North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 21 February 2020 at Racecourse Lane, Northallerton, commencing at 10 am.

Present:-

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

Councillor Jim Clark - North Yorkshire District Councils.

Councillor Ian Cuthbertson - City of York Council.

David Portlock - Chair of the Pension Board.

It was noted that County Councillor Don Mackay had replaced County Councillor Stuart Parsons as the North Yorkshire Independent representative on the Pension Fund Committee at the recent meeting of the County Council. County Councillor Mackay was unable to attend this meeting and had sent his apologies.

Copies of all documents considered are in the Minute Book

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155. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Appendix 1 to Minute No. 159, 2019 Triennial Valuation - Update, on the grounds that this would involve 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.

156. Minutes

Resolved -

That the Minutes of the meeting held on 22 November 2019 were confirmed and signed by the Chairman as a correct record.

157. Declarations of Interest

There were no declarations of interest.

158. Public Questions or Statements

There were no public questions or statements.

Minute No. 159 - 2019 Triennial Valuation - Update - included confidential details, in Appendix 1 to the report, as outlined at Minute No. 159 and, as such, the Minutes reflect the confidential nature of some of that information.

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159. Triennial Valuation - Update

Considered -

The report of the Treasurer updating Members on the progress made to date on the 2019 Triennial Valuation.

Members were reminded that the initial fund level results of the 2019 Triennial Valuation were presented to the September 2019 PFC meeting with an initial draft of the Funding Strategy Statement (FSS) also being brought to that meeting. Key changes to the FSS were outlined in the report. Details of the progress made to date and some initial results were provided to the Committee in November 2019.

All employers had now received their results and were in a six week consultation period where they would have an opportunity to raise any questions or issues on the results and negotiations that had taken place. 151 employers had now closed their consultation period with four employers still continuing with that. A further four employers were undertaking negotiations in relation to their contribution rates.

The draft results for all employers had been included in the private Appendix to the report for Members to note.

In summary whilst the costs of future benefit payments were increasing, employers had seen an improvement in their funding position at the valuation as a result of asset returns seen over the last three year period. Most of the main scheduled bodies were now in a surplus position with the surplus being refunded back over a 21 year period, which in most cases resulted in an overall contribution rate reduction. Some bodies had small increases in their total contribution rates due to the change in assumptions as a result of their move from scheduled body to intermediate body status. Admitted bodies had seen a larger increase in their primary contribution rates as these were based on gilt yields which had reduced since the last valuation, however, the increases had been partially offset by improvements in funding levels.

The Funding Strategy Statement was sent to all employers for consultation, with the consultation period ending on 31 December 2019. Feedback had been received from three employers and the latest version of the statement was attached as Appendix 2 to the report with tracked changes included.

It was expected that employer consultations would conclude by the end of February 2020, with results finalised with the actuary. A Rates and Adjustment Certificate would then be issued setting out the contributions required for the next three years. The Certificate was required to be signed by the Administering Authority by 31 March 2020 and, as there were no further PFC meetings in that time, Members were asked to delegate authority to the Treasurer of the Pension Fund to sign the final rates and adjustment certificate.

A number of issues and points were raised in relation to the report as follows:-

- A Member asked whether there were any concerns regarding ability to pay, going forward, for any of the employers in terms of contribution rates. The Treasurer provided details of where concerns were, noting that these were only slight concerns and related to a smaller employer which would not have a significant impact on the Fund. He emphasised, however, that every effort was being made to work with the employer to ensure that all obligations were met.

- Clarification was provided in relation to the conflicts of interest for the Treasurer of the Fund in relation to his additional roles, particularly in respect of his role as Section 151 Officer for North Yorkshire County Council. He confirmed that every effort was made to ensure that there was total separation from his roles and that this was monitored appropriately to ensure that no conflicts occurred. He noted that the Good Governance review undertaken by Hymans had given consideration to a conflicts of interest policy and, going forward, it was likely that this would be produced, for use by the North Yorkshire Pension Fund. It was noted that there was also a potential conflict for Members in relation to them being Trustees to the Fund and North Yorkshire County Councillors, however, it was again emphasised that appropriate controls were in place to ensure that Members did not conflict themselves in relation to these issues. The Treasurer stated that Members had shown a great deal of neutrality in the way they had considered the Triennial Valuation and contribution rates. The Chairman noted that, in recent years, there had been increasing moves to separate the roles of senior positions in the County Council and those on the Pension Fund Committee and that a conflicts of interest policy would assist in ensuring that position was clarified appropriately. The Treasurer stated that this matter would be discussed further when a report was brought to the Committee on the Good Governance consultation.

Resolved -

(i) That the progress made on 2019 Triennial Valuation be noted.

(ii) That the latest results for all employers be noted.

(iii) That the latest version of the Funding Strategy Statement, as attached to the report, be approved.

(iv) That authority be delegated to the Treasurer of the Fund to sign the final Rates and Adjustments Certificate by 31 March 2020 deadline.

160. Business Plan

Considered -

The report of the Treasurer on the progress made against the key NYPF Business Plan activities identified for 2019/20, to approve the draft NYPF Business Plan for 2020/21 - 2022/23 and to approve the draft 2020/21 NYPF budget.

The report outlined the progress made on the key actions within the NYPF 2019/20 Business Plan, which were provided in an Appendix to the report.

The draft of the 2020/21 Business Plan was also attached as an Appendix to the report together with a summary of that Plan.

Key activities for the 2020/21 - 2022/23 Business Plan were outlined as follows:-

(a) Pooling.

(b) Implementation of long term investment strategy.

(c) System re-procurement.

(d) Online monthly employer returns.

(e) Pension reconciliation.

The draft 2020/21 budget was set out in an Appendix to the report and totalled £30.1m. The total had increased by £7.5m compared with the 2019/20 budget however it was in line with the forecast outturn of £28.8m, which would be provided in more detail in the budget and statistics report to be considered later in the meeting. The main reason for the increase in the budget was due to the increase in management fees to reflect the additional transaction costs accumulated by Fund Managers since the approval of the budget. In total the investment management fee budget had increased by £7.8m which was an increase of £1.6m over the expected outturn. The figures reflected known fund movements or re-balancing and anticipated fund growth informed by the asset return assumptions used for the 2019 Triennial Valuation.

Other key changes to the budget figures included:-

- The Pensions Administration budget had been increased by £110k.

- Recruitment was underway jointly with East Riding Pension Fund to appoint a joint Head of Investments post. The Treasurer explained that the simultaneous investment strategy review and pooling transition had increased workloads significantly and an increased dependency upon consultants had resulted. This recruitment was expected to help with resilience and workload.

- The pooling annual operating charge had been updated to reflect the new 2020/21 charge from BCPP.

- The 2020/21 BCPP project budget was expected to be around £70k.

- The budget for consultants fees had increased by £140k to £290k reflecting the increased level of work required from the consultants on the due diligence of the BCPP sub-funds prior to investment by the Fund.

- The budget for custodian fees had been reduced by £80k.

- The pensioner data reconciliation exercise had been included as a one-off budget of £50k.

- The other administration budget line included £30k on a one-off basis to include the NYPF website development.

- The budget for actuarial fees had been reduced by £30k following the completion of the Triennial Valuation.

- The budget did not yet reflect the estimated costs of around £615k, on a one-off basis, for the re-procurement of the Pension Administrations system and additional employer portal functionality.

- It was proposed that the NYPF budget be revised twice a year going forward to reflect any material known changes during the year. The 2020/21 budget would therefore be brought back to the September 2020 PFC meeting for the approval of any necessary amendments in line with the Business Plan progress update. The new Pensions Administration system, following approval, would be included within that.

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

- It was expected that the recruitment of a Head of Investments jointly with the East Riding Pension Fund would create additional resilience within the Team and the Treasurer explained the significant increase in workload that had been encountered since the development of the Investment Strategy and pooling arrangements had commenced. He also expected the new operating system to extend that resilience. In terms of the sharing of the post with East Riding Pension Fund it was asked whether the post would be capable of undertaking separate viewpoints on issues, going forward. The Treasurer emphasised that this would be the case and would be able to give the viewpoint of the East Riding Pension Fund and the North Yorkshire Pension Fund when that was required. It was noted that a significant amount of work was being carried out in relation to transitions to BCPP, which had not been envisaged when entering the pooling arrangements, and therefore, the joint post would be beneficial in reducing that workload. It was expected that the post would be based at the East Riding Pension Fund HQ.

Resolved -

(i) That the progress made against the 2019/20 NYPF Business Plan be noted.

(ii) That the draft 2020/21 NYPF Business Plan be approved.

(iii) That the draft 2020/21 NYPF budget be approved.

(iv) That the officers and senior officers of the North Yorkshire Pension Fund be commended for the expertise and service provided to the Pension Fund Committee, and NYPF overall, by Members of the Pension Fund Committee.

161. Budget/Statistics

Considered -

The report of the Treasurer on the 2019/20 budget - cost of running the Fund and the three year cash flow projection for the Fund.

<u>2019/20 Budget</u>

The latest forecast position was attached as an Appendix to the report and outlined an overspend of £6.2m which was due to expenditure on investment fees exceeding the original budget, as previously reported to the Committee.

In terms of the cash flow position, details were presented in an Appendix to the report showing the projected cash flows of the Fund for the current and the following three years. The estimated cash flow for the Fund in 2019/20 was a £7.1m deficit. The deficit had increased since that of £4.7m reported to the Committee in the November meeting as expenditure had been increased to reflect two large bulk transfers out of the Pension Scheme.

The cash flow projection for the three years 2020/21 to 2022/23 had now been produced which reflected the following:

- The 2019 Triennial Valuation was nearing conclusion and employer contributions had been calculated based on these latest contribution rates.

- Pensions' expenditure had been increased to account for rising numbers of pensioners and for annual payment increases.

- Within the cost of administering the Pension Fund, pay increases of 2% per annum had been included for the Pensions' Administration staff and investment fees had been adjusted to allow for annual fund growth.

- The cash flow of the Fund was expected to stay in a deficit position over the next three years increasing from £7.1m in 2019/20 to £34.8m in 2022/23. The increase was due to total income staying fairly static at £140m while expenditure grew from £138.3m to £165.8m in 2022/23.

- As Pension Funds matured it was expected that there would be an increase in the costs of benefits that would eventually overtake the income received in employer contributions. Many LGPS Funds were already in a cash flow negative position and now that the cash flow position of the Fund had been assessed, confirming a negative position going forward, a further consideration would be given to how to derive income from existing assets and new income generating assets would be factored into future Investment Strategy considerations.

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

- The Treasurer stated that a further report would be submitted to the May meeting of the PFC to consider the implications of the negative cash flow position, how that could be addressed and the possible development of a negative cash flow policy. The Chairman emphasised that he was not anxious in respect of the Fund moving into a negative cash flow position but acknowledged that this had not happened to the NYPF previously. A Member asked whether other Pension Funds were in a similar position and the Treasurer noted that a large number of Pension Funds, within the LGPS, operated in a negative cash flow position without any detriment to that Fund. The Investment Consultants noted that other Pension Funds successfully managed this position, however, they agreed with the Treasurer in the need for a policy on how to manage this going forward. It was asked whether the position was unexpected and in response it was stated that, whilst there had been some expectation that the Fund would go cash flow negative, there had been no indication as to when this would happen. It was emphasised that a series of events had led to this position, but again it was stressed that this was manageable and not a major worry for the Fund. The Investment Consultants emphasised that business could continue as usual in a cash flow negative position with an appropriate policy/plan in place.

- A Member referred to rumours that had been circulating regarding education academies leaving the LGPS to set up their own pension scheme and asked whether this was likely. In response the Treasurer stated that a number of standalone administrative procedures for staff within academies had recently been set up, however, it was noted that the establishment of a standalone pension fund for such staff would be a much more complex matter. He emphasised that the inclusion of academies within the LGPS brought complications to the administration of the scheme and, should they move to another scheme, that administration could become less complex. It was noted that the staff involved in academies that were also members of the LGPS were low in numbers, but as they were classed as separate employers, created a significant amount of work to the Administration Team. The Treasurer stated that he would continue to monitor this matter, going forward.

Resolved -

That the contents of the report be noted.

162. Pensions Administration

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year to date and providing an update on key issues and initiatives which impacted upon the Administration Team.

The report provided details of the following issues:-

- Admission agreements and new academies.
- Administration - membership statistics, throughput statistics, performance statistics, commendations and complaints, lessons learned.
- Annual Benefit Statements 2020.
- Issues and initiatives
    - GMP reconciliation
    - Breaches Policy and Log
    - Administration system review
- Member training.
- Meeting timetable.

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

- It was acknowledged that the performance data had been disappointing over this quarter with this been affected by high work volumes, high demand, staff holidays and been temporarily understaffed. New working priorities had been developed as a result and it was expected that the situation would be addressed accordingly.
- In relation to complaints it was acknowledged that these had not always been responded to appropriately, which, in the main, related to communications issues rather than staff neglect. A large number of complaints would be addressed through the ongoing letters project.
- The procurement of the new administration system, and the allowance for the procurement of the additional employer online portal, would make a significant difference to the Administration Team, with monthly returns from employers being enabled, removing the need for a large year-end process and giving more time for the production of Annual Benefit Statements. An integrated payroll module would also be purchased, however, this would be included in the 2021/22 budget. The estimated costs for the new administration system would

be included in the budget in due course. The Treasurer stated that more detail on the new administration system would be provided to the PFC, going forward, to allow Members to understand the functionality of the system.

- ♦ A Member queried the increase in administration costs at the same time as performance had reduced. The Treasurer clarified the issues around the increased costs and noted that the performance had diminished slightly for the reasons given above, mainly in relation to large increases in workload, of a more complex nature, which were being addressed through workforce development and the purchase of the new administration system. He suggested that these issues should be monitored by the PFC, going forward, to determine whether performance was enhanced through the measures introduced.

- ♦ The Treasurer clarified that he would be producing a training schedule for Members in due course, based on the questionnaire returns provided by Members, but had been unable to provide that in time for this meeting.

- ♦ The Chairman referred to the Appendix giving details of conferences and asked Members to consider attending those, particularly new Members to the Committee, as they provided excellent opportunities for networking and learning in relation to the LGPS.

- ♦ In respect of the Appendix detailing the meetings calendar it was now shown that the PFC meetings took place on a Friday, with the previous day being set aside for workshops and information gathering sessions. In relation to this matter the Treasurer highlighted details of how the workshop event scheduled for 21 May 2020 would be undertaken, with an Responsible Investments (RI) survey being circulated to Members of the Committee for further discussion at that event. This would allow a clear position on RI to be considered at the meeting of the Pension Fund Committee taking place on 22 May 2020. The Investment Consultants also stated that the May workshop and full meeting would be utilised to consider equity options, particularly the equity protection currently in place, in terms of whether to continue with that. In view of that position it was likely that some additional work would be required in advance of the May meeting.

- ♦ The Treasurer noted that the workshop scheduled for 2 July 2020 was unlikely to be required and, therefore, any issues that would normally be discussed at a workshop event would be able to be pushed back to the date of the meeting on 3 July 2020, enabling just one event to take place for Members. He stated that he would clarify this position nearer to the meeting.

- ♦ The Chairman noted that the current meeting had been scheduled to take place in a particularly busy time for Members and the Treasurer of the Fund and asked that consideration be given to moving the February meeting, in subsequent years, to a more suitable date.

Resolved -

(i) That the contents of the report be noted.

(ii) That the contents of the Breaches Log be noted.

(iii) That consideration be given to rescheduling the February meetings of the PFC, and its workshop, so as not to clash with the County Council's budget setting process and Meetings.

163. Performance of the Fund

The Fund's Investment Consultants, AON, had provided a report which gave an in-depth analysis of the investment performance of the Fund during Quarter 4.

This performance was discussed with Members and the following issues and points were highlighted:-

- The performance of BCPP within their UK equities portfolio was outlined, and it was noted that there had been a strong performance during the quarter.

- The performance of other individual Fund Managers was outlined, with Newton having done particularly well within their portfolio in the most recent quarter.

- The performance of gilt yields was outlined with those too seeing an improvement on the previous quarter. It was noted that gilts provided a balancing provision for the Fund's investments.

- There had been issues regarding the reporting in relation to BCPP's global equities portfolio and it was expected that the report would be re-issued when final details were in place. It was emphasised that it would take time for the performance on this portfolio to build up, therefore, this should be taken account of when monitoring the performance. The Treasurer suggested that it would be more appropriate to undertake a more in-depth consideration of this portfolio when it had been in place for a while, potentially at the November meeting of the PFC. A Member suggested that account needed to be taken of "value -v- growth" in terms of the portfolio.

- The Chairman noted the improved performance of Threadneedle but raised concerns regarding the diminishing level of the funding invested in comparison to previous reports. In response it was stated that the figures would be checked to determine why this was the case and it was suggested that this may be due to a difference in the way the Fund Manager was reporting the investment. Details would be provided to Members once clarification was provided.

- It was stated that details on all Fund Managers within the property portfolio would be updated and provided to Members subsequently.

- Changes in personnel at Fund Manager companies were outlined and it was noted that AON were comfortable with the changes that were taking place.

- The continued excellent performance of Baillie Gifford was discussed and their ability to "stock pick", which had a significant impact on their performance. A Member outlined the reference to ESG commitments, going forward, and the potential that these could have on returns. He noted that some of the stocks would have pressure put on them through the promotion of ESG, which could, in future, affect returns.

- It was asked whether the current coronavirus issue could have an impact on markets. In response AON stated that there would be a likely slowdown globally, however, the Fund had equity protection in place to mitigate the effects of that.

- It was noted that the fourth quarter of 2019 had seen the Fund's assets rise to £3.8bn.

Resolved -

That the report be noted.

164. Investment Strategy Review

Considered -

The report of the Treasurer requesting Members to:-

(i) Consider an allocation to BCPP's index-linked gilt fund.

(ii) Consider an additional investment in the BCPP infrastructure fund.

(iii) Consider an investment in the BCPP private equity fund.

Allocation to Index-Linked Gilts

The BCPP index-linked gilt sub-fund was due to launch in the second half of 2020 and BCPP has asked Committees to consider an initial investment, subject to further due diligence.

The Fund's Investment Consultants, AON, had carried out high level due diligence on the proposed design of the sub-fund covering the suitability of the sub-fund for the NYPF, where the funds would come from if an investment was made and recommendations on the initial allocation and longer term allocations to the sub-fund.

The sub-fund would be internally managed and was expected to be a low cost sub-fund with minimal internal resource requirements due to the small size of the universe and low expected turnover of the assets. The portfolio size was expected to be around £1bn on launch.

AON had advised that the sub-fund would be a suitable replacement for the gilts currently held in the portfolio and had raised no red flags, based on the information available on the design, subject to some necessary conditions being met.

The Fund currently held around 18% in gilts, 12% of which were actively managed by M&G with the remaining held by LGIM as collateral for the equity protection mandate.

It was recommended that an initial investment of £150m (around 4%) be made, on launch, to the BCPP index-linked gilt fund from the M&G mandate to bring the total allocation to the gilts towards the new long term allocation. It was expected that the transition could be made 'in specie'. Any remaining allocation to M&G (around £120m) would then be utilised as required to fund other investments which form part of the long term strategic allocation.

Once the equity protection strategies had ended, and the gilts held by LGIM were no longer required as collateral, the allocation could then be transferred to the BCPP index-linked gilt fund at a later date. This may be a two stage transition. It was again expected that these transitions could be made 'in specie'. The equity protection strategies would be reviewed at the May meeting of the Committee.

Members were asked to consider an initial investment of £150m in the BCPP index-linked gilt fund, subject to the further due diligence outlined and to consider delegating authority to the Treasurer of the Fund, to finalise this due diligence, in consultation with the Chair of the Committee. If, in the view of the Treasurer, and/or the Chairman, there were any significant issues raised as part of the due diligence the matter would be brought back to a future PFC meeting prior to a final commitment being made.

The Fund's Investment Consultants, AON, provided details of the review of the proposal they had carried out to date, outlining the following:-

- The suitability to the NYPF of the BCPP inflation linked bond sub-fund.
- Where the money should come from and why.
- How much money should be allocated initially
- How this might change through time.
- What had been considered - high level information across all key areas.
- The sub-fund specifics and AON's views.
- The proposal - next steps and summary.
- An overview and summary of the performance history.

AON set out the key conditions to be met in terms of the further due diligence with particular reference to the recruitment made by BCPP to manage the investment. Reassurances were required within the documentation to outline how the stock would be managed with documentation in place to underpin this.

Noting the potential for 'stock lending' under the investment a Member raised concerns that the NYPF had a policy to not undertake this. The Treasurer stated that LGPS Funds did not have the ability to undertake 'stock lending', however, this could be carried out within pools. 'Stock lending' was not included in the Investment Strategy as the NYPF was unable to do this under the regulations of the LGPS, however, the pool was at liberty to carry this out.

In terms of the transfer of the funds from M&G it was noted that these could be done 'in specie', therefore with little risk to the valuations of the stock during the transition.

It was expected that the management of the investment would be cheaper under BCPP than with M&G.

Details of the investments that had been carried out by the South Yorkshire Pension Fund, whose manager would now be undertaking this investment management on behalf of BCPP, were outlined in the report circulated by AON.

It was noted that this was an initial investment, with a view to providing additional investments in due course, with further consideration given to these at forthcoming meetings of the Committee. Many of the issues in relation to this, which correlated to the development of the Investment Strategy, would be considered at the next meeting of the Committee in May 2020.

It was noted that should the Committee not be satisfied with the further due diligence then the current investments would stay with M&G and would not be subject to transition to BCPP. It was emphasised, however, that, in essence, the offer from BCPP was comparable to that of M&G, therefore, there was little argument in terms of not transitioning the funds because of a substantially different offer that better met the needs of the NYPF.

Infrastructure Investment

Members made an initial commitment of £70m to the BCPP infrastructure fund in July 2019, during the first subscription window, with the aim of gradually building up a 5% allocation to infrastructure in the long term, as part of the Fund's 7.5% allocation to illiquid growth. The next opportunity to invest in the infrastructure fund would be April 2020 and the Committee was therefore asked to provide a final commitment at this meeting.

On the initial launch, AON, carried out high level due diligence on the sub-fund and did not identify any issues with making an investment. As the second investment would be in the same sub-fund due diligence was not required again, however, AON had carried out a high level assessment of the investment activities of the sub-fund to date to inform a recommendation for a second investment. This had not highlighted any major concerns.

It was recommended, therefore, that a further investment of between £40m and £70m be made in the infrastructure sub-fund by the April 2020 deadline.

Should the Committee plan to invest in private equity, to be discussed later in the meeting, or want to spread infrastructure investments over a longer timeframe, then an investment of the lower end of the range was recommended. However, should there be no plan to invest in private equity then it was recommended that an investment at the high end of the range be committed.

Members were asked to consider an additional investment of £40m - £70m in the BCPP infrastructure fund.

Details of the AON review of the BCPP infrastructure series 1A and 1B were provided in a report, which highlighted the following:-

- Why invest in infrastructure.
- Risk return.
- BCPP fund offer.
- How much to allocate to 1B.
- What had been looked at.
- What had been learnt from investment 1A and AON views for going forward.
- Summary and next steps.
- BCPP information in relation to the asset allocation to infrastructure series 1A.
- AON's review of BCPP's infrastructure investment proposal.
- Performance track record.
- Details of what infrastructure has to offer and the expected challenges.

Private Equity Investment

The second annual subscription window for investments in private equity was also April 2020 and commitments were requested by BCPP from the various partner Funds. The sub-fund was first launched in April 2019, however, this was not an asset class that the Fund had invested in previously and the new Investment Strategy had not been determined at the time of its launch, therefore, it was decided not to invest.

In view of the new Investment Strategy, which had subsequently been approved by the Committee, it was asked whether an investment in the BCPP private equity fund, during the second subscription window as part of the Fund's 7.5% allocation to illiquid growth would now be considered.

As the Fund was not currently invested in private equity, BCPP attended the informal workshop prior to this meeting to provide training on the asset class and their sub-fund offering. Members were asked to consider making a commitment to the BCPP private equity fund in April 2020. It was noted that there would be a further opportunity to invest in the sub-fund in April 2021.

The Treasurer, the Investment Consultants, AON, the Fund's Independent Financial Adviser and Members of the Committee discussed the potential further investment in BCPP's infrastructure sub-fund, alongside the potential for an investment in BCPP's private equity sub-fund in terms of the level of commitment to be made and where the investments would be placed. The following issues and points were raised in relation to these matters:-

- Concern was expressed that an investment in the private equity sub-fund would be undertaken with no due diligence having been carried out. In relation to this it was noted that the sub-fund followed in a similar vein to the infrastructure sub-fund, as in, it would have an experienced manager who would recruit a suitable team to lead the investment portfolio.

- It was asked whether other Pool members were carrying out due diligence in terms of investing in the private equity sub-fund. In response it was stated that NYPF carried out more due diligence than other Pool partners, however it was emphasised that this was not seen as a fault, with the Committee exercising a healthy level of investigation in terms of the investments they were entering into with BCPP. It was noted that the due diligence carried out was in relation to the establishment of the structure, the due diligence on Fund Managers operating within the sub-fund was undertaken by BCPP. AON had considered the Fund Managers involved, which were all external managers, and their views on the rating of those managers were provided. It was recognised that BCPP had expertise in both areas and were well placed to oversee these investments.

- It was suggested that should the Committee wish to postpone the entry into the private equity investment with BCPP at this stage, to allow due diligence to be undertaken, then a further investment of at least £50m into the infrastructure sub-fund of BCPP was recommended.

- It was emphasised that the amounts being discussed were relatively small in terms of the overall Fund, however, the public perception of such investments had to be borne in mind and the sums involved, whilst relatively small in Pension Fund terms were not so in the public perception. It was felt appropriate, therefore, that in line with other investments that had been carried out, AON undertake a high level due diligence review in terms of the private equity investment before a commitment was made to invest in that by the NYPF.

- It was noted that the proposed investment into the infrastructure fund would be in addition to the initial allocation made in July 2019. Members asked for details of the drawdown of the initial commitment noting that around £3m had currently been drawn down at the prior quarter end. It was emphasised that this was seen as a long term investment with the drawdown made over a number of years, when the appropriate investment opportunities came along. It was noted that the up-to-date figure on the drawdown was in the region of £7.5m.

- It was stated that the current Investment Strategy sought to achieve an overall investment of 7.5% of the total fund in infrastructure and private equity.

- Members noted that pooling had its advantages in terms of diversifying investments, as the process was much speedier than previously.

- It was stated that BCPP were taking a global approach to infrastructure investments, which was welcomed by Members of the Committee.

- It was asked how much the NYPF already committed to due diligence via BCPP and, with carrying out due diligence through the Investment Consultants, whether this function was being duplicated. In response it was stated that the due diligence carried out by BCPP was paid for through the payments made by the partner Funds to set up the sub-funds on a pro-rata basis, however, this was not related to the due diligence carried out by the NYPF, which considered the process for developing the sub-funds, rather than those that would be managing the investment within the sub-funds.

Resolved -

(i) That a commitment of £150m in the BCPP index-linked gilt fund be approved, subject to further due diligence.

(ii) That authority be delegated to the Treasurer of the Fund, in consultation with the Chair of the Committee, to finalise the due diligence on the BCPP index-linked gilt fund.

(iii) That an additional investment of £50m in the BCPP infrastructure fund be approved.

(iv) That in relation to the BCPP private equity fund, BCPP be informed that whilst the Pension Fund Committee is interested in such an investment, it considered that, without appropriate due diligence having been undertaken, the Committee was unwilling to commit to an investment at this stage, therefore, further consideration would be given to this matter when the next round of investments in the BCPP private equity fund became available.

165. Pension Board - Draft Minutes of the Meeting held on 16 January 2020

The Chairman of the Pension Board presented the Minutes of the meeting held on 16 January 2020, highlighting the following:-

- Full details of the discussions at the meeting were outlined in the Minutes.

- Appointments, subject to the approval of the County Council as Administering Authority, were made to the vacant Employer Representative position and as an Associate Member with no voting rights (reserve Employer Representative) at the meeting. The appointments were ratified at the recent Meeting of the County Council.

- Emma Barbery - Askham Bryan was appointed as Employer Representative.

- David Hawkins - York College was appointed as Associate Member with no voting rights (reserve Employer Representative).

♦ The Chairman of the Pension Board emphasised that details of the Triennial Valuation had not been provided to Employer Representative Members of the Pension Board, in terms of the confidential information which related to the negotiations with employers on contribution rates, as this was seen as inappropriate.

Resolved -

That the Minutes of the meeting of the Pension Board held on 16 January 2020 be noted, together with the issues highlighted by the Chairman of the Pension Board.

The meeting concluded at 12.10 pm.

SL/JR