding ABS were issued. It was noted that the breach, in terms of not 100% of the ABS being issued by the deadline, had not yet been added to the Breaches Log, but would be prior to the next quarterly report.

It was noted, through discussion, that a breach of regulations could be issued by anyone - members of the Fund, officers and those overseeing the Fund.

Members stated that they would welcome the analysis of the non-issuing of the ABS and would monitor the situation, going forward, to determine whether a breach of regulations should be reported to the Pensions Regulator.

The software system for Pensions Administration was under review and the contract for the current systems had been extended allowing an opportunity for other systems to be investigated. It was expected that a new system would lessen the impacts caused by end of year data submissions, as data would be obtained on a monthly basis. The Scheme Member on-line system would also be enhanced, together with the website, ensuring that the self-service function was more accommodating, leading to less direct enquiries. It was also hoped to integrate payroll into one system, under a single process, which would eliminate the repeated process currently in place. It was hoped that the full system would be up and running by the end of 2021. In response to a question it was noted that it was not always in the member's interests to add multiple employments within the same employer together.

It was noted that there were continuing issues with the software that extracts calculation results into letters and work was continuing with Heywood in relation to finding a solution. Currently these figures were being added manually, which was not an ideal situation. The retirement option letter had been signed off and was ready to be released for live testing, which would happen this month, and would be made fully live should the initial testing be successful.

The Chairman welcomed the inclusion of Pension Fund Committee Member training within the Pensions Administration report to the Committee.

Resolved -

- (i) That the contents of the report be noted and any action identified be undertaken accordingly.
- (ii) That the contents of the Breaches Log be noted, together with the forthcoming amendment regarding the issuing of ABS.
- (iii) That the Pensions' Administration team be formally congratulated by the Board, for their continued hard work, and the patient and collaborative work undertaken with employers, which continued to significantly improve their performance and the service provided to members of the Scheme.

222. Internal Audit Reports

Considered -

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

The report highlighted the current status of the Audit Plan for 2018/19 previously approved by the Pension Board as follows:-

- ◆ Pension Fund investments - delayed following a request from Senior Accountant (Pensions).
- ◆ Pension Fund income - final - reasonable assurance.
- ◆ Pension Fund expenditure - final - limited assurance.

A copy of the final Pension Fund income report was attached as an Appendix. The implementation of agreed actions for 2017/18 audits was shown in summary, also an Appendix to the report.

The proposed Audit Plan for 2019/20 was attached as an Appendix to the report.

In relation to the Pension Fund income report it was noted that this had been given reasonable assurance. Discussion of that report highlighted the following:-

- ◆ An issue regarding employees who had moved bands and were paying at the incorrect rate during the year was highlighted. It was noted that this was corrected in the following year and that the matter was dealt with pragmatically by employers. It was emphasised that this was difficult to action immediately, with some scheme members moving up and down the scales during the year, hence the pragmatic approach, with correction at the year end, for the following year, being adopted. It was emphasised that this had a negligible effect on the scheme, in terms of returns, however the situation would continue to be monitored. It was noted that the frequency for assessing member contribution bandings was an employer discretion and that the Fund could not direct employers.
- ◆ Following a recent contribution reconciliation exercise between year-end data and month 12 contribution totals it was noted that only nine employers had a difference of greater than 10%. This is the tolerance level set by Officers as

being reasonable. These nine employers will be contacted to resolve the differences.

- ◆ A discussion took place in relation the position of academies and pension rates, reflecting the issue outlined earlier in the meeting regarding the DfE meeting pension payments should a multi academy trust fold.
- ◆ The Chairman referred to the action points outlined in the report and noted that some were proposed for implementation a substantial period after the report had been compiled and wondered why there was such a delay. In response it was noted that the implementation date provided indicated when all actions should be in place to address issues raised, allowing Internal Audit to return once to monitor the implementation of those agreed actions, rather than returning on numerous occasions. It was noted that this was an efficient process for all concerned and allowed for the actions, not only to be implemented, but to have an effect that could be measured. It was noted that the details of the audit were shared with the various teams as they were developed, rather than waiting for the audit to be completed before details were provided, which allowed actions to be implemented as the audit developed.

Resolved -

That the report be noted.

223. Governance of the Fund

Considered -

The report of the Treasurer providing Members with an opportunity to review the following governance documents:

- ◆ Investment Strategy Statement
- ◆ Funding Strategy Statement
- ◆ 2018/19 Annual Report

and to provide Members with an update on the governance arrangements of the Fund.

It was noted that a report that had been submitted to the September meeting of the Pension Fund Committee, in respect of the governance arrangements, was provided as an Appendix to this report. The documents were approved at the Pension Fund Committee meeting subject to a few minor amendments. It was noted that the Fund's Independent Professional Observer had undertaken a review of the governance arrangements of the Fund and a copy of that report was also included as an Appendix.

The Pension Fund's final accounts were approved by the Audit Committee at their meeting in July 2019 and had been included as Appendix 2 to the report.

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

- ◆ The potential for a reduction in employer contributions was discussed. It was stated that the policy outlined that, should the Fund be over 110% funded, the surplus would be returned to employers through a reduction in contributions.

It was emphasised, however, that this would be done over a number of years, rather than immediately. It was stated that taking this approach benefited both the Fund and the employers. It was noted that the level of 10% above the 100% funding had come from advice from the Actuary.

◆ Investment Strategy Statement

During discussion it was noted that all fund managers should be seeking to outperform the benchmark, set against their investment portfolio, as a fee was paid in relation to that. It was noted that there were two levels of fees for some Fund Managers, a basic fee for managing the investment portfolio and a performance fee.

◆ Funding Strategy Statement

It was asked how substantial a risk to the Fund was Guaranteed Minimum Pension (GMP) equalisation in terms of overall impact on the Fund. In response it was stated that there was a negligible risk, and therefore around a 0.3% adjustment had been made in year-end accounts to take account of this. It was asked whether McCloud would be a more substantial risk. In response it was noted that all the issues outlined, including GMP equalisation and McCloud would have approximately 1% risk to the Fund, therefore, in overall terms, were negligible. It was noted that the McCloud Judgment was still an unknown quantity and it would be a number of years before the implications were felt.

◆ Annual Report and Final Accounts

Clarification was provided in relation to the increasing oversight and governance costs, which related to additional costs arising from the development of the pooling arrangements.

The significant increase in Investment Managers' fees was noted and it was explained that this was due to there being more transparency from Investment Managers in terms of fees and charges, following an initiative developed by the Scheme Advisory Board. This did not have an effect on cash flow or net performance as the fees were already paid, however, the details were now more transparent. It was asked whether all Investment Managers were complying with the transparency initiative and in response it was noted that all were in line with that.

◆ Independent Observer's Annual Report on the Fund

Members noted the following issues in relation to the report:-

The Independent Observer shared the Pension Board's views in relation to the transparency of information and the role of local Pension Boards in the new pooling arrangements.

The Independent Observer had stated that the North Yorkshire Pension Board was well run and conformed to regulatory and guidance requirements.

It was noted that following the Independent Observer's report to the Pension Fund Committee, a response to the local Pension Board survey 2019, issued by the SAB, was to be provided and it should be emphasised that there was

significant compliance between the Pension Fund Committee and the Pension Board in North Yorkshire.

◆ Hymans Robertson Report on Good Governance in the LGPS

The Chairman noted that, following reports to the Pension Fund Committee, he was aware that many of the issues raised in the report were already in place for the NYPF and the Pension Fund Committee. It was noted that the Treasurer of the Fund had been involved in the consultation and development processes of the report.

A Member raised concerns that, although it had not been decided to pursue this matter, the issue of creating a new local authority body and joint committees had been raised and suggested that there was a potential that this may again arise in the future. It was emphasised that there was a need to ensure that democratically elected members were involved in the Pension Fund process, as they were answerable to the Council Taxpayer, however, it was noted that there was an opinion that independent bodies to oversee the LGPS would be preferred. It was stated that the Board would continue to monitor issues raised by the Scheme Advisory Board with a view to any potential changes to governance arrangements in the future.

◆ Deloitte (External Auditor) Final Report and Accounts for the year ended 31 March 2019

A Member suggested that much of what was provided in the External Auditor's report mirrored that outlined in the Internal Auditor's report. In response it was noted that there would always be a level of overlap in terms of issues being audited, however, there was significant differences in relation to the work undertaken by Internal Audit and External Audit.

It was also noted that this was the initial year for Deloitte as the External Auditor and, therefore, there would be some overlap as they would undertake an initial consideration of all financial controls to develop a baseline. This was the usual process when a new External Auditor was appointed.

It was noted that this had been the first year for the early publication of final accounts and it was expected that lessons would be learnt from the process with improvements made in the following years.

It was noted that the Independent Observer had raised an issue regarding why Internal Audit reports were not sent directly to the Pension Fund Committee, with these coming to Pension Board only. The Chairman stated that whilst he wished to discuss the issue with Internal Audit he did not want to duplicate the process and cause more work. In response it was stated that there was nothing to stop the Pension Fund Committee having Internal Audit reports, however, it was noted that details of issues raised on Internal Audit reports were provided within the Pension Board Minutes, which were on each agenda of the Pension Fund Committee. This provided an opportunity for Members of the Committee to discuss those matters if required. It was also noted that the Treasurer to the Fund received all Internal Audit reports and, if there were particular concerns, he would refer these to the Committee.

Resolved -

That the contents of the report and Appendices be noted and any action highlighted be undertaken accordingly.

224. Investment Strategy Review

Considered -

The report of the Treasurer providing Members with an update in the transition of funds to the Pool.

Previously a quarterly update was provided on pooling arrangements which had been mainly focused on the set-up of the Pool. The Pool was now operational and had moved from the initial set-up stage to the sub-fund set-up and transition stage. The focus from now, therefore, would be on investment sub-funds and the transition of funds. Each quarter an Investment Strategy report would be taken to the PFC where any investment decisions required and transition updates would be presented. It was proposed that the papers formed the basis of an update to the Board, going forward. As such the latest Investment Strategy review paper taken to the PFC meeting in September was attached as an Appendix.

A Scheme Member representative highlighted the report back from the Scheme Member appointed to the BCPP Joint Committee. He noted that the report had been somewhat disappointing in terms of the details provided, as the majority of issues were deemed, by BCPP, to be confidential. The main concerns of the Joint Committee representative were proposing additional representation from the unions on the Joint Committee and highlighting next year's budget for the Joint Committee as being £40,000. It was also noted that a second Scheme Member Representative would now be attending Joint Committee meetings. It was considered that a more robust approach should be undertaken in questioning why the information was deemed to be confidential, and could not be fed back to Pension Boards, and the NYPB Member would be taking that issue. In terms of there being more representatives on the Joint Committee it was suggested this was pointless unless a robust challenge was provided in terms of allowing details to be fed back into Pension Boards. Until that matter was addressed appropriately there was little point in having more representation.

It was noted that there were now a number of bodies that provided links between the BCPP and each of the Pension Funds (Joint Committee, Shareholders Group, Officer Group, Section 151 Group) which provided an opportunity for challenge in terms of the transparency of the reporting and the confidentiality of information. It was suggested that this challenge needed to be minuted so that Pension Board Members were aware.

Resolved -

That the contents of the report be noted.

225. Board Evaluation of Skills Matrix Questionnaire

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) suggesting Members determine a way forward on Pension Board Member training in relation to the completed skills matrix and self-assessment questionnaires.

As indicated earlier in the meeting, self-assessment questionnaires had now been circulated to Pension Fund Committee Members, and it was considered appropriate to wait until they had completed and returned these, enabling a comprehensive training programme, to cover both Pension Fund Committee and Pension Board, to be developed.

A Member suggested that, in terms of training, practical training based on the NYPF would be more beneficial to new members, rather than general training, as that would be more relevant to the work of the Pension Board.

It was noted that some Members were attending fundamentals training shortly and it was asked that they provide feedback to the next meeting of the Board following their training events.

Resolved -

That an overall training plan be developed to take account of the results obtained from both Pension Board and Pension Fund Committee, which would identify skills gaps and areas where training was required.

226. Training

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training.

Appendix 1 to the report detailed training events attended and activities undertaken by Pension Board Members and it was noted that this was up-to-date.

The Chairman noted that the BCPP Annual Conference would be taking place on 10 October 2019 and Members who attended could provide feedback on that at the next meeting of the Board.

Resolved -

That the report be noted.

227. Work Plan

Considered -

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

The dates for the final two meetings of the 2019/20 municipal year were highlighted within the report and it was noted that a timetable detailing the 2020/21 meetings would be available shortly.

Resolved -

- (i) That the current Work Plan be approved.
- (ii) That the dates of ordinary meetings, as detailed, be noted.

228. Other Business which the Chairman agreed should be considered as a matter of urgency

The Chairman agreed to the following issue being discussed as a matter of urgency as responses would be required before the next meeting of the Pension Board.

The Pensions Regulator - Governance and Admin Risks in Public Service Pension Schemes - An Engagement Report

The Chairman highlighted the Engagement Report that had been developed by the Pensions Regulator which had engaged with ten Local Government Pension Schemes to determine the governance and admin risks.

He suggested that the NYPF was comparatively good when taking account of the issues raised within the report. He suggested that he would welcome the views of officers in relation to the recommendations and findings outlined in the report and asked that they get back to him when they had considered these.

Resolved -

That the issues raised by the Chairman be noted and acted upon accordingly.

The meeting concluded at 12 noon

SL/JR