

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 16 January 2020 at Racecourse Lane, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Anne Hook (City of York Council).

Scheme Members:

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

Observers:

David Hawkins (York College) and Emma Barber (Askham Bryan College).

County Council Officers:

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

Copies of all documents considered are in the Minute Book

229. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during any consideration of Appendix 2 to Minute No. 240, Triennial Valuation, on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

230(a) Apologies for Absence

Apologies for absence were submitted from Louise Branford-White and County Councillor Bob Baker.

230(b) Vacancy for Employer and Scheme Member Representatives

The Chairman introduced David Hawkins (York College) and Emma Barbery (Askham Bryan College) who had applied for the Employer Representative vacancy, and had discussed that position with the Chairman and the Clerk prior to the meeting. He noted that a decision would be made on the appointment, following the meeting, therefore, David and Emma were attending the meeting as observers at this stage. The Chairman also explained that the position of Associate Member would be created to ensure that both candidates were provided with an involvement with the Board as a result of the recruitment process. It was also noted that a vacancy remained for a Scheme Member Representative and efforts to recruit to that vacancy would continue.

Resolved -

That the issues highlighted be noted.

231(a) Minutes

Resolved -

That the Minutes of the meeting held on 3 October 2019, having been printed and circulated, be taken as read and confirmed by the Chairman as a correct record.

231(b) Progress on Issues Raised by the Board

In respect of the meetings of representatives of the various Pension Boards involved in the Border to Coast Pensions Partnership (BCPP) pooling arrangements, the Chairman stated that a meeting had been held at the BCPP Conference on 10 October 2019. Notes of the meeting had been circulated to Members of the Board, which included information on the topics that had been discussed. There had been a consensus of opinion amongst the representatives that a major issue was obtaining information from the BCPP. The Chairman noted that there had been no further developments since the October meeting and that a further meeting had been arranged for May 2020. It was clarified that the only people present at these meetings were representatives of the Pension Boards and not representatives of the BCPP. A Member noted that there had been little information from the BCPP of late and emphasised that it would be difficult to provide a comparison to investments undertaken by the North Yorkshire Pension Fund (NYPF), when they had been transferred to the BCPP, unless there was appropriate information made available for this monitoring to take place. He noted that it had been previously stated that papers submitted to the Joint Committee (JC) meetings would be provided to Pension Board Members, however, none had been circulated since October 2019. It was noted that a small amount of information was being fed through from the Scheme Member Representative on the JC, however, as most of the papers were considered to be confidential, most of the information was not available.

In relation to the issues raised the Chairman noted that other Pension Boards were also now getting copies of the papers circulated to the JC and he would ask officers whether there were outstanding JC papers to be provided. The Chairman stated that he would take this up with the appropriate officers with a view to those papers being circulated.

In terms of membership of the Board the Chairman noted that, following the previous meeting, he had been re-appointed as Independent Chair together with Gordon

Gresty as Scheme Member Representative and Louise Branford-White as Employer Representative, for a further four years.

County Councillor Bob Baker had been appointed as Employer Representative, representing North Yorkshire County Council for a four year period replacing County Councillor Mike Jordan.

All the appointments had been considered and agreed by the County Council, as Administering Authority, at its meeting held on 13 November 2019.

In respect of the provision of appropriate documents from the BCPP it was noted that this matter continued to be addressed to ensure that a formal process was put in place.

The Terms of Reference and Pension Administration were agenda items and would be considered later in the meeting.

In respect of the issue relating to governance of the Fund and the Hymans Robertson report on good governance in the LGPS it was noted that advice from the Scheme Advisory Board was still awaited in relation to that and further reports would be provided to the Board once that was received.

The issue relating to the Independent Observer's Annual Report, and his reference to Internal Audit reports not going to the Pension Fund Committee (PFC) had been raised by the Chairman of the Pension Board at the PFC. He noted that Members had not been inclined to request that those reports were submitted to that committee as a matter of course. It was emphasised that, should it be considered appropriate, the Treasurer to the Pension Fund, or the Pension Board, would refer matters highlighted within Internal Audit reports to the PFC for those to be considered further.

Feedback from the Scheme Member Representative on the JC of the BCPP was again discussed. It was emphasised that it was difficult for effective feedback to be provided due to the insistence of the BCPP that the majority of reports submitted to the JC were to be treated as confidential. It was noted that an attempt had been made to contact the Scheme Member Representative on the JC to determine whether appropriate representations were being made to that body in relation to the number of issues considered to be confidential, however, there had been no response to this matter as yet. It was considered appropriate that this matter should be raised at the JC on behalf of Scheme Members. The Chairman noted that the issue of confidentiality at the BCPP's JC had been taken up with the NYPF Treasurer and was being discussed accordingly.

The results of the self-evaluation exercise being undertaken by the PFC were awaited to allow a co-ordinated approach to be undertaken to any training considered to be required, alongside the Pension Board.

The issue of the "limited assurance" rating in respect of the Internal Audit report for Pension Fund expenditure for 2018/19 was to carry forward into the 2019/20 Internal Audit considerations and further details would be reported back to the Pension Board on what progress had been made to address that.

Resolved -

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

232. Declarations of Interest

There were no declarations of interest.

233. Public Questions or Statements

There were no public questions or statements.

234. Draft Minutes of the Pension Fund Committee meeting held on 22 November 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: -

◆ Budget/statistics

The Chairman noted that the fees for the Investment Consultant to the Pension Fund were discussed. He noted that there had been a lack of clarity in the past in terms of fees and charges of Fund Managers, however, the majority had now signed up to a transparency code, which ensured that fees and charges were no longer hidden and would feature in future financial reports. It was noted that the budget overall was not affected by the hidden fees, but the transparency was welcomed in terms of highlighting the spending accumulated in relation to these. It was noted that all the reports that had been submitted to the PFC were available on the website, apart from any confidential reports.

◆ Triennial Valuation

The Chairman stated that work was still progressing on this matter which was due to be signed off in March 2020, with the resultant employer contribution rates effective from 1 April 2020.

◆ Performance of the Fund

It was stated that, at the time of the November PFC meeting, the Fund was 119% funded at 30 September 2019 compared with a funding level of 115% at the Triennial Valuation date of 31 March 2019. Members noted that contribution rates from 1 April 2020 would be determined by reference to the funding levels of individual employers at 31 March 2019 (the Triennial Valuation date). Notwithstanding the positive funding level of the Fund overall, it is likely that reductions in employer contributions would only be considered for employers with a funding rate of over 110%. This is still under discussion with employers. A Member raised concerns that a large fluctuation in the markets could see funding rates drop substantially and any agreed reductions in employer contribution levels could affect the Fund detrimentally. In response, assurances were provided by Officers that any reductions in employer contribution rates would be undertaken in a responsible manner, over a number of years and could be halted should the financial position of the Fund change significantly. The Chairman emphasised that this issue was still under consideration, was not a decision for the Pension Board and care had to be undertaken in discussing this as negotiations were still taking place with employers in respect of this.

◆ Investment Strategy Review

The Chairman stated that the Pension Fund had agreed to make a commitment of up to 5% in the BCPP's Multi-Asset Credit (MAC) Fund, subject to further due diligence, with a statement in relation to the commitment to invest being provided to the BCPP. A short term investment in the PIMCO Diversified Income Fund had also been approved, which would be funded through the partial sale of the excess M & G gilt allocation.

Resolved -

That the issues raised in relation to the PFC held on 22 November 2019 be noted.

235. Review of Terms of Reference

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing details of the updated Terms of Reference.

It was noted that the amendment to the Terms of Reference agreed at the meeting of the Pension Board in July 2019 had been submitted to the County Council, as Administering Authority to the NYPF, at its meeting on 13 November 2019, where it was approved.

Resolved -

That the amended Terms of Reference be noted.

236. Pension Administration

Considered -

The report of the Head of Pensions Administration, Phillippa Cockerill, provided 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 PFC at their November 2019 meeting.

The following issues were highlighted:-

◆ Breaches Log

The Breaches Log was attached at Appendix 2 to the report and was discussed at the meeting of the PFC in November 2019. It was noted that, on this occasion, it had been decided that the breach of not issuing 100% of the 2019 Annual Benefit Statements would not be reported as a breach to the Pensions Regulator. In relation to this it was noted that 100% of deferred statements had been issued and 329 active statements had remained unissued. The reasons for the non-issue of the active statements were provided and, further to a discussion at the previous Pension Board meeting, analysis had been undertaken in relation to the outstanding statements which had highlighted that two particular employers had a high percentage of their active members not receiving a statement. It was emphasised, however, that these were relatively small employers, therefore the numbers were not of major concern. Discussions had been held with those employers with a view

to how to address this matter, going forward. The reasons for the non-issuing of the statements were provided and Pension Board Members were satisfied that there was no requirement to report the breach to the Pensions Regulator on this occasion, particularly as there had been a significant improvement in performance.

◆ GMP Reconciliation Project

It was noted that the project had currently been stalled as a final data cut from the HMRC rectification records was awaited, which meant that the project would not be completed before the 2020 pension increase exercise.

◆ Annual Pensions Regulator Survey

The Public Service Governance and Administration Survey 2019 was completed and returned in November 2019, with input from the Chair of the Pension Board and the NYPF Treasurer. Feedback on the survey was currently awaited.

LGPC Bulletins

Details of recent LGPC bulletins issued were provided, together with the responses submitted. The Chairman noted that the details were being provided to the Pension Board as it was considered appropriate that the Pension Board should be kept updated on how the NYPF had responded to these matters.

It was noted that a number of issues were on the “to do” list and it was asked about the timescales for completing these. In response it was emphasised that a number of the issues were not time imperative and would be undertaken dependent upon workloads within the section. It emphasised that urgent actions were carried out in priority order.

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

- Members reiterated the considerably improved position regarding the issuing of Annual Benefits Statements for 2019, in comparison to recent years and it was again emphasised that, because of the improvements and the analysis provided, it was not considered necessary to report the breach of not issuing 100% of Annual Benefit Statements, to the Pensions Regulator. It was noted that those that had not received statements were not entitled to the provision of a benefit statement due to their current employment status.
- In relation to the collection of data and issuing of Annual Benefit Statements it was asked whether the new IT system would improve that position. In response it was stated that this would be the case as data could be inputted on a timely basis and updated as necessary during the year, rather than everything being submitted at the year end. It was noted that this system was likely to be in place by June/July 2020.

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.

- (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 had seen a significant improvement in the issuing of Annual Benefit Statements and in the service provided to members of the Scheme overall.

237. Internal Audit Reports

Considered -

The report of the 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 2019/20, previously approved by the Pension Board, as follows:-

- ◆ Pension Fund investments - planning in progress/specification issued.
- ◆ Pension Fund income - planning in progress/specification issued.
- ◆ Pension Fund expenditure - planning in progress/specification issued.

It was noted that days not used for the investments audit in 2018/19 would be added to the planned investments audit for 2019/20 to undertake a review of pooling activities during the year and future pooling plans. The major testing work for all audits was planned to commence in late January.

The implementation of agreed actions for 2017/18 and 2018/19 was shown in an attached Appendix to the report and it was noted that only one action remained outstanding from 2017/18 audits, other than those actions which would be tested as part of 2019/20 audit work.

Details of the follow-up on agreed actions, and the status of those were included in the Appendix to the report. It was asked why the deadline for action had been allowed to elapse before the questionnaire in relation to this had been sent out. In response it was stated that it was the usual practice to allow the deadline to pass before a questionnaire was issued.

A Member asked, in relation to the review of pooling activities within the investment audit, whether the issue of the BCPP's continued insistence on confidentiality would affect this detrimentally. In response it was emphasised that the audit would consider the transition process in terms of value of assets before, during and after transition, and how this had affected the Fund's valuation, from the NYPF perspective, rather than considering the role of the BCPP. A future audit would consider how the performance of investments had been affected by pooling arrangements and would be fed into the Pension Board accordingly.

A discussion was undertaken in relation to the current position regarding Fund Managers, the transfer of assets and the potential effect that may have on the stock markets, with the potential for a major impact in terms of huge sums being transferred into pooled arrangements.

Resolved -

That the report be noted.

238. Review of Risk Register

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an opportunity to comment on the Pension Fund Risk Register.

It was noted that the Register was reviewed by both the PFC and the County Council's Audit Committee on a regular basis and was also provided to the Pension Board on a six monthly basis, to consider any issues that may arise.

It was noted that the only significant change since the Board had previously considered the Register was the addition of information relating to pooling now being in operation.

Resolved -

That the report be noted.

239. Investment Strategy Review

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing Members with an update on the transition of the Funds to the Pool and other investment matters.

It was noted that, at the meeting of the PFC on 22 November 2019 the following matters were considered:-

- ◆ An allocation to the BCPP's MAC Fund
- ◆ The short term allocation to PIMCO's Pooled MAC Fund.
- ◆ The responsible investment policies of the BCPP and how they were applied to the NYPF.
- ◆ An update on the UK equity transition.

Allocation to MAC

It was noted that a commitment of up to 5% in the BCPP's MAC Fund be undertaken, subject to further due diligence.

Alongside the commitment the following statement was issued by the PFC:

"Having reviewed the MAC Sub-Fund the PFC had considered that, on balance, it is willing to commit, in principle, up to 5% of Fund assets. The PFC has concerns around the EMD \$ internally managed sleeve as the Fund has a preference for external fund management. However, the Fund is

willing, in principle, to invest up to 5% of assets in the BCPP MAC Fund, subject to further due diligence including the following:

- Further detail on the asset allocation process to ensure:-
 1. that the balance between the different sleeves is determined based on an appropriate level of risk and with full consideration of the drivers of, and correlations within, those risks; and
 2. that there is sufficient flexibility to allow timely decisions to be taken of asset allocation outside of the routine reviews, in extreme circumstances.
- An outline of the internal team structure, its processes, risk controls, and succession planning.
- Assessment of the level of resource in place to manage the internally managed sleeve, including assurance that the Chief Investment Officer is personally satisfied that the resource level is adequate to allow the mandate to be managed successfully.
- Commitment to ongoing monitoring and reporting of the internal management of the EMD mandate over the term and, in the event that this is not effective then a move to external management rather than continuing with a business strategy of internal management.

We also believe that it is important that the proposed asset allocation approach, and scoring structure to choose the specialist managers, as discussed with Funds, their advisers and investment consultants before these are finalised.”

It was noted that a response from the BCPP to the issues raised was currently awaited.

PIMCO Diversified Income Fund

A short-term investment in the PIMCO Diversified Income Fund was approved which would be funded through the partial sale of the excess M&G gilt allocation. It was noted that PIMCO would be the manager for the BCPP MAC Fund.

A Member queried the partial sale of the gilt allocation. Whilst recognising the move to diversify the Fund he was unsure as to when the Strategy had changed from exposure to 10% in gilts and bonds rather than 20%. The Chairman noted that the PFC had considered the Strategy at length over previous months and noted that the Funding Strategy Statement for the Fund, which was approved at the September meeting of the PFC, was provided as an appendix in the following item on the agenda (Triennial Valuation). It was stated that the relevant officers would be asked to contact the Member to explain the change of Strategy and when that had occurred.

BCPP's Responsible Investments Policies

It was noted that the updated Responsible Investments Policies of the BCPP had been considered by the PFC and the principles within those policies had now been adopted and absorbed into the Responsible Investments Policies for the NYPF.

The Chairman noted, from discussions of the report, that there had been a BCPP JC meeting in November and those papers had not been circulated to Members of the Pension Board. He considered, therefore, that there were two sets of outstanding JC papers that were yet to be provided, therefore, he would raise this matter with the appropriate officers.

Resolved -

That the contents of the report be noted and the issues raised be acted upon accordingly.

240. Triennial Valuation 2019 - Update

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) updating Members on the progress made to date on the 2019 Triennial Valuation.

It was noted that Appendix 2 to the report, an update on the progress made on the valuation to date, was considered to be confidential, however, there was no discussion of the specific issues within that Appendix, therefore the observers were able to remain in the meeting.

Details were provided of the current position regarding the consultation with employers in respect of the Triennial Valuation 2019, with details provided in relation to those that had agreed their contribution rates and those that were still in consultation. It was expected that negotiations would be completed shortly as the Triennial Valuation was required to be in place, for the next three years, from 1 April 2020, which would determine employer contribution rates. It was noted that efforts were being made to ensure the final position was presented to the PFC meeting in February 2020, however, with negotiations still underway, this could not be guaranteed.

A Member suggested that Pension Board Members would benefit from some training on the process of the Triennial Valuation. It was noted that training on this had been provided to Members of the PFC during consideration of the matter and, in future, it would be beneficial if, when training sessions were taking place, Pension Board Members were also invited. Members of the Board were advised to consider the Minutes of the PFC that took place in September 2019 as much of the detail relating to the training around the Triennial Valuation was contained within those.

Members queried the figures provided in relation to assumptions made and whether they were realistic, as some appeared to be over prudent whereas others were optimistic, with particular reference to the perceived optimistic figure for increases in pay during the period. It was asked that this comment be noted in the Minutes.

Resolved -

That the progress made on the 2019 Triennial Valuation be noted.

241. 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 provided details of training events attended, and activities undertaken by Pension Board Members and it was noted that this was up to date.

The Chairman noted that David Houlgate, Simon Purcell and Councillor Anne Hook had recently attended the fundamentals training organised by the LGA and asked for the Members to provide feedback in relation to that. David Houlgate acted as spokesperson and outlined the following, in relation to the training:-

- ◆ There was a mixture of attendees from Pension Board Chairs, Members, Pension Fund Committee Members, Trustees and representatives.
- ◆ The courses had been engaging, interesting and useful.
- ◆ Signposting to additional material had been provided throughout the courses, which was both very useful and informative.
- ◆ There was probably insufficient time to deliver all of the information within the timescales of the courses, as, on occasions, some of the detail was a little rushed in delivery.
- ◆ In the main the courses were of great benefit and were recommended for Members new to the Pension Board, going forward. It was felt that the three days of training was appropriate, and could possibly have been extended, due to the large amount of information required to be provided.

The Chairman thanked the attendees for their feedback and noted that all Members were provided with training details and, should they wish to attend an event, and it was considered to be value for money, arrangements would be made for them to do so.

The Chair commented that he was surprised that Pension Board Chairs had attended the fundamentals training given the statutory responsibilities of Pension Boards.

Resolved -

That the report and feedback be noted.

242. Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board and providing meeting dates for the Pension Board until April 2021.

Resolved -

- (i) That the Work Plan, as detailed in Appendix 1 to the report, be approved.
- (ii) That the dates of ordinary meetings as detailed in the report be noted as follows:-

All Thursdays at 10 am

9 April 2020

9 July 2020

8 October 2020

14 January 2021

8 April 2021

243. County Councillor Mike Jordan

The Chairman noted that this would have been County Councillor Mike Jordan's final meeting as representative of North Yorkshire County Council on the Pension Board, however, unfortunately he was unable to attend. The Chairman paid tribute to County Councillor Jordan's contribution to the Pension Board during his 4½ years of service as a Member of the Board. He noted that County Councillor Bob Baker would now be North Yorkshire County Council's employer representative on the Board.

Resolved -

That County Councillor Mike Jordan be thanked for his service to the Pension Board.

The meeting concluded at 11.25 am.

SL/JR