Agenda

Meeting: **Pension Fund Committee**

Venue: **Remote Meeting held via Microsoft Teams**

Date: **Friday, 4 March 2022**

Time: **10.00 am**

Councillors: **John Weighell OBE (Chairman)**
Mike Chambers MBE, Cliff Lunn, Don MacKay,
Patrick Mulligan, Andy Solloway,
Helen Swiers, (Vice-Chair) and Angus Thompson

Christian Vassie, City of York Council
Jim Clark, North Yorkshire District Councils
David Portlock, Chair of Pension Board (Non-Voting)
Brian Hazeldine, UNISON (Non-Voting)

Under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings should continue, with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach was agreed by full Council at its February meeting following a review, and will be the subject of a further review and consideration at the May AGM of the County Council

The meeting will be available to view once the meeting commences, via the following link - www.northyorks.gov.uk/livemeetings

Recordings of previous live broadcast meetings are also available there.

Enquiries relating to this agenda please contact Stephen Loach Tel: 01609 532216
or e-mail stephen.loach@northyorks.gov.uk
Website: www.northyorks.gov.uk

Business

1. **Exclusion of the Public and Press - To consider the exclusion of the public and press from the meeting during consideration of item 3(b) – Confidential Minutes and item 11 - Asset Allocation, on the grounds that they both 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**

2. **Welcome, introductions and apologies.**

3(a) **Public Minutes of the Committee Meeting held on 26th November 2021** **(Pages 5 - 14)**

3(b) **Confidential Minutes of the Meeting held on 26th November 2021** **(Pages 15 - 20)**

4. **Declarations of Interest**

5. **Public Questions or Statements**

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services (contact details at the foot of the Agenda sheet) by midday on Tuesday 1st March 2022. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);

- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct those taking a recording to cease while you speak.

6. **Pensions Administration Report - Report of the Treasurer** **(Pages 21 - 40)**

7. **Business Plan, Budget and Cash-flow Projections - Report of the Treasurer** **(Pages 41 - 68)**

8. **Border to Coast Responsible Investment Policies - Report of the Treasurer** **(Pages 69 - 104)**

9. **Performance of the Fund - Report of the Investment Consultants, AON** **(Pages 105 - 150)**

10. **Pension Board - Minutes of the Meeting held on 13th January 2022 - Report back by Chair of the Pension Board** **(Pages 151 - 160)**

11. **Asset Allocation and Investments Update - Report of the Treasurer** **(Pages 161 - 170)**

12. **Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency**

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)
County Hall
Northallerton

Thursday, 24 February 2022

For all enquiries relating to this agenda or to register to speak at the meeting, please contact Stephen Loach, Democratic Services Officer on Tel: 01609 532216 or by e-mail at: stephen.loach@northyorks.gov.uk

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North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 26 November 2021 held as a live broadcast meeting commencing at 10 am.

Present:-

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

Councillor Jim Clark - North Yorkshire District Councils.

Councillor Christian Vassie - City of York Council.

David Portlock - Chair of the Pension Board.

Brian Hazledine – UNISON retired members

The meeting was available to watch live via the County Council's website and a recording of the meeting is now available on the website via the following link www.northyorks.gov.uk/livemeetings

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Copies of all documents considered are in the Minute Book

All decisions made by the Committee are subject to the procedure set out in Minute 239, below.

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239. Welcome and Introduction

The Chairman welcomed everyone to the meeting and highlighted the following:-.

Under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings should continue (as informal meetings of the Committee Members), with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach was reviewed by full Council at its November meeting and it was agreed to continue with this approach with a further review taking place at the County Council Meeting in February 2022.

240. Exclusion of the Public and Press

Resolved –

That on the grounds that it involved 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, the public was excluded from the meeting during consideration of agenda items: 3(b) – Confidential minutes of 10th September 2021; and; 12 – Asset Allocation

241(a). Minutes

Resolved -

That the Minutes of the meeting held on 10 September 2021were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

241(b). Confidential Minutes

That the Confidential Minutes of the meeting held on 10 September 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

(There was no discussion of the Confidential Minutes, therefore, the Meeting did not go into private session).

242. Declarations of Interest

There were no declarations of interest.

243. Public Questions or Statements

There were no public questions / statements

244. Pension Administration Report

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund in the quarter and updating on key issues and initiatives which impact the administration team, including the following:-

Admission Agreements and New Academies

Administration

Membership Statistics

Throughput Statistics

Performance Statistics

Commendations and Complaints

Annual Benefit Statements 2021

Issues and Initiatives

GMP and Pensioner Data Reconciliation

Breaches Policy & Log

Business Plan update

Administration System Project

Other Key Projects

McCloud

Broadacres

Governance Documents

Funding Strategy Statement

Admissions and Terminations Funding Policy

Pensions Administration Policy

Business Plan Update

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- The impact of increased demand on the team on the performance satisfaction rating. New systems are continuing to be bedded in which affected this, therefore, additional resources had been recruited, together with a change in structure for the team, to address the increased outstanding work.
- In respect of the issuing of Annual Benefits Statements (ABS), 100% of deferred members had now been issued. Work had taken place on the outstanding active members' statements since the report was produced and, 575 now had been issued, 76 were not eligible for a Statement, 352 had outstanding year- end queries and 155 were being checked for eligibility.
- The Pensioner Data Reconciliation project had been completed and pension records had been amended. Around 1800 pensioners have had their records amended, 581 had been overpaid, with average overpayment being £206.70 per annum (ranging from £7.42 to £12k). 711 had been underpaid, with the average underpayment being £54.30 per annum (ranging from £1.74 to £1500). Arrears on underpayments will be paid, but overpayments will not be reclaimed. All pensions have now been rectified to the correct amount.
- There had been 4 breaches since the previous report, details of which were set out in the report – these related to 3 administrative breaches, one of which was related to data collection by the third party contractor dealing with data for McCloud, and the other relating to the ABS and 100% having not been issued.
- An update of the Fund's Business Plan was provided.
- The Administration System project was progressing well. Work was taking place with NYCC and City of York Council to get them on board as soon as possible, as the two largest employers.
- It was explained that pensioner members of the Fund were being encouraged to take up the self-service, on-line option for services they required from the

Fund, however, they could opt-out of this if they wanted to maintain postal and telephone services. Around 25% of the overall pensioner members had opted out and their service would be continued in-line with their requirements, but the option to move to self-service was still available to them.

- The collection of data for McCloud continued to be progressed.

Members discussed the report and the following issues and points were raised:-

- A Member asked for details in relation to how long the Broadacres issue would take to resolve. The Treasurer responded stating that, initially, the issue had to be discussed with the appropriate Government Policy Team, which had been arranged. Broadacres were also obtaining the appropriate information to submit to the Secretary of State. The whole process could take a number of months and Members would be provided with regular updates on how this was progressing. The Member representing the District Councils stated that he had discussed the issue with the Treasurer and was satisfied with the information provided but would continue to monitor the progress.
- A Member noted that some of the information contained with attendance at training, conferences and events appendix to the report was incorrect. In response it was stated that the appendix would be corrected and Members were asked to provide details to the Clerk of any information they wished to be included in this appendix, going forward.

Resolved – that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

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

(ii) That in terms of the data breaches reported, Members agreed that no reports should be made to the Pensions' Regulator in respect of the two issues related to the gathering of data for the McCloud case, the copy of a letter left on a printer and not meeting the deadline for the issuing of Annual Benefits Statements to deferred members of the Fund. However, further information was required before a decision could be made on not meeting the deadline for the issuing of Annual Benefits Statements to active members of the Fund;

(iii) That the proposed Meetings' timetable for 2022/23 be approved.

(iv) That the Administration Team be congratulated for their continued hard work and good performance through an extremely difficult time.

245(a) Death Grant – Mrs P

Considered -

The report of the Treasurer providing Members with information relating to the death of Mrs P in January 2019 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that the deceased had one immediate family member, the co-habiting partner, who had proven dependency on the deceased whereas the sister and father did not appear to have any dependency.

Resolved –that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

That the death grant be paid in its entirety to the partner who had proven dependency in order to receive a co-habiting partners pension.

245(b) Death Grant – Mrs R

Considered -

The report of the Treasurer providing Members with information relating to the death of Mrs R in January 2020 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that the North Yorkshire Pension Fund had received confirmation that the son had actively been involved in dealing with the estate of the deceased (e.g. he had paid the funeral expenses in full). He should therefore be recompensed for these costs and the overall benefit payable was marginally greater than the cost of the funeral. The son was also likely to have incurred other incidental costs and the remaining sum was regarded as such low value that there was little benefit in seeking further interested parties and potentially sharing any residual element.

Resolved –that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

That the death grant be paid in its entirety to the son.

245(c) Death Grant – Mr A

Considered -

The report of the Treasurer providing Members with information relating to the death of Mr A in May 2020 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that although there was a nomination in place the Committee felt consideration should also be given to the dependent children from the previous marriage. It was felt a 50/50 split took account of the fact the widow had the greatest dependence on the deceased at the time of death but the 3 children from the previous marriage should also receive some benefit. It was noted that there was discussion taking place on the settling of the estate between the widow and the ex-spouse on behalf of the children and a payment of 50:50 could be fed into those discussions.

Resolved –that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

That the death grant should be split 50/50 between the widow and the ex-spouse for the benefit of his 3 children, in recognition that there were multiple dependants of the deceased and all should benefit from the death grant.

246. Pension Fund Annual Report 2020/21 – including Final Accounts

Considered –

The report of the Treasurer requesting Members to approve the Pension Fund Annual Report 2020/21 and providing an update on the Final Accounts.

The Annual Report was attached as an appendix to the report and the Treasurer noted that the details within in it had been considered previously by the Committee at Pension Fund Committee meetings throughout the year.

In respect of the Statement of Final Accounts (SoFA) the Treasurer stated that the final publication of these continued to be delayed due to resource problems for the External Auditor. He noted that the accounts could not be published separately to those of the County Council, therefore, both had to be completed before they were published despite the Pension Fund accounts having been completed. It was now expected that a final report would be submitted to the Audit Committee on 13th December 2021 to consider the SoFA.

The Treasurer stated that in line with legislation, the Annual Report had to be published by the 1st December. He had taken legal advice and it had been clarified that the Annual Report, without the SoFA having been signed off, could be published. A note would be included with the Annual Report to highlight this position. Any changes to the final SoFA would be reported back to the Committee.

Members discussed the report and the following issues and points were raised:-

- A Member sought clarification regarding the legal advice obtained in relation to the publication of the Annual Report with the SoFA not finalised, in respect of compliance with the legislation and whether the issue would need to be reported to the Pensions' Regulator. The Treasurer stated that he had obtained advice from the County Council's Monitoring Officer and it had been clarified that the action identified could be undertaken under Regulation 57 (i), (ii) and (iii).
- It was noted that the Annual Report was usually accompanied with a report from the Independent Observer to the Fund, but this had not been made available. In response it was stated that a yearly review was not due, with this work being undertaken on a two year basis, therefore this would be made available next year. The Treasure noted there was no obligation to have an Independent Observer, however, it was seen as good governance. Such an appointment was likely to be included in the outcomes from the Hymans review on Good Governance, which was expected to be published next year, with the Independent Observer assisting with the understanding and assimilation of this.

- A Member welcomed the references to climate change matters within appendix 4 to the report, which would assist with responses to the Task Force on Climate Related Financial Disclosures, going forward. It was noted that the Fund was working on that matter, with reporting expected from March 2023 in relation to that.
- A Member asked whether the Committee, and the County Council in general, should be concerned with regards to the External Auditor not signing off the SoFA on time. In response the Treasurer stated that this was a national issue and assured Members that the situation was not unique to the NYPF nor the County Council.

Resolved – that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

That the Pension Fund Annual Report for 2020/21 be approved.

247. Budget/Statistics

Considered -

The report of the Treasurer outlining the following:-

- the 2021/22 budget and the cost of running the Fund
- the 4 year cashflow projection for the Fund

The latest forecast outturn position against the 2021/22 budget was an estimated total running cost of £34.1m for the Fund against a budget of £33.9m, as at the end of September 2021, with no significant changes from Quarter 1.

The overall cashflow position was a small surplus for 2021/22 and 2022/23, turning into deficits for 2023/24 and 2024/25. It was emphasised that although the Fund was moving into negative cashflow this was completely normal for pension funds as they mature. To give some context, it was noted that the forecast 2023/24 cash position of negative £8.7 million represented approximately 0.2% of the current value of the Fund, and was not material when compared to the expected annual growth in the value of the Fund of 5.6%.

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

- Clarification was provided in respect of the figures within the table appended to the report.
- The Treasurer stated that the cashflow deficit position was relatively small in context to the overall size of the Fund, and indicated a positive position for the Fund in terms of its value. He noted that plans were in place to address negative cashflow when that arose.

Resolved –

That the contents of the report be noted.

248. Performance of the Fund

Considered –

Report of the Investment Consultants, AON, providing details of performance and asset allocation information for the Fund along with a background to the investment markets during the second quarter of 2021/22.

The following issues were highlighted:-

- Performance by the Fund's investments in the Quarter sees the Fund 130% funded with a surplus of around £1bn.
- Bailie Gifford continued to perform strongly leading to a good performance in equities overall.
- The performance of the various Fund Managers, and the investments managed within the BCPP were outlined.
- The risk from inflation to the markets, in the short and longer term, was outlined together with the risk of over-reliance on returns from equities.
- Inflation levels were rising due to short term supply and demand issues created by the pandemic and Brexit, therefore, it was not expect that there would necessarily be long term inflation issues.
- The actuary would be considering the impact of inflation during the forthcoming Triennial Valuation which could affect the level of contributions, going forward.
- Issues around Index Linked Gilts and Corporate Bonds were outlined, with these currently very expensive and unlikely to bring any significant benefit, unless increasing inflation was likely to be a long term issue where inflation linked assets would benefit the Fund.
- Details relating to liabilities, assets and equities, and the impact of the current economic situation on those, were outlined.
- The risk factor of large exposure to equities remained and the Fund's Investment Strategy continued to seek to reduce that risk, with volatility in the markets remaining.
- Climate Change and carbon reduction are issues that will feature prominently in respect of investment opportunities going forward, and the Investment Strategy would take account of that.

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

- Clarification was provided that, although the inflationary pressures were considered to be short term, continued difficulty with supply and rising wages could see this develop into a medium/long term issue.
- A discussion of the continued excellent performance of Baillie Gifford, and their portfolio, was undertaken.
- The current factors contributing to increased inflation in the short term were outlined.
- A member raised concerns that, given the details provided earlier in the meeting, it was the wrong time to be investing in Index Linked Gilts. In response it was stated that the investment referred to related to transferring an existing Index Linked Gilts investment with M&G into BCPP, which was a change of manager rather than a asset class.
- It was noted that there was a reduced number of fund manager reviews within the report submitted to this meeting. In response it was stated that a review of fund managers was currently taking place, in conjunction with BCPP, and it was expected that future reports would include more detail. Verbal updated were provided on some of the main fund managers, including some of those within BCPP.
- A Member emphasised the need to consider the long term picture when looking at investments, highlighting the excellent performance of the Fund in recent years which had led to the current funding position. He highlighted how similar economic situations had occurred previously but by trusting the Investment Strategy the Fund had prospered.
- A Member highlighted how the NYPF was the highest performing Fund in the pool, and one of the best performing Funds in the LGPS. He emphasised how this had

been obtained through hard work and good management, and considered that the Committee could have confidence in the way the Fund would be managed, going forward.

Resolved –

That the contents of the report be noted.

249. Pension Board – report back by Chair on the meeting held on 14th January 2021

Considered -

A verbal update by the Chair of the Pension Board.

The Chair of the Pension Board, David Portlock, summarised the discussions at the meeting held on 7th October 2021 highlighting the following:

- Vacancies for a Scheme Member and Employer Member representatives on the Pension Board had been filled, following approval at the November 2021 meeting of the Full County Council. Their appointments were for four years, and resulted in there now being a full complement of representatives on the Board.
- Reports from Internal Audit had been completed on Income and Expenditure, with both indicating substantial assurance.
- Members again discussed the cashflow position of the Fund and concern was raised regarding the prospect of going into a negative cashflow position.
- Details of the Hymans Robertson on-line training package, purchased for both Pension Board and Pension Fund Committee Members to undertake, were outlined. The Chairman of the Board provided details of what the training package contained. He noted that PFC Members could undertake the available training and, whilst not mandatory currently, the information provided would be of benefit in their role.
- Louise Branford-White, an original Member of the Board, had taken up a position with a different body which left her ineligible to sit on the Board, resulting in her resignation. Consideration would be given to appointing David Hawkins, a current reserve Employer Representative to the Board, at the next meeting.

Resolved -

That the details of the meeting outlined be noted and the Board's Chairman be thanked for his updates.

Minute No.250 was considered as a private item (see Minute No. 240, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

250. Asset Allocation

Considered -

The report of the Treasurer to the Fund regarding the following:-

(i) To update Members on progress towards aligning the Fund's investments with the asset allocation strategy.

(ii) To update Members on the development of new fund proposals by Border to Coast.

(iii) To provide Members with carbon emissions information from the Fund's investment managers.

Members consideration of the proposals is outlined in the confidential minutes.

Resolved – that the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers:

(i) that the Fund's allocation to property may include global property, subject to satisfactory due diligence being carried out; and

(ii) that the Committee would like to explore Border to Coast's Climate Opportunities fund in more detail

The meeting concluded at 12.20pm.

SML

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North Yorkshire County Council

Pension Fund Committee

4 March 2022

Administration Report

Report of the Treasurer

1. Purpose of the Report

1.1. To provide Members with information relating to the administration of the Fund in the quarter and to provide an update on key issues and initiatives which impact the administration team.

2. Admission Agreements & New Academies

2.1. The latest position relating to admission agreements and academy conversions is shown in **Appendix 1**.

3. Administration

3.1. Membership Statistics

Membership Category	At 01/10/2021	+/- Change (%)	At 31/12/2021
Active	31,981	-1.25%	31,585
Deferred	38,568	-0.22%	38,486
Pensioner (incl spouse & dependant members)	26,305	+1.62%	26,732
Total	**96,854**		**96,803**

3.2. Throughput Statistics

- Period from 1 October 2021 to 31 December 2021

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	7	24	29	2
Transfer Out quotes	57	148	193	12
Employer estimates	3	40	40	3
Employee estimates	10	162	170	2
Retirement quotes	49	673	708	14
Preserved benefits	75	239	240	74
Death in payment or in service	89	244	237	96
Refunds	42	238	262	18
Actual retirement procedure	726	834	881	679
Interfund transfers	159	170	130	199
Aggregate member records	123	422	345	200
Process GMP	1	0	1	0
Others	211	236	296	151
Total Cases	**1,552**	**3,430**	**3,532**	**1,450**

- Alongside the above cases, the Pensions team also handled 2,066 phone calls (average 42 per working day) and 5,600 emails received via the Pensions Inbox (average 91 per working day) in the quarter to 31 December 2021.

Performance Statistics

- The performance figures for the period 1 October 2021 to 31 December 2021 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	93%
Customers surveyed ranking service good or excellent	94%	89%
Increase numbers of registered self-service users by 700 per quarter (total registered users 35,490)	700	829

- Our performance and satisfaction rating continue to be impacted by the high demand into the team.
- Our satisfaction rating has been impacted by us failing to keep members informed of progress with their specific case particularly where delays are outside of our control. The team are now reminded regularly to ensure we keep members updated.
- Our priority continues to be to pay member benefits as promptly as we can.

3.3. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Oct	2	Very informative and knowledgeable, answering my queries very quickly
Nov	4	Very efficient, excellent service
Dec	0	

Complaints

Date	Number	Summary
Oct	2	Admin – incorrect form on member record Admin – delay receiving lump sum and terminology used in email
Nov	2	Admin – delay providing transfer value & lack of communication Admin – early retirement pension too low when compared to colleagues
Dec	3	Admin – missing transfer in Admin – handling of flexible retirement request Admin – perceived loss of income from taking AVCs at age 60

- The complaint categories are:

  a) Admin - these can relate to errors in calculations, delays in processing and making payment of benefits.
  b) Regs - these relate to a complaint where regulations prevent the member being able to do what they want to.
  c) IHER - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

Lessons Learned

Having reviewed the complaints received in the period there were a couple of training and development needs identified for specific individuals which have been addressed. The whole team has been reminded about the use of jargon and pensions terminology in our communications. The whole team also attended a Customer Focus training event provided by the NYCC Training and Learning team.

3.4. **Annual Benefit Statements 2021**
Active member statements – we have 61 outstanding 2021 benefit statements due to outstanding year end queries. We are continuing to resolve these and issue the statements as we are able however, focus has now shifted to preparations for the 2022 exercise. We are also looking to revamp the layout this year with a view to making the key information visible at a glance and easier to understand.

3.5. **Breaches Policy & Log**
The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 2** for review. There is 1 new entry this time relating to the late issue of a pension savings statement for 1 member due to an outstanding query on their record.

4. Issues and Initiatives

4.1. **Administration System Project**
The delivery stage of this project and its various work streams is progressing well.

- On-boarding of employers to our online portal i-Connect continues and we are still trying to on-board our two largest employers, NYCC & CYC, before the year end.
- On-boarding will be paused again due to the team having to focus on year end processing, annual benefit statement production and data preparation for the triennial Valuation.
- Website development continues.

4.2. **McCloud**
There has been a good response from employers following the data collection exercise with only 45 employers still to send data. A further attempt is being made to collate the data from current employers before moving onto the next stage of data load.

The Public Bill Committee have introduced important amendments to the Public Service Pensions and Judicial Offices Bill which is the Bill that will enable changes to be made to the LGPS for the McCloud remedy. These amendments to the LGPS include:

- changes to the qualification criteria, bringing more members into scope for the McCloud remedy
- a requirement for multiple periods of service to be aggregated to qualify for McCloud
- provisions for teachers to be offered membership of the LGPS in respect of "excess teacher service"

5 Broadacres
Correspondence with Broadacres Housing Association (BHA) continues regarding their request to transfer their pension assets and liabilities from the London Pension Fund Authority to the North Yorkshire Pension Fund. The Fund is working closely with its legal advisor to ensure that any risk factors are addressed prior to any potential transfer.

6 Payment of Death Grants
To assist with the timely payment of death grant benefits a Death Grant Payment Guidelines document has been created, attached at **Appendix 3.**

This document aims to create a set of guidelines to enable the administration team to make payments without the need to refer cases to the Pension Fund Committee. Only those cases which are unable to be paid in line with the guidelines because the normal practices are deemed inappropriate, impossible or may be subject to objection by interested parties will be referred.

7 Member Training

7.1 The Member Training Record showing the training undertaken to February 2022 is attached as **Appendix 4.**

7.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. Please contact Kirsty Howes (01609 533298 or email kirsty.howes@northyorks.gov.uk) for further information or to reserve a place on an event. Events are limited currently due to the pandemic.

8 Meeting Timetable

8.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 6**. Meetings will continue to be undertaken virtually until further notice.

9 Recommendations

9.1 Members to note the contents of the report.

9.2 Members to determine whether a report should be made to the Pensions Regulator regarding the data breaches reported.

9.3 That the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers to:-

9.3.1 approve the adoption of the Death Grant Payment guidelines.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton

24 February 2022

Appendix 1

Academy Conversions – 11 'in progress'

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
St John Fisher Catholic High School, Harrogate	NYCC	Bishop Wheeler Catholic Academy Trust	1.12.2021	Complete. Now known as St John Fisher Catholic Academy
Scarborough University Technical College	N/A	Transfer into the Coast and Vale Learning Trust	1.1.2022	Complete
St Joseph's Catholic Primary School, Tadcaster	NYCC	Bishop Wheeler Catholic Academy Trust	1.2.2022	Complete
Malton Community Primary School	NYCC	Hull Collaborative Academy Trust	1.1.2022	Approval received from the Secretary of State to join the East Riding Pension Fund. Now in progress
Bishopthorpe Infant School	COYC	South York Multi Academy Trust	Feb/March 2022	In progress
Alanbrooke Community Primary School	NYCC	Elevate Multi Academy Trust	1.3.2022	In progress
Willow Tree Community Primary School	NYCC	Northern Star Academies Trust	1.4.2022	Will be progressed nearer the time
Barkston Ash RC Primary School	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	TBC	Delayed from 1.9.2020
St Wilfrid's Catholic Primary School, Ripon	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	TBC	Delayed from 1.9.2020
All Saints, York	COYC	St Margaret Clitherow Academy Trust	Not known	Delayed from 1.9.2019
Naburn CoE Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.10.2018
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.11.2018
Elvington CoE Primary School	COYC	South York Multi Academy Trust	Not known	Conversion delayed, new date not yet known
Fishergate Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.12.2018

Admission Bodies - 14 ‘in progress’

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Pathfinder Multi Academy Trust Clifton with Rawcliffe Primary (CWR) School Hempland Primary School New Earswick Primary School Rufforth Primary School	Hutchison Catering Limited	27.7.2021	Complete
St Margaret Clitherow Catholic Academy Trust OLQM RC Primary School York St George's RC Primary School, York St Wilfrid's RC Primary School	Hutchison Catering Limited	28.7.2021	Complete
St Margaret Clitherow Catholic Academy Trust Sacred Heart RC VA Primary School, Northallerton St Augustine's RC Secondary School Scarborough St Benedict's RC Primary School, Ampleforth St George's RC Primary School, Scarborough St Joseph's RC Primary School, Pickering St Mary's RC Primary School, Malton St Mary's RC Primary School, Richmond St Peter's RC Primary School, Scarborough	Hutchison Catering Limited	1.9.2021	Complete
Ebor Academy Trust Haxby Road Primary Academy (catering contract)	Hutchison Catering Limited	1.9.2021	Complete
Wellsping Academy Trust The Forest School, Knaresborough	Barnsley Norse Limited	1.9.2021	Complete
Elevate Multi Academy Trust Catering contract at all schools in the Trust	Mellors Catering Services Limited	1.9.2021	Complete

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
South Bank Multi Academy Trust Woodthorpe Primary School York High School	Dolce Limited	1.9.2021	Complete
City of York Council All Saints RC School, York	Hutchison Catering Limited	1.9.2021	Complete
Nicholas Postgate Catholic Academy Trust All Saints Catholic Primary School St Hedda's Catholic Primary School	Cater Link Limited	1.9.2021	Complete
Red Kite Learning Trust Coppice Valley Primary School	Taylor Shaw Limited	1.11.2021	Complete
Red Kite Learning Trust Western Primary School	Taylor Shaw Limited	1.1.2022	Complete
NYCC Easingwold Primary School – catering contract	Taylor Shaw Limited	1.9.2021	Complete
NYCC Moorside Primary School and Nursery – catering contract	Taylor Shaw Limited	1.9.2021	Complete
NYCC Colburn Community Primary School – catering contract	Taylor Shaw Limited	1.9.2021	Complete
City of York Council Bishopthorpe Infant School	Mellors Catering Services Limited	28.7.2021	In progress
City of York Council Carr Infant School	Mellors Catering Services Limited	28.7.2021	In progress

City of York Council Lord Deramore's Primary School	Mellors Catering Services Limited	28.7.2021	In progress
Name of Employer	**Name of Contractor**	**Staff Transfer Date**	**Current Position**
City of York Council Poppleton Road Primary School	Mellors Catering Services Limited	28.7.2021	In progress
City of York Council Ralph Butterfield Primary School	Mellors Catering Services Limited	28.7.2021	In progress
City of York Council St Paul's Primary School	Mellors Catering Services Limited	28.7.2021	In progress
City of York Council Yearsley Grove Primary School	Mellors Catering Services Limited	28.7.2021	In progress
Northern Star Academies Trust New Park Primary Academy Harrogate High School Hookstone Chase Primary School Starbeck Primary Academy	Aspens Services Limited	1.1.2022	In progress
South York Multi Academy Trust Bishopthorpe Infant School	Mellors Catering Services Limited	1.1.2022	In progress
South Bank Multi Academy Trust Carr Junior School	Dolce Limited	21.2.2022	In progress
Hope Learning Trust Catering contracts at:- Baldersby St James CoE Primary Academy Burton Green Primary School Forest of Galtres Anglican Methodist Primary School Poppleton Ousebank Primary Academy Skelton Primary School	Contractor not yet appointed	March/April 2022	Delayed from July 2020 due to Covid-19

South Bank Multi Academy Trust Cleaning contract	Contractor not yet appointed	August 2022	In progress
Name of Employer	**Name of Contractor**	**Staff Transfer Date**	**Current Position**
NYCC Longman's Hill Community Primary School	Contractor not yet appointed	September 2022	In progress
Selby Educational Trust Selby Community Primary School Carlton Primary School	Contractor not yet appointed	September 2022	In progress

Exited Employers – 21

Name of Employer	Date exited the Fund
OCS Group UK Limited	31.3.2017
Superclean Services Limited	16.7.2017
Joseph Rowntree Charitable Trust	31.12.2017
York Arts Education (Community Interest Company)	31.3.2018
Be Independent	31.7.2018
Housing & Care 21	31.8.2018
Consultant Cleaners	31.10.2018 (voluntary liquidation)
The Wilberforce Trust	22.3.2019
Dolce Limited	14.4.2019
Schools Plus	30.4.2019
Sewells Facilities Management Limited	21.12.2020
Sheffield International Venues	31.1.2021
Caterservice Ltd	12.2.2021
Enterprise Managed Services Ltd (Amey)	28.2.2021

Name of Employer	Date exited the Fund
Taylor Shaw Limited	12.2.2021
RCCN Limited	31.3.2021
Streamline Taxis Limited	28.5.2021
Ringway Infrastructure Services Limited	31.5.2021
Churchill Security Solutions Limited	31.5.2021
Sanctuary Housing Association	20.12.2021
Atalian Servest Food Co Limited	31.12.2021

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end.			14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated			22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N
31/08/2019	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 95.69% of Active members received a statement. (1,342 members did not)	Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 329 as at 9 October, work will continue until end of year to further reduce number unissued. Final position: 329 unissued			22/11/2019	03/10/2019	PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. Following provision of above information both PFC & PB agreed not to report this time.	N
09/04/2020	Administration	A member's leaver statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
11/05/2020	Administration	A member's retirement statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's letter was incorrectly sent to the wrong member along with their own letter.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's calculation print was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
26/05/2020	Administration	A pensioner received a payslip which belonged to another pensioner.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
27/05/2020	Administration	A member received a letter meant for a solicitor dealing with the death of another member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
31/08/2020	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statments can be issued.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 94.21% of Active members received a statement. (1,784 members did not)	Analysis of the 1,784 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 274 as at 20 October, work will continue until end of year to further reduce number unissued.			27/11/2020	29/10/2020	PB - Oct meeting, noted position, agreed not to report. PFC - Nove meeting, noted position, agreed not to report.	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
30/11/2020	Administration	A member contacted us to advise she had received the starter pack for another member but with her address on it. The member also advised there were 2 other members affected.	Employer submitted starter file and the data has been mixed up for a number of members, address 26 records, date of birth 11 records, payroll no 21 records, date joined 8 records and school name 18 wrong	Data Protection Act 2018	Accidental disclosure of personal data for a number of members to another member. It is highly likely that the receipient knows the person whose information was disclosed. The 3 original members had discussed it.	Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. Data sent back to employer to provide corrected information. Employer advised we have reported the data breach and we've asked for clarification of what process changes they have made to prevent it recurring. Replacement starter packs issued with correct details on and covering letter advising reason for disclosure and contact details for employer.			05/03/2021	14/01/2021	PB - Recognised the issue was an employer one rather than a Fund one. PFC - Recommended no report required	N
05/10/2020	Administration	Failure to issue 3 members with annual Pension Saving Statements (PSS) in the relevant years. One member was missing a PSS for the 18/19 year, one was missing a PSS for 16/17 and one was missing a PSS for 16/17, 17/18, 18/19 & 19/20.	There are two main causes as follows: missing data and staff not realising a statement should have been issued when the record was recalculated.	Finance Act 2004	When the member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. They can elect to either pay the tax charge via a Scheme Pays option or directly to HMRC. Because the PSS haven't been issued members are now late submitting to HMRC. We are aware of members who have ignored the information we have sent for a number of years, when they do contact HMRC they are advised to just pay what is due. There appear to be no penalties applied. Because we haven't advised members at the correct time they have been unable to take action to mitigate the impact in subsequent years. Members in this position often switch to the 50/50 section to reduce their pension accrual. A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years.	We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take. We have struggled to establish how to report the breach to HMRC but will resubmit the annual HMRC returns for the relevant years. We will then respond to HMRC accordingly. We have reviewed our internal processes and are taking steps to educate the wider team and address some of the issues at source rather than waiting until year end. A targetted working group will be established in the summer to address the backlog of changes we get each year. This will involve training a small number of staff on the whole Annual Allowance process, what it is, why it's important, teh impact on affected members and how to update and maintain records correctly. This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team. Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
19/11/2021	Administration	One Pension Savings Statement (PSS) issued after statutory deadline of 6 October 2021	Record was inhibited from bulk annual allowance run whilst a query on another record was resolved	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. The deadline for a paper annual tax return was 31 October 2021 so the member could not use this option. However, the deadline for an online tax return is 31 January 2022.	Senior officer review of annual process	N/A	N/A	04/03/2022	13/01/2022	PB - No report PFC -	

Death Grant Payment Guidelines **January 2022**

The Local Government Pension Scheme (LGPS) Regulations state that the appropriate administering authority i.e. North Yorkshire County Council (NYCC) may at their absolute discretion pay the death grant to or for the benefit of the member's nominee, personal representatives, or any person appearing to the authority to have been a relative or dependent of the member.

NYCC also exercises its duties as an administering authority via the Pension Fund Committee (PFC). The PFC has guidelines for paying deaths grants, which are:

(a) Where a nomination has been made, payment of the death grant should normally be made to the nominee(s). However where a significant event has taken place since the nomination was made, e.g. a marriage, divorce or separation, then this is to be taken into account.

(b) Where no nomination has been made and the member had one immediate family (i.e. a spouse, civil registered partner or dependent cohabiting partner who were not separated at the time of the member's death, with or without children), payment of the death grant should normally be made to the spouse, civil or dependent cohabiting partner.

(c) Where no nomination has been made and the member had an immediate family (i.e. a spouse, civil registered partner or dependent cohabiting partner who were not separated at the time of the member's death, with or without children), and there are also children from a previous relationship, preference will normally be given to where dependence on the member was greatest. The death grant may be split between two or more beneficiaries.

(d) Where no nomination has been made and there is no surviving spouse, civil registered partner or dependent cohabiting partner, or there is but the couple were separated at the time of the member's death, payment of the death grant should normally be divided in equal shares to any known children of the member, regardless of their ages. This may include step-children or those accepted as children of the member.

(e) Otherwise payment will normally be made to the member's surviving parent(s) or sibling(s) in line with intestacy rules. Where none exists, payment will normally be made to the personal representative(s) dealing with the estate, in that capacity.

(f) Where the Pension Fund Treasurer / Head of Pensions Administration and/or officers of the Fund with delegated decision-making responsibilities consider that the normal practices described in (a) to (e) are inappropriate, impossible or is or may be subject to objection by interested parties because:
    (1) there is evidence that the nomination may not have represented the member's wishes immediately before death; or
    (2) because the nominee is no longer alive or cannot be traced, or because no personal representative can be identified; or
    (3) because representations have been received from or on behalf of potential beneficiaries requesting a different treatment; or
    (4) for other reasons,

the decision will be referred to the PFC for a decision regarding how the death grant should be distributed among potential eligible beneficiaries as defined in the scheme rules. Prior to so determining they may invite claimants to consider if they can propose a mutually satisfactory settlement.

Consideration may be given to the reimbursement of reasonable funeral costs should these not be able to be met with funds from the members estate. Payment will be made to the claimant upon receipt of evidence of payment and will not normally be in excess of the costs outlined in the Money Advice Service's cost of funerals article.

Appendix 4

Date	Title or Nature of Course	Mulligan P	Swiers H	Weighell J	Clark J	Portlock D	M Chambers	A Solloway	A Thompson	C Lunn	D. Mackay	*I Gillies	*C Steward	*I Cuthbertson	C. Vassie	Unison (Vacancy)	Unison (Vacancy)
25 February 2019	LGPS Members Spring Seminar - Leeds					✓											
25 April 2019	Investment Strategy Workshop- Leeds	✓	✓	✓	✓	✓	✓	✓		✓							
13-15 May 2019	PLSA Local Authority Conference, Cotswolds				✓												
24 May 2019	Manager workshop	✓	✓	✓	✓	✓	✓										
20 June 2019	Global Equity workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓							
4 July 2019	MAC Workshop	✓	✓	✓	✓	✓	✓			✓				✓			
9 –10 October 2019	Baillie Gifford Conference	✓	✓	✓					✓								
10-11 October 2019	BCPP Conference	✓	✓	✓	✓	✓	✓			✓							
21 November 2019	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓			✓							
20 February 2020	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓		✓							
11-13 March 2020	PLSA Investments Conference, Edinburgh	✓															
21 May 2020	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓							
2 July 2020	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓								
10 September 2020	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓		✓							
2 October 2020	BCPP Conference	✓	✓			✓	✓								✓		
12 October 2020	PLSA Conference	✓															
26 November 2020	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓		✓	✓					✓		
28 January 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓		

Appendix 4

Date	Title or Nature of Course	Mulligan P	Swiers H	Weighell J	Clark J	Portlock D	M Chambers	A Solloway	A Thompson	C Lunn	D. Mackay	*I Gillies	*C Steward	*I Cuthbertson	C. Vassie	Unison (Vacancy)	Unison (Vacancy)
12 February 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓		
4 March 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓		✓	✓					✓		
13 May 2021	Investment Strategy Workshop	✓	✓	✓	✓		✓	✓	✓	✓	✓				✓		
18-19 May 2021	PLSA Local Authority Conference					✓											
3 June 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓		
1 July 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓		✓	✓	✓				✓		
20 July 2021	BCPP Responsible Investment	✓															
30 September/1 October 2021	BCPP Conference	✓	✓		✓	✓	✓			✓					✓		
25 November 2021	Investment Strategy Workshop		✓	✓	✓	✓	✓			✓	✓				✓		
10 February 2022	Investment Strategy Workshop	✓	✓	✓		✓	✓		✓	✓	✓				✓		

***City Of York Council Members – Ian Gillies/Chris Steward (Sub) - May 2017 to May 2019 / Ian Cuthbertson – May 2019 – May 2020 / Christian Vassie – May 2020 - present**

APPENDIX 5

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
PLSA	EGS Conference	9 – 10 March 2022	Online	Our EGS Conference brings together the whole of the UK pensions investment chain on the issues that matter most. The programme covers every angle of EGS. Dedicated exclusively to the pensions sector. The PLSAs EGS Conference 2022 will be a digital event. Out digital platform provides AI-powered matchmaking and multiple ways to connect with your peers, share insight and access thought leadership from across the industry. Information on the EGS Conference 2022 will be available soon.
PLSA	Investment Conference	25 – 26 May 2022	Edinburgh	Our Investment Conference is where CIOs, Trustees, Investment Board Members, Pension Managers, Finance Professionals and their advisors gain insight on the major trends and events effecting UK Investors and Markets. We bring the whole of the UK Pensions Investment chain together under one roof. More details coming soon.

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
PLSA	Local Authority Conference	13 – 15 June 2022	De-Vere Cotswold Water Park Hotel, Gloucestershire	Our Local Authority Conference is the largest of its kind dedicated to Local Government Pension Scheme. It is attended by over 400 local authority officers, councillors, members of Local Pension Boards, admitted bodies and their advisors. We are excited to be returning to face-to-face event again for Local Authority Conference 2022.
PLSA	Annual Conference	12 – 13 October 2022	Liverpool ACC	The PLSA Annual Conference is the UK's number one pensions conference, welcoming more than 1,000 pension professionals to two days of world-class keynotes, educational sessions, and topic deep-dives.

Hymans Robertson package (Aspire) of on-line training can now be utilised by Members - "bite-size" sessions that can be dipped in and out of at Members convenience. The training modules are as follows:-

1: Introduction to the LGPS - Stakeholders; local arrangements for committees, boards, officers and advisers; regulatory framework.

2: Governance and oversight - Legislation and guidance; policy documents; roles and responsibilities of committees and board members; Code of Practice 14; pensions administration overview; Government oversight bodies; business plans.

3: Administration and fund management - Pension benefits and contributions; service delivery; administration and communication strategies and policy documents and processes; annual report and accounts; procurements.

4: Funding and actuarial matters - Role of the actuary; the funding strategy; valuations; employer issues; actuarial assumptions.

5: Investments - Investment strategy, asset class characteristics and investment markets; pooling investments; monitoring performance of investments and advisers; responsible investment.

6: Current issues - LGPS reform; McCloud; Goodwin; cost sharing.

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2022/23

Meeting Date	Time & Venue	Event	Fund Managers
26 May 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
27 May 2022	10 am, TBC	Pension Fund Committee	
30 June 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
1 July 2022	10 am, TBC	Pension Fund Committee	
8 September 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
9 September 2022	10 am, TBC	Pension Fund Committee	
24 November 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
25 November 2022	10 am, TBC	Pension Fund Committee	
2 March 2023	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
3 March 2023	10 am, TBC	Pension Fund Committee	

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

04 MARCH 2022

BUSINESS PLAN, BUDGET AND CASHFLOW PROJECTION

Report of the Treasurer

1. **Purpose of the Report**

1.1. To report on the progress made against the key business plan activities identified for 2021/22.

1.2. To approve the draft Business Plan for 2022/23 - 2024/25.

1.3. To approve the draft 2022/23 Budget.

1.4. To report on the cashflow projection for the Fund.

2. **Progress Update**

2.1. In the 2021/22 Business Plan twelve key actions for the year were identified and approved by Members in the March 2021 Committee meeting. It was agreed that officers would provide a progress report against these key actions. This progress report is attached as **Appendix 1**.

3. **Draft 2022/23 Business Plan**

3.1. The draft 2022/23 Business Plan is attached at **Appendix 2.** It sets out the purpose and strategy of the Fund with activities for the next 3 years to support the Committee in managing the Fund. It sets out the key initiatives of the Fund with delivery dates to enable tracking of progress. The plan has been refreshed to cover the period 2022/23 to 2024/25. Any outstanding actions from 2021/22 have been rolled forward to 2022/23 where appropriate and some new actions have been identified. A plan on a page which provides a summary of the business plan has also been attached as **Appendix 3.**

- **Investment Strategy** – a review of the strategy will be required, once the outcome of the Valuation is known. As a detailed review was carried out in 2021 so this review is expected to be relatively light touch. It will reflect on the funding level, the market outlook and investment options through Border to Coast.

- **Online Monthly Employer Returns** – the phased-roll out of the online employer portal for submitting the monthly members data is still ongoing. This is now expected to be complete by the end of 2022-23.

- **Integrated Payroll Enhancements** – Following the implementation of the integrated payroll, further system enhancements have been provided which will further reduce manual intervention and reduce the risk of incorrect payments to a minimal level. This is expected to be completed by the end of Q2 2022/23.

- **Pooling** – the transition of assets into the Pool is continuing. Border to Coast's global property fund is expected to be launched in 2022, and the UK property fund in 2023, both of which are likely to be of interest to the Committee. The Fund is working with Border to Coast to ensure that they meet the needs of the Fund.

- **McCloud remedy** – the data collection phase of this project is nearing completion. Analysis of the data received is underway and the next phase will be to validate the data provided and load it onto the member records. It is expected the initial recalculation of benefits will be completed by end of Q4 2022/23 but this is reliant on the software provider providing us with the functionality to do this.

4. 2022/23 Budget

4.1. The draft 2022/23 budget for the cost of running the Fund is presented in **Appendix 4** and totals £38.7m. It is based on the 2021/22 budget and the actual costs incurred during the year, and is on an accruals basis.

4.2. The total 2022/23 budget has increased by £4.7m compared with the 2021/22 budget. This increase is mainly due to management fees payable (£4.4m) as a result of the growth in asset values in 2021/22.

4.3. The other notable change to the budget figures compared to 2021/22 is that the Administration Expenses budget has been increased by £400k. This reflects the proposed increase in headcount by five full time equivalent posts, subject to approval by the Committee. The detail supporting the increase is included in **Appendix 5.** In addition, the annual charges for the new pension administration system Altair will be higher next year as a result of its full-year effect.

4.4. In line with normal practice, the Budget may be revised during the year if there are material changes, subject to approval by the Committee.

5. Cashflow Projection

5.1. The cash position of the Fund is presented in **Appendix 6**. The table shows the projected cashflows of the Fund in the current year and over the next 3 years.

5.2. The main inflow and outflow of the Fund are the contribution income from employers and active members and benefits payments to retired members respectively. Together they effectively determine when the Fund will turn cashflow negative.

5.3. The forecasts of both items are sensitive to the estimate of future inflation, which continues to be a subject of active debate among economists. The assumptions for inflation and other key factors impacting cashflow such as the Valuation will be periodically reassessed and incorporated into future updates.

5.4. The Scheme Surplus or Deficit figures reflect the position in relation to the Fund's non-investment operations and are the relevant figures when assessing whether the Fund is in a cash surplus or deficit position.

5.5. The Surplus or Deficit After Investment Activities figures reflect the cash movements to or from investments, required to maintain a stable cash balance. In 2021/22 action was taken to reduce the high cash balance and redeploy it into other investments. The intention has been to maintain cash at or below 0.5% of the value of the Fund. Going forward, occasional divestments may be required to maintain this consistent level of cash. This is quite normal for a maturing pension fund.

6. Recommendations

6.1. Note the progress made against the 2021/22 Business Plan.

6.2. That the following be referred to the Chief Executive Officer for consideration under his emergency delegated powers to:-

6.2.1. Approve the draft 2022/23 Business Plan.

6.2.2. Approve the draft 2022/23 Budget.

6.3. Note the 3 year cashflow projection for the Fund.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton

23 February 2022

NYPF 2021/2024 Business Plan Update March 2022 Appendix 1

RAG rating:

Green – completed or not yet due

Orange – ongoing, carried forward to 2022/23

Red – outstanding, overdue

Key Activity			Resource	RAG
Effective and efficient member administration			**Head of Pensions Administration**	
Action	**Timescale**	**Progress Update**		
Business process re-engineering	Q3 2021/22	On hold – Unable to resource further work on this at present. Key processes for integrated payroll have been developed and are in use. Will be rescheduled for summer/autumn 2022		Red
Key Activity			**Resource**	
Improve Data Quality			**Head of Pensions Administration**	
Action	**Timescale**	**Progress Update**		
Complete roll out of online monthly employer returns	Q4 2021/22	In progress – Roll out has been impacted by resources working on year-end processing. Work will continue throughout 2022/23 until onboarding is completed.		Orange
McCloud remedy data collection	Q4 2021/22	In progress – Data collection under way, remaining employers who have not responded to be contacted. Data analysis and uploading to be completed in 2022/23.		Orange
Key Activity			**Resource**	
Excellent Customer Service			**Head of Pensions Administration/Senior Accountant**	
Action	**Timescale**	**Progress Update**		
Improve self-service functionality	Q4 2021/22	In progress – Further targeted communications to be undertaken to increase take up. New functionality to be reviewed and implemented where deemed suitable.		Orange
Complete website re-development – employer area	Q3 2021/22	In progress – Provider appointed and development work underway.		Orange

NYPF 2021/2024 Business Plan Update March 2022
Continued

Key Activity		Resource
Effective Investment Strategy		**Pension Fund Committee/ Treasurer/ Head of Investments**
Action	**Timescale**	**Progress Update**
Undertake fresh strategy review alongside the 2022 Valuation	Q4 2022/23	This review is expected to take place towards the end of 2022/23, once the 2022 Valuation position outcome is clear.

Key Activity		Resource
Pooling		**Pension Fund Committee/ Treasurer/ Head of Investments**
Action	**Timescale**	**Progress Update**
Effective management of multi-asset credit transition	Q3 2021/22	This slipped into Q4 and was completed successfully, without any significant issues.

Key Activity		Resource
Financial Information		**Head of Investments/ Senior Accountant**
Action	**Timescale**	**Progress Update**
Improve 3 year cashflow forecast accuracy	Q1 2021/22	This was pushed back due to the amount of time the external audit had taken up. An interim update was presented to the PFC on 10th September 2021 and a more comprehensive forecast presented on 26th November 2021. The improvement work is now complete, but we will continue to review and update assumptions around the key factors as part of the Business As Usual.

Key Activity		Resource
Effective Fund Governance		**Head of Investments/ Head of Pensions Administration**
Action	**Timescale**	**Progress Update**
Committee and Board training plan	Q2 2021/22	In progress – Hymans online training module procured to provide bite size training in line with CIPFA requirements. To be reviewed in light of potential changes to PFC membership following elections in May 2022.
Delivery of identified training	Q4 2021/22	In progress – Hymans online training module procured.

Appendix 2

North Yorkshire Pension Fund

Business Plan

2022/23 – 2024/25

If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335

Contents

This business plan explains how the North Yorkshire Pension Fund (NYPF) intends to develop and improve its services.

It enables the fund to focus on achieving agreed targets and helps staff see how they contribute to the overall success of the NYPF.

1. About the NYPF

The NYPF is one of 101 funds that make up the Local Government Pension Scheme (LGPS).

North Yorkshire County Council (NYCC) is the statutory administering authority for the NYPF; it administers the benefits and invests the assets of the Fund.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area.

Scheme membership as at 31 March 2021

Active Members (Contributors)	32,029
Deferred Members	38,732
Pensioners	25,743
Total Membership	**96,504**

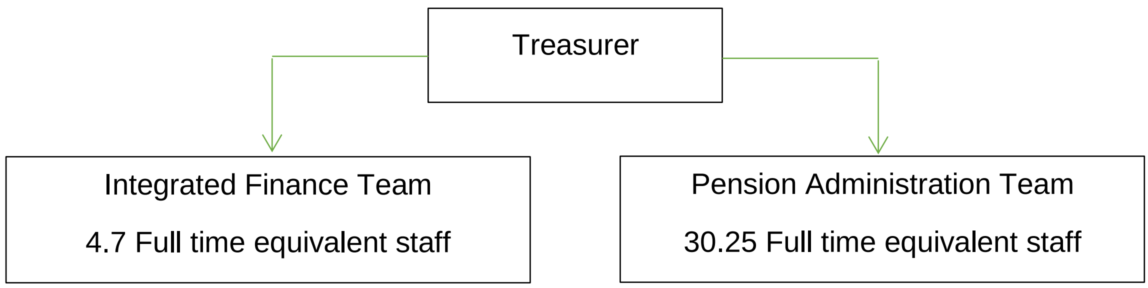
2. How the fund is run

All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC), which is a committee of the NYCC.

The day to day running of the Fund is delegated to the Treasurer who is the Corporate Director – Strategic Resources of the NYCC and is responsible for implementing the decisions made by the PFC.

Supporting him is a team of staff split into two sections. The Pension Administration team administers all aspects of member records, pension benefits etc. and the Integrated Finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

Current structure:



The local Pension Board was established on 1 April 2015 under the requirements of the Public Service Pensions Act 2013. It has an oversight/assisting role with NYCC to ensure compliance with regulations and ensuring effective and efficient governance and administration of the NYPF.

The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

The main systems used in the running of the Fund are Oracle, a third party finance and accounting system provided by the Oracle Corporation, Altair a third party pensions administration system provided by Heywood and i-Connect a third party online employer portal also provided by Heywood.

This business plan should be read in conjunction with the administration strategy and the investment strategy statement; these are the key documents that set out the principles of the running of the Fund.

These can be found on our website at https://www.nypf.org.uk/nypf/policiesandstrategies.shtml

3. Principal responsibilities

These responsibilities include:

- Meeting all statutory requirements in the running and operation of the fund.
- Pension administration services including calculating and paying benefits.
- To ensure the accuracy of the member database in partnership with all stakeholders.
- Providing information and guidance on pension issues to members, employers and others.
- Implementation of the funding strategy to ensure the fund assets are sufficient to meet the pension liabilities as they fall due.
- Investing fund assets, implementing investment strategy and managing external investment managers.
- Internal management of assets and promoting responsible investment.
- Safekeeping and accounting of fund assets.
- Preparing the fund’s annual report and accounts.

4. Purpose of the business plan

As part of its programme of improving the standards of governance across all pension schemes the Pensions Regulator recommends that each scheme should have a business plan in place which sets out a clear purpose and strategy.

This plan will be used to manage the delivery of the key activities identified to deliver continuous service improvement whilst ensuring due regard is given to the delivery of the day to day business as usual activities. Having a business plan helps the PFC to plan ahead and enables them to comply with legal requirements.

This plan will be reviewed annually and objectives and key actions revised accordingly. Progress reviews will be undertaken every six months and progress reported to the PFC.

5. Overall goal

To continuously develop and improve our services to ensure sufficient assets and resources are available to pay the right pension benefits at the right time.

6. Objectives

The objectives set out below will enable the Fund to achieve its long term vision.

The Fund will aim to:

- Maximise investment returns
- Manage scheme funding
- Provide excellent customer care
- Ensure effective fund governance

7. Resources

The following resources have been identified as key to ensuring delivery of the objectives identified:

- Systems and technology which are fit for purpose

- People
  - Focussed on customers' needs
  - Highly skilled and knowledgeable

- The right information and data
  - Financial
  - Performance
  - Benchmarking
  - Membership data

- Third party service providers
  - Actuary
  - Legal Advisers
  - Custodian
  - Fund Managers
  - Investment Consultants
  - Software provider
  - Borders to Coast Pensions Partnership (BCPP)

These key activities are recorded and scheduled to ensure that the appropriate actions are taken to deliver the business plan.

8. Key Activities

The following key activities have been identified:

			2022/2023				2023/2024				2024/2025			
Key Activity	**Responsible Officer**	**Action Plan**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Funding														
2022 Valuation	Head of Investments / Head of Pensions Administration / Senior Accountant	Agree assumptions and approach Provide membership, employer & cashflow data Respond to actuarial queries Distribute results to employers Organise valuation sessions for PFC and employers				●								
Funding Strategy Statement		Review and update Funding Strategy Statement alongside 2022 Valuation Issue to employers for consultation Publish final version				●								
Income Monitoring		Expand the use of employer online portal for monthly contribution returns					●							
Investment														
Investment strategy review	Head of Investments	A light touch review, after the results of the 2022 Valuation are known Identify changes to implementation through Border to Coast funds				●								
Responsible Investment		Prepare for TCFD (Task Force for Climate related Financial Disclosures) reporting Obtain FRC approval of the new Stewardship Code report Review reporting of responsible investment issues and voting activity to the PFC Commence TCFD reporting		●		● ●	●							

			2022/2023				2023/2024				2024/2025			
Key Activity	**Responsible Officer**	**Action Plan**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Pooling		Consider the suitability of the two global property funds Consider the suitability of the UK property fund			●		●							
Operations		Bed in the new arrangements for custody, accounting and performance measurement		●										
Governance														
SAB Good governance project		Await DLUHC's response to SAB's Action Plan Gap analysis of the Action Plan against existing policies and procedures Draft new policies and procedures Await outcome of formal consultation on new statutory guidance Implement new requirements				●								
TPR Single Code of Practice	Head of Investments / Head of Pensions Administration	Gap analysis of the draft New Code (specific to the LGPS) against existing policies and procedures Create a checklist of policies, practices and procedures required by the New Code Draft new policies and procedures Ensure compliance against the New Code		●										
PFC & Pension Board (PB) Member training		Induct new PFC members following the elections in May 2022 Induct new PB members following changes from LGR Undertake skills review Develop training plan and schedule Deliver training as scheduled Provide access to training via the Hymans LGPS Online Learning Academy				●								

			2022/2023				2023/2024				2024/2025			
Key Activity	**Responsible Officer**	**Action Plan**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Administration														
Pension scams	Head of Pensions Administration	Ensure statutory requirements to alert members to pension scams are met Sign up to the Pensions Regulator's Pledge to combat pension scams Create dedicated page on website Include scam information in all transfer literature		●										
McCloud remedy		Load data received, check and resolve issues Recalculate benefits for affected members Implement uplifts across all affected members Implement an industry recommended solution where data not obtained Communicate changes to affected members				●								
Cyber security		Undertake full review of cyber security measures at NYCC Develop reporting for PB and PFC in conjunction with NYCC's Technology and Change		●										
Pensions Dashboard		Engage with pensions dashboard process Ensure data requirements are met Ensure data ready for on-boarding						●						
Data quality improvement		Undertake program of data quality improvement to ensure data is dashboard ready Identify sources of data issues and develop solutions to prevent issues recurring								●				
Backlogs		Reduce backlog to be within last 6 months Develop strategies to ensure backlogs remain controlled						●						

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			2022/2023				2023/2024				2024/2025			
Key Activity	**Responsible Officer**	**Action Plan**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Business Improvement														
Enhanced payroll functionality		Implement enhanced payroll functionality Amend processes to new functionality Train team		●										
Business process review		Undertake full member administration process reviewStart process review projectDeliver process improvements fully utilising system capabilities									●			
Complete rollout of employer portal		On-board all outstanding employers to portal for monthly returns Improve data controls and validations Implement new functionality as it's released by the supplier Provide training and support to employers				●								
Improve self-service functionality	Head of Pensions Administration	Implement new functionality as it's released by the supplier Issue targeted communications to promote take up									●			
Complete website redevelopment		Complete rebranding of website Complete migration of content to new platform Complete development of employer area Commence member content review, rebrand and development			●									
Administration service review		Undertake review of workload vs resource Review team structure Make changes as necessary to enable delivery of excellent customer service	●											

North Yorkshire Pension Fund

Business Plan 2022/23 - 2024/25

Vision

To continuously develop and improve our services to ensure sufficient assets and resources are available to pay the right pension benefits at the right time

Objectives

Maximise investment returns, manage scheme funding, provide excellent customer care and ensure effective fund governance

Key Activities

Those additional activities identified as essential in the next 3 years to enable delivery of our vision and objectives.

Funding

- 2022 Valuation
- Funding Strategy Statement
- Income monitoring

Investment

- Investment Strategy review alongside 2022 Valuation
- Responsible Investment
- Pooling
- Operations

Governance

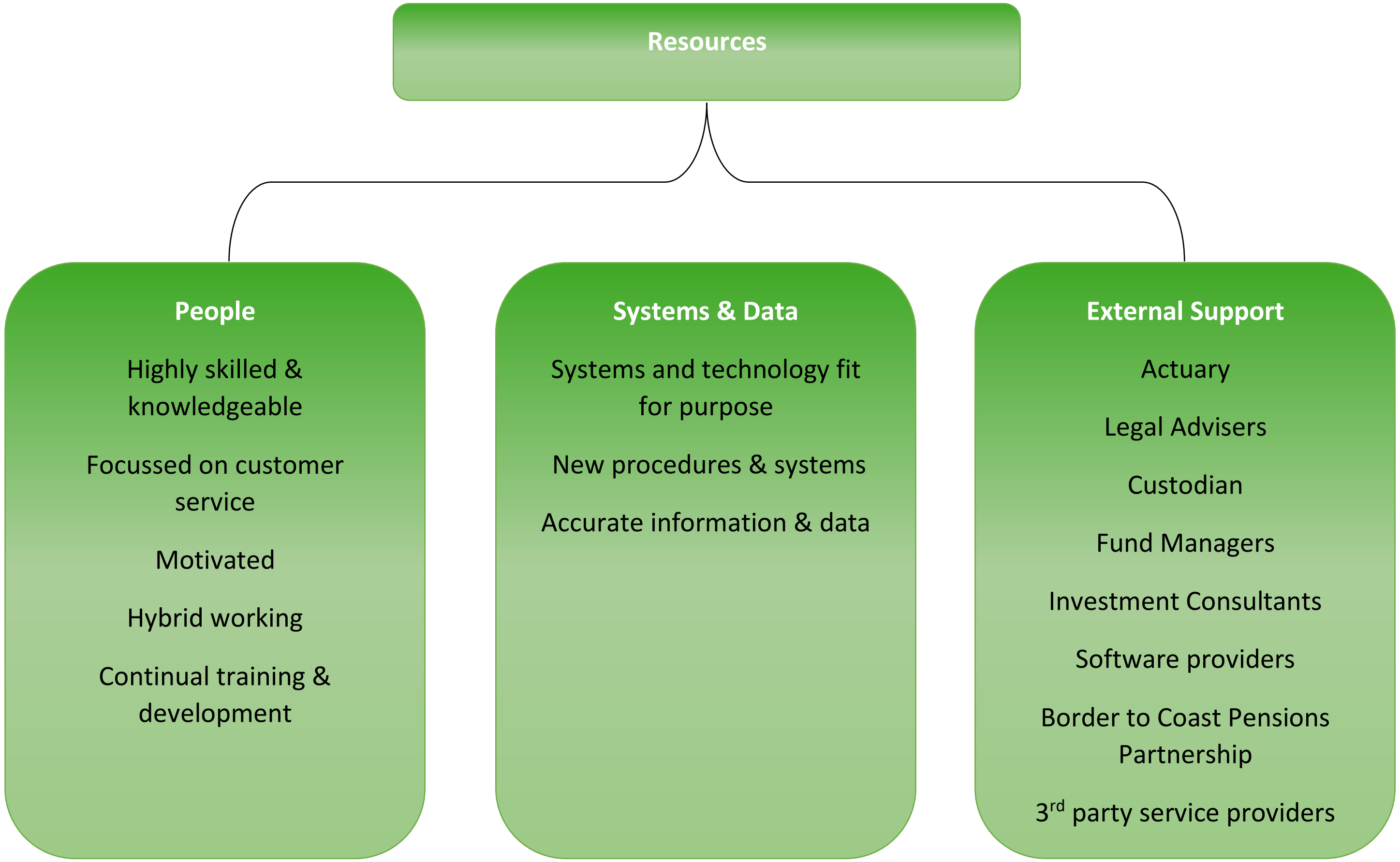
- SAB Good Governance project
- TPR Single Code of Practice
- PFC & PB Member training

Administration

- Pension scams
- McCloud remedy
- Cyber security
- Pensions Dashboard
- Data quality improvement
- Backlogs

Business Improvement

- Enhanced payroll functionality
- Business process review
- Complete rollout of employer portal
- Improve self-service functionality
- Complete website redevelopment
- Administration service review


Resources
People
Highly skilled & knowledgeable
Focussed on customer service
Motivated
Hybrid working
Continual training & development
Systems & Data
Systems and technology fit for purpose
New procedures & systems
Accurate information & data
External Support
Actuary
Legal Advisers
Custodian
Fund Managers
Investment Consultants
Software providers
Border to Coast Pensions Partnership
3rd party service providers

Appendix 4

North Yorkshire Pension Fund - Proposed 2022/2023 Budget

		Budget 2021/2022 £k	Proposed Budget 2022/2023 £k
EXPENDITURE			
Admin Expenses			
	Finance and Central Services	440	453
	Provision of Pensioner Payroll (ESS)	90	93
	Pensions Administration Team	1,120	1,371
	McCloud	80	50
	Other Admin Expenses	510	678
	Total Admin Expenses	**2,240**	**2,645**
Oversight and Governance			
	Actuarial Fees	20	90
	Custodian Fees	50	86
	Investment Consultant Fees	200	140
	Pooling: Governance & Projects	776	709
	Other O & G Expenses	100	100
	Total Oversight and Governance	**1,146**	**1,125**
Investment Fees			
	Performance Fees	2,820	3,208
	Base Fees	27,700	31,739
	Total Investment Fees	**30,520**	**34,947**
TOTAL		**33,906**	**38,717**

North Yorkshire County Council

Pension Fund Committee

10 February 2022

Pensions Team Structure and Staffing Proposal

Purpose of the Report

To request approval for an increase to the headcount within the pensions administration team and subsequent increase in the annual budget.

Proposal Summary

- To increase the headcount within pensions administration by 5, from 34 to 39.
- Recruit a new Administration Team Leader now to enable robust succession planning and enable the team to drive forward with planned changes and developments.
- Replacement posts will be full time giving 36.25 full time equivalent (FTE) (currently have 31.25 FTE).
- Re-grade Processes Team Leader role.
- Retain the 3 team structure, Employer Relationship, Processes and Member Administration.
- Increase the number of activity based administration sections from 4 to 5.
- Increase the number of staff on both the employer relationship and processes teams in light of the increased demand and complexity of the work in these areas.

Background

The member administration team is not keeping up with the volume of requests and enquires being received, staff are under increasing pressure and demand remains high. Pension scheme members are becoming more demanding – requiring more information and services as they become more aware of their benefits than ever before. Staff are struggling to provide the level of customer service expected and also meet statutory and agreed service targets.

The backlog has increased month on month since the start of 2021 and there is no spare capacity to undertake required activities like valuations, data cleansing, McCloud data checking, pensions dashboard preparation, increased demand expected as a result of LGR and benefit recalculations created by backdated pay awards. Resource has to be allocated to these projects from existing headcount leaving the core administration function short staffed.

Cases have increased year on year by an average of 6% over the last 3 years with an increase of 9% in 2021. I believe this hike in demand has been created by the pandemic as people become more focussed on mortality and the desire to have more leisure time. Because of the increased awareness of pension members generally, more information is being requested meaning more and more complex options and variables are having to be provided. I can only describe it as the covid effect.

The system changes made to date have significantly reduced the risk of incorrect payments being made. However because of all the extra information members are requesting the complexity is greater and cases do still sometimes require manual intervention.

Increased complexity is also being encountered within both the employer relationship and processes teams and it is important that we build greater resilience across the whole team, especially for the more specialist types of work, alongside developing a robust succession planning program.

Whilst the new administration system modules already purchased have assisted with improving efficiency the increase in demand has outstripped any benefit gained to date. There are further system enhancements scheduled for release in 2022 which will help the position and the system provider continues to develop their offering. The nature of the processes team's roles will also change significantly as i-Connect is rolled out across all of our employers and they will no longer be stuck in the 8 month year end and annual benefit statement cycle.

By increasing the number of staff on the processes team we can ensure there is capacity to fully utilise and implement new functionality as it is released by the software supplier. There is no point paying for a system and not then being able to fully utilise it. By ensuring we keep up with and fully utilise the capabilities of the system future efficiencies can be realised thus freeing up resource for better service provision or potentially reducing headcount by natural wastage.

Our objective is to provide a first class service to all of our pension scheme members, we don't want to be delivering a minimum standard. Whilst the pension fund's investment performance is so successful it is hard to reconcile not being able to match that within the administration service.

A review of the staffing within the pensions team has been completed alongside analysis of the volume of member casework received, completed and subsequently outstanding. A review of the activities for each section has also been completed to ensure the right activities are sitting in the right team.

Proposal

It is proposed that the 3 main sub teams remain in place as they are working well and have already improved processes and relationships in many areas. The sub teams are Employer Relationship, Processes and Member Administration, which is broken down further into smaller activity based teams.

Headcount within the pension team is currently 34 which equates to 31.25 FTE. In order to deliver the service required, meet legislative requirements, clear the backlog and maintain that position alongside meeting known additional activities such as McCloud, Goodwin, Valuation, LGR and pensions dashboard I believe the pension team should be staffed to 36 FTE.

As vacancies arise in future, when efficiencies have been achieved and the workload is under control, the opportunity will be taken to review staffing levels and if deemed appropriate vacancies may not be filled, effectively 'cashing in' the efficiency gained at that point.

The 5 vacancies are as follows:

1 (Grade K) Pensions Administration Team Leader
1 (Grade H) Pensions Training Officer
2 (Grade H) Senior Pensions Administration Officers
1 (Grade F/G) Pensions Processes Officer

See **Appendix 1**, Structure Diagram and **Appendix 2**, Proposed changes in detail for further information.

All vacancies will be advertised and applications will be encouraged from within the team.

Assessment undertaken

To help inform the analysis of how many full time equivalent (FTE) roles may be required to complete key administration tasks, I have looked at case load data for the year ending 31 December 2021. I have then established an average processing time for each case type based on:

- Average timescales from a 3rd party administrator taken from five of the largest schemes they administer
- Processing timescales from specialist LGPS projects undertaken by the 3rd party in recent years
- Judgement from the NYPF administration team
- Past administration experience

Processing time per case

Below is a list of the main case types undertaken by the Member Administration section of the team and the average, estimated time each case type takes. These estimates are very much a ballpark estimation to enable us to get a sense of how long work takes and what headroom there is. In practice, the actual time taken will depend on a number of factors including the complexity of the cases, system capability and the skill of officers undertaking the work.

Case Type	Annual case load	Ave time in minutes to complete	Total time needed per year (hrs)
Transfer In quotes	398	30	199
Transfer Out quotes	1,119	60	1,119
Employer estimates	481	45	361
Employee estimates	1,590	45	1,193
Retirement quotes	4,567	50	3,806
Preserved benefits	7,120	30	3,560
Death in payment or in service	902	70	1053
Refunds	2,157	30	1,079
Actual retirement procedure	4,589	90	6,884
Interfund transfers	1,551	40	1,034
Aggregate member records	3,885	90	5,828
Other misc case types	9,062	30	4,531
Phone calls	10,362	10	1,727
Emails rec'd into Pensions Inbox	19,787	15	4,947
Total man hours required per year			37,321

By multiplying the annual case load by hours per case we can estimate the overall expected time commitment across the Member Administration section to perform these tasks.

Required man hours

Each FTE is contracted to work 37 hrs per week however, it is not realistic to assume that each member of staff is 100% productive, 100% of the time. Typically each person will have annual leave of 30 days, 8 bank holidays, up to 15 days flexi leave, 2 Christmas close down days, sick leave, training, etc.

Taking account of the various leave outlined above we have 204 working days each year per FTE. Based on this a realistic assessment of productive man hours is 1,500 per FTE per year.

Existing staff working in the Member Administration section of the team are 21.79 FTE giving a total of 32,685 available man hours.

Based on these calculations and actual experience there are currently not enough staff within this section to handle the existing demand and this has resulted in an increase in our backlog. Discussions have taken place with a 3rd party to seek assistance in clearing the backlog but they have advised they are unable to assist us.

Two of the five vacancies are within the pure administration section providing an additional 3,000 man hours. This is not enough in itself to cover the day to day demand however, by recruiting a specific pensions training officer and an additional processes officer an additional 2 FTE will be freed up providing a further 3,000 man hours.

This will provide a total of 38,685 per annum available man hours within the administration function. This is currently only a very small margin however, as previously explained by providing the processes team with capacity to fully utilise and implement new functionality, as it is released by the software supplier, future efficiencies can be realised. Thus freeing up resource for better service provision.

Alongside this a full root and branch review of the way we process each case type will be undertaken to establish best practice and ensure the most efficient processing is being followed. We need to ensure we are processing the majority of the cases in bulk and only needing to manually intervene and add value to those cases outside of the norm.

Administration by exception is the goal.

Cost

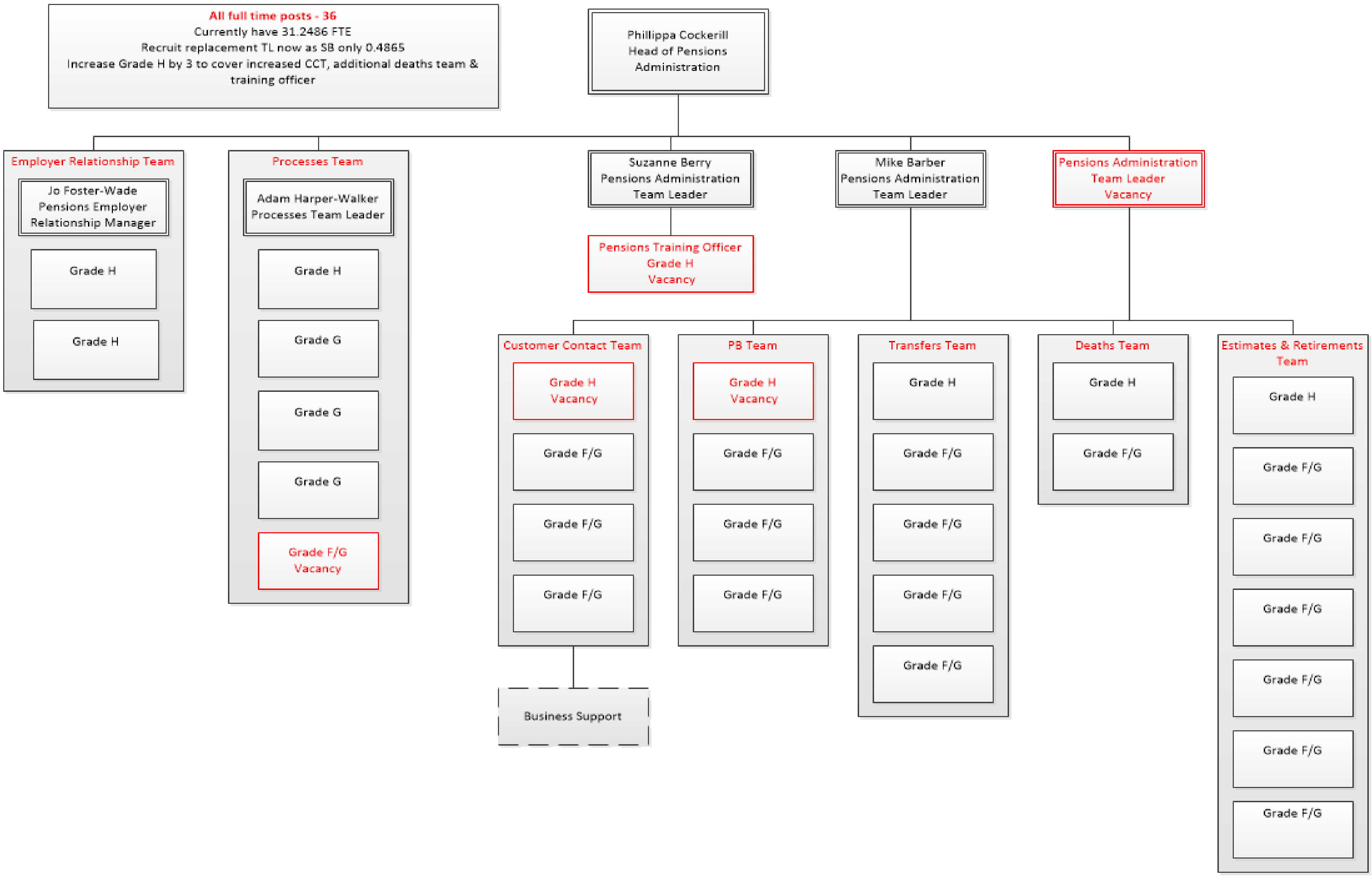
Pay scale information is:

Position	Pay scale range	Pay range
1 x Team Leader	29 - 32	£35,633 - £38,945
2 x Senior Pensions Administration Officer	18 - 23	£26,877 - £30,243
1 x Pensions Training Officer	18 - 23	£26,877 - £30,243
1 x Pensions Processes Officer	8 - 18	£22,049 - £26,877

The above pay ranges include assumed increases of 2% for 2021 and 3% for 2022.

In theory the total cost of the additional posts will be £138,313 to £156,551 per annum plus on costs. However it is anticipated the Team Leader, the two Senior Pensions Administration Officers and the Pensions Training Officer posts will be filled internally and back filled by Pensions Administration Officers on the lower pay scale of £22,049 to £26,877. This would result in a smaller overall increase in the staffing costs of the pension fund.

Structure Diagram



Proposed Changes in Detail **Appendix 2**

Team Changes

Employer Relationship Team
Proposal:

- Increase the number on this team to 3.
- Currently officially 2 but have an additional person seconded to assist with website development (currently not backfilled within administration).

Justification:

- Increasing complexity with employer related activities, improve resilience and start succession planning.
- Website development and maintenance will be added to this team's responsibilities.
- Governance overview will be added to this team's responsibilities.
- See Appendix 2 for list of tasks sitting within this team.

Processes Team
Proposal:

- Re-grading of Processes Team Leader role.
- Increase the number on this team to 6 (currently 5).

Justification:

- Team leader role needs to be regraded to acknowledge the increased breadth, complexity and responsibility of the role. This uplift in grade will also bring it into line with the other team leaders.
- Increasing responsibility for oversight and management of monthly employer submissions through i-Connect.
- Creation of capacity to fully utilise and implement new functionality as it is released by the software supplier, enabling whole team to realise efficiencies and improve service offering.
- Supervision of ad-hoc special project teams to undertake additional activities such as McCloud remedy work, pensions' dashboard preparation and data cleansing activities.
- See Appendix 2 for list of tasks sitting within this team.

Member administration Team
Proposal:

- To change the split of the work types and increase the number of activity based teams from 4 to 5.
- To increase the number of purely member administration staff to 22 split across 5 teams.
- To introduce a dedicated pensions training officer working with the part time team leader to provide consistent technical training and support so the team continues to develop its skills and knowledge.
- See Appendix 1, Structure Diagram.

Justification:

- To meet known and anticipated future demands.
- To enable clearing of existing backlog and then maintenance of working position going forwards.
- To enable smarter more focussed working to achieve the highest efficiency and knowledge sharing across the whole team.
- To free up administration time by having training delivered by a dedicated resource.
- See Appendix 2 for list of tasks sitting within each activity based team.

Individual Staff Changes

Pensions Administration Team Leader
Proposal:
- Increase administration team leaders to 2.5 (currently 1.5).

Justification:
- To start robust succession planning and handover of duties.
- To enable next stage of team development to push forward and changes to be made to existing ways of working.
- To provide full team leader cover for absences.
- To enable head of team to step back from day to day administration and undertake more effective strategic planning.

The 0.5 team leader currently in post would be utilised fully in the induction of new staff, training planning and delivery, developing skills matrix to identify training needs, training toolkit and developing and updating administration guides. Would also be responsible for the development of the Grade H Pensions Training Officer.

Pensions Processes Team Leader
Proposal:
- Re-grade of role.

Justification:
- To acknowledge the increased breadth, complexity and responsibility of the role due to the introduction of i-connect.
- Requirement for role to take on responsibility for project managing small project teams.
- Responsibility for delivery of McCloud rectification, pensions dashboard, data quality improvement, etc.
- Increase in team size to provide capacity to deliver new functionality as it is made available by the 3rd party supplier.

Pensions Training Officer
Proposal:
- Create new pensions specific training position.

Justification:
- To provide consistent pensions specific training to new and existing staff.
- Develop and maintain training material, user guides and processing checklists.
- Work with team leader to develop skills matrix and develop a targeted training plan from the knowledge gaps identified.
- To relieve pressure on other staff to provide training so they can fully focus on processing work.
- To become a PMI assessor so we can offer the PMI qualifications and apprenticeships which will aid retention and engagement of staff.

Senior Pensions Administration Officer
Proposal:
- To increase the number to enable each activity based administration team to be managed by this grade and also provide a pensions specialist to the Processes team.

Justification:
- Increasing the number of activity based teams enables the workload to be divided up more fairly and ensures every work type is actioned in a timely manner.
- There are currently too few activity based teams meaning a large amount of work is not being actioned effectively. We currently undertake this type of work on a Wednesday but are increasingly using this day to tackle other high demand areas of work. This has resulted in an increase in our backlog.

- The current customer contact team (CCT) is not lead by a senior however when this team is increased in size and it becomes responsible for more work it is unfair to expect a lower grade to manage the team when other teams are led by a senior.

Pensions Processes Officer
Proposal:

- To increase the number to 4.

Justification:

- The nature of the team's work is changing as i-Connect is rolled out and more emphasis will be on ensuring monthly monitoring is undertaken and employers are supported and chased as appropriate.
- To enable more qualitative work to be completed such as data cleansing, identification and creation of solutions for processing issues.
- To enable future system enhancements to be effectively utilised in order to move the whole pensions team forward.
- To enable future projects and developments like process reengineering and letter enhancements to be realised.
- To enable specific project teams to be created from across the whole pensions section and managed by the Processes team to deliver such things as McCloud recalculations, pensions dashboard, etc.

Pensions Administration Officer
Proposal:

- To increase the number by 1. It is anticipated this level will be the backfill for all 5 vacancies.

Justification:

- To enable the increase in number of activity based teams to be delivered effectively.
- To meet the demand into the team.
- To clear the backlog and maintain the position.
- To enable delivery of system enhancements, future projects and development of the team as a whole.

Team Activities

Employer Relationship Team	Processes Team
Admissions	i-Connect – rollout
Terminations	i-Connect – on boarding of new ers file upload
Academy Conversions	i-Connect – submission monitoring, support & intervention
Er mergers	i-Connect – roll out of new functionality
Er support & training	Altair – user support incl raising errors with supplier via Sostenuto
Er interventions	Altair - roll out of new functionality
i-Connect – on boarding of new Ers online submissions	Valuation – triennial data extract
Website – development	Valuations – adhoc for TUPE/Academy conversions/Er exits
Website – content maintenance	Annual Benefit Statement production
Procurement support	Pension Increases
TUPE process – management	CARE annual revaluation
Governance – legislation/regulation changes	Annual Allowance calculation
Governance – LGPS bulletins actions	Pension Savings Statement production
Governance – document review	Part year revaluation
Annual event reporting to HMRC	Disaster recovery & business continuity co-ordinator
Valuation – er communications	Supplemental pension increase
Valuation – Actuary liaison & assumption agreement	Factor maintenance
Authorised signatories	Version release co-ordinator
Invoices received	Mortality screening
Set up, maintain & monitor contracts	Member tracing
NYPFOG – er meetings	Letter development delivery
Er presentations	Process change development delivery
Representation at regional and national user groups	Common and conditional data scores
Primary contact for legal issues	CIPFA annual return
	TPR annual return
	Occupational Pension Scheme Surveys
	SF3 annual return
	NYPF website & MSS maintenance
	FOI requests
	NI Database - user maintenance and monthly data upload
	Tell Us Once - user maintenance
	Newsletter production & distribution
	Word and ADP document archiving within Altair
	Data improvement schedule (data cleansing)
	PFC - performance and membership statistics
	Weekly identification and reporting of employer strain costs to Finance
	Weekly welcome pack production
	SNAP feedback collation
	Calculation spreadsheet maintenance
	IMP Payroll closedown and end of year roll over
	BACS calendar maintenance
	Scheduled and ADHOC database reporting
	Data/Special Projects – Project teams to be formed from across whole section
	TUPE – data amends
	Bulk transfers in & out
	Valuation – bulk data cleansing & query responses
	Pensions dashboard
	McCloud – data load, cleanse and benefit recalculation
	Goodwin

Deaths Team

Death – active, deferred, pensioner, widow, dependant
TUO
Purchasing copy certificates
Mortality Screening results
Preparation of PFC reports for death grant payments
Payment of death grants
Payment of dependants pensions

Transfers Team

Transfer In
Interfund In
Divorce
Interfund Out
Transfer Out
Monies received list – reconciliation & chasing

Customer Contact Team

Incoming calls – hunt group 1
Pensions inbox
DWP letter forwarding
Daily Indexing
Triage incoming post – chasing outstanding items
Name changes
Address changes
Nomination updates
Gone Away tracing
Power of Attorney
New starters
Opt Outs

Support and manage Bus Support resource

Opening post
Scanning post
Scan batch management
Returning certificates
Activation keys
New starters

Estimates & Retirements Team

Member estimates
Er estimates
PBs into payment – monthly report action
Retirement – normal, early, late
Ill Health retirements – active, deferred
Trivial commutations
Payment of retirement lump sums
Payment of pensions
Modification Orders
Children's pension reviews
Ill Health Tier 3 reviews
Life Certificate exercises

PB Team

Leavers under 55
Aggregation
Refund – payment
Valuation – data cleansing

Head of Pensions Administration

Strategic planning
Procurement – lead
Disaster recovery & business continuity owner
Project management & oversight
Process change sign off
Letter change sign off
Newsletter creation
Governance – legislation/regulation changes
Governance – LGPS bulletins actions
Governance – document review
BACS stage 3
Complaints – escalation & IDRP stage 1
Valuation – assumption agreement
Valuation – preparation management
3rd party contract management
PFC reporting
PB reporting
Staffing & recruitment
Representation at regional and national user groups

Admin Team Leaders

Staff management and development
Point of technical reference
Complaints responses 1st contact
SNAP feedback – identifying trends & responding
Throughput monitoring
Rotations – plotting and management
Member education
Letter development
Process development
Monthly gross pensioner pay check
BACs – stage 2
Recruitment

Pensions Training Officer

Skills assessment & matrix development & maintenance
Training toolkit – development and maintenance
Training Guides – development & maintenance
PMI assessor
Training Schedule
Training delivery
Inductions - 3 & 6 month schedule

Appendix 6

North Yorkshire Pension Fund - Cash Flow

	2021/2022 £k	2022/2023 £k	2023/2024 £k	2024/2025 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(100,446)	(108,481)	(116,075)	(123,040)
Lump Sums	(28,525)	(29,267)	(30,086)	(30,929)
	(128,971)	**(137,748)**	**(146,161)**	**(153,968)**
Transfers out	(9,175)	(13,060)	(13,060)	(13,060)
Refunds to leavers	(332)	(380)	(380)	(380)
	(9,507)	**(13,440)**	**(13,440)**	**(13,440)**
Operational Expenses				
Admin Expenses	(2,269)	(2,220)	(2,214)	(2,209)
Oversight and Governance	(1,378)	(1,420)	(1,448)	(1,477)
	(3,647)	**(3,640)**	**(3,663)**	**(3,686)**
TOTAL PAYMENTS	**(142,125)**	**(154,828)**	**(163,264)**	**(171,094)**
SCHEME RECEIPTS				
Employer and Employee Contributions	134,371	139,035	137,004	141,114
Transfers in	10,065	13,060	13,060	13,060
TOTAL RECEIPTS	**144,436**	**152,095**	**150,064**	**154,174**
SCHEME SURPLUS/(DEFICIT)	**2,311**	**(2,733)**	**(13,200)**	**(16,920)**
CASH FLOW FROM INVESTMENT ACTIVITIES	**(101,782)**	**3,320**	**11,929**	**18,014**
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	**(99,472)**	**587**	**(1,271)**	**1,094**
CASH BALANCE B/F	**111,848**	**12,376**	**12,963**	**11,692**
CASH BALANCE C/F	**12,376**	**12,963**	**11,692**	**12,787**

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

4 MARCH 2022

BORDER TO COAST RESPONSIBLE INVESTMENT POLICIES

Report of the Treasurer

1. PURPOSE OF REPORT

1.1. To present the responsible investment policies of Border to Coast and ask Members for their comments.

2. INTRODUCTION

2.1. Border to Coast first published a Responsible Investment Policy and a Corporate Governance & Voting Guidelines document in 2018, shortly after the company commenced investment operations.

2.2. These documents were the crystallisation of extensive discussions between Border to Coast and the eleven partner funds. They set out the Border to Coast approach, and were broadly aligned to the responsible investment policies of each partner fund.

2.3. Every year these documents are reviewed to ensure that they reflect best practice, and capture Border to Coast's current view and the views of partner funds. The review process is led by Border to Coast and is carried out in consultation with partner fund officers. This ensures that Border to Coast can present a strong and unified voice when undertaking responsible investment activities such as company engagement and voting shares.

2.4. The latest review was completed in November 2021. This included an evaluation by Robeco, Border to Coast's adviser on responsible investment issues, using the International Corporate Governance Network Global Governance Principles, the UK Stewardship Code and the UN Principles of Responsible Investment as benchmarks.

2.5. Due to the increasing importance of climate change risk, a Climate Change Policy was created in 2021, to stand alongside the Responsible Investment Policy and the Corporate Governance & Voting Guidelines.

2.6. The Joint Committee has reviewed these documents, and supported Border to Coast's request that the Pension Fund Committees of partner funds be asked to comment on them.

2.7. Comments on these documents will also be useful in the review of the Responsible Investment Policy of the North Yorkshire Pension Fund, which will take place over the next few months, with the Policy due to be presented at the Committee’s meeting in July.

3. RESPONSIBLE INVESTMENT POLICY

3.1. The Responsible Investment Policy is attached as **Appendix A**. There were no major changes to this document as it reflects a gradual evolution of thinking. The main changes, with references to the associated paragraphs are:

- additional wording on diversity and diversity of thought (1.0, Introduction)
- a new section on property, in advance of the launch of the global property fund, expected in late 2022 (5.4, Real Estate)
- significant editing of the section on climate change, which is now covered in more detail in the Climate Change Policy (5.6, Climate Change)
- additional wording on the potential for exclusions relating to companies involved in tar sands or coal, where business models are considered incompatible with the transition to a low carbon economy (5.6, Climate Change)
- a comment on the new Stewardship Code (6.0, Stewardship)
- a new section on key engagement themes, to describe the areas where efforts will be focussed in 2022 (6.2.1, Engagement Themes)

3.2. The engagement theme areas are low carbon transition, waste and water management, social inclusion through labour management and diversity of thought.

3.3. The low carbon transition engagement theme will focus on high emitting sectors where companies will need to adapt or fundamentally change their business models. This will also cover banks identified as key to financing the transition to a low carbon economy.

3.4. The waste and water management theme will focus on companies with packaging waste which is a huge environmental issue and is coming under increasing regulation, and those with high exposure to water intensive operations.

3.5. The social inclusion through labour management theme will target companies with labour intensive operations and with supply chain labour management risk, which have been put under added pressure by the pandemic.

3.6. The diversity of thought theme will focus on companies with boards which could be enhanced by broader perspectives, to improve decision making, resilience and long-term sustainability.

5. CORPORATE GOVERNANCE & VOTING GUIDELINES

5.1. The Corporate Governance & Voting Guidelines is attached as **Appendix B**. As above, there were no major changes, but the main changes were:

- strengthening the approach to ethnic diversity at FTSE 100 companies (pages 4 and 5, Diversity)

- separation of treatment of long-term incentive schemes for executives and other employees (page 8, Long Term Incentives)

- a clarification in relation to executive pensions (page 8, Directors Contracts)

- additional wording in relation to the stance on climate change lobbying (page 10, Lobbying)

- a clarification on shareholder proposals and their alignment with shareholders best interests (page 12, Shareholder Proposals)

- strengthening the stance on climate change to include Climate Action 100+ net zero benchmark indicators (page 12, Climate Change)

6. CLIMATE CHANGE POLICY

6.1. The Climate Change Policy is attached as **Appendix C**. It is based on the internationally recognised Net Zero Investment Framework, which provides a set of recommended actions, metrics and methodologies to help organisations become carbon neutral by 2050 or sooner.

6.2. The Policy breaks the approach to addressing this risk into four pillars:

- identification and assessment – integrating climate risks into the wider risk management framework and having robust processes to identify these risks and assess them over time

- investment strategy – fully embedding climate change risk in the investment decision making process, including the approach to investment opportunities

- engagement and advocacy – influencing companies to adapt their climate change strategies so that they are well prepared for the transition to a low carbon economy

- disclosure and reporting – transparency on climate change issues and activities

6.3. The Policy sets the high-level approach. Border to Coast expect to set out their implementation plan towards the end of 2022, including determining the metrics and milestones they will use to assess progress.

7. RECOMMENDATIONS

7.1. Members are asked to comment on Border to Coast's Responsible Investment Policy, Corporate Governance & Voting Guidelines document and Climate Change Policy.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
NYCC
County Hall
23 March 2022

Responsible Investment Policy

Border to Coast Pensions Partnership

November 2021

Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

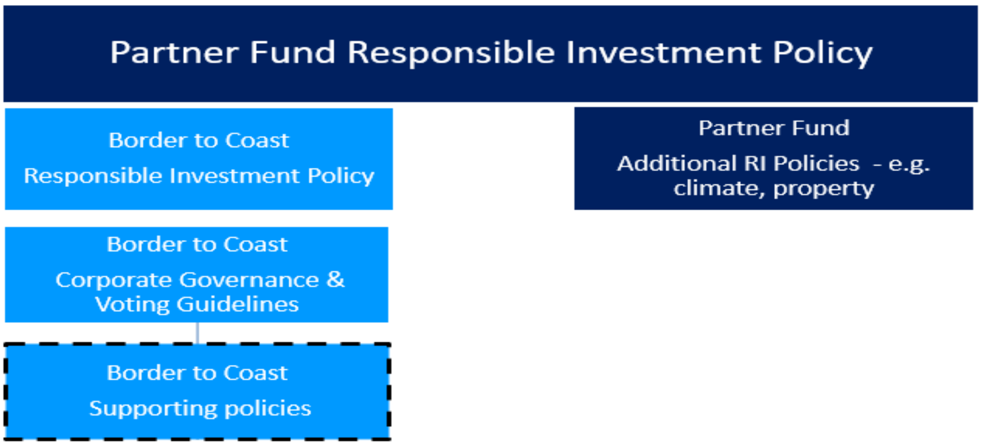
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of ‘group think’ leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments, both internally and externally managed, across all asset classes. The commitment to responsible investment is communicated in the Border to Coast UK Stewardship Code compliance statement. As a long-term investor and representative of asset owners, we will hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We will incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation.

1.1. Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

RI Policy Framework



2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership, using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance.

3. Governance and Implementation

Border to Coast takes a holistic approach to sustainability and as such it is at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the **website**). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

4. Skills and competency

Border to Coast will, where needed, take proper advice in order to formulate and develop policy. The Board and staff will maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice will be taken from suitable RI specialists to fulfil our responsibilities.

5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues will be considered and monitored in relation to both internally and externally managed assets. The CIO will be accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards	Board independence/ diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

Whilst the specific aspects and form of ESG integration and stewardship vary across asset class, the overarching principles outlined in this policy are applied to all internally and externally managed assets of Border to Coast. More information on specific approaches is outlined below.

5.1. Listed equities (Internally managed)

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection.

ESG data and research from specialist providers is used alongside general stock and sector research; it is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection. The Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement should not be detached from the investment process; therefore, information from engagement meetings will be shared with the team to increase and maintain knowledge, and portfolio managers will be involved in the voting process.

5.2. Private markets

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.

- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the Head of RI as required.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.

5.3. Fixed income

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

The approach to engagement also differs as engagement with sovereigns is much more difficult than with companies. Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

5.4. Real estate

Border to Coast is considering making Real Estate investments through both direct properties and real estate funds. For real estate funds, a central component of the fund selection/screening process will be reviewing the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies. Key performance indicators will be energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). Our process will review the extent to which they are used in asset management strategies. We are in the process of developing our ESG and RI strategies for direct investment which will involve procuring a third-party manager and working with them to develop a best-in-class approach to managing ESG risks.

5.5. External manager selection

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process and to their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI policy.

The monitoring of appointed managers will also include assessing stewardship and ESG integration in accordance with our policies. All external fund managers will be expected to be signatories or comply with international standards applicable to their geographical location. We will encourage managers to become signatories to the UN-supported Principles for Responsible Investment. Managers will be required to report to Border to Coast on their RI activities quarterly.

5.6. Climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and the likelihood for success in influencing company strategy and behaviour. Using these criteria and due to the potential for stranded assets, we interpret this to cover pure coal and tar sands companies and will therefore not invest in these companies. Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

Detail on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation. As a responsible shareholder, we are committed to being a signatory to the 2020 UK Stewardship Code[1] and have made an application to become a signatory by submitting our 2021 Responsible Investment & Stewardship Report to the

[1] The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. https://www.frc.org.uk/directors/corporate-governance-and-stewardship

Financial Reporting Council; we are also a signatory to the UN-supported Principles of Responsible Investment[2].

6.1. Voting

Voting rights are an asset and Border to Coast will exercise its rights carefully to promote and support good corporate governance principles. It will aim to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our **website** at: Corporate Governance & Voting Guidelines. Where possible the voting policies will also be applied to assets managed externally. Policies will be reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

6.1.1. Use of proxy advisors

Border to Coast appointed Robeco as Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by Robeco as the Voting & Engagement provider. Robeco's proxy voting advisor (Glass Lewis. Co) provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A Robeco team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

Robeco evaluates their proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of Robeco's control framework and is externally assured. Border to Coast also monitors the services provided by Robeco monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will be recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.

[2] The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depositary until one day after meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast will consider co-filing shareholder resolutions and will notify Partner Funds in advance. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast and all eleven Partner Funds are members of the LAPFF. Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.

- We will seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This will be achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.

- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, an external voting and engagement service provider has been appointed. Border to Coast provides input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participates in some of the engagements undertaken on our behalf.

- Engagement will take place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these will cover environmental, social, and governance issues as well as UN Global Compact[3] breaches or OECD Guidelines[4] for Multinational Enterprises breaches.
- We will expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policy.

Engagement conducted can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential) violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on 1) validation of a potential breach, 2) the severity of the breach and 3) the degree of to which management can be held accountable for the issue. For all engagements, SMART[5] engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the investment team have access to our engagement provider’s Active Ownership profiles and engagement records. This additional information feeds into the investment analysis and decision making process.

We engage with regulators, public policy makers, and other financial market participants as and when required. We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

[3] UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

[4] OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

[5] SMART objectives are: specific, measurable, achievable, relevant and time bound.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

6.2.2. Escalation

Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. Robeco, as the external Voting and Engagement provider, is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

Robeco also undertakes verification of its active ownership activities. Robeco's external auditor audits active ownership controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, we will, where appropriate, participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We will use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We will work with industry professionals to facilitate this.

8. Communication and reporting

Border to Coast will be transparent with regard to its RI activities and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting policies; publishing voting activity on our **website** quarterly; reporting on engagement and RI activities to the Partner Funds quarterly; and in our annual RI report.

We also report in line with the TCFD recommendations.

9. Training and assistance

Border to Coast will offer the Partner Funds training on RI and ESG issues. Where requested, assistance will be given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with assistance and input from our Voting & Engagement Partner and other experts where required. Training is also provided to the Border to Coast Board and the Joint Committee as and when required.

10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest.

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

November 2021

1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Executive Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of large cap companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.
- Having had a material business relationship with the company in the last three years.

- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

Leadership

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day-to-day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair’s performance.

Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed Davies report, Hampton Alexander and Parker reviews, which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and senior management. Therefore, in developed markets without relevant legal requirements, we expect boards to be composed of at least 33% female directors. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we will vote against the chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, unless there are mitigating circumstances or plans to address this have been disclosed.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee, comprised solely of independent directors and headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair's successor. External advisors may also be employed.

Directors' availability and attendance

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

Directors' remuneration

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

• **Annual bonus**

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

• **Long-term incentives**

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Executives' incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the Report and Accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported. For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

Shareholder rights

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **Dividends**

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

Climate change

We expect companies with high emissions or in high emitting sectors to have a climate change policy in place, which at minimum includes greenhouse gas emission reduction targets and disclosure of Scope 1 and 2 emissions. We use the Transition Pathway Initiative (TPI)[2] toolkit and the Climate Action 100+ Net Zero Benchmark (CA100+ NZB) to assess our listed equities investments. Both tools enable us to assess how companies are managing climate change, the related business risk and the progress being made. Where a company in a high emitting sector receives a score of zero or one by the TPI, or fails to meet the expectations above, we will vote against the Chair of the board if we consider the company is not making progress. Where a company covered by CA100+ NZB fails the first four indicators of the Benchmark which includes a net-zero by 2050 (or sooner) ambition, and short, medium and long-term emission reduction targets, we will also vote against the Chair of the board.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.

[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

Climate Change Policy

Border to Coast Pensions Partnership

Policy Owner: The Chief Investment Officer
Live from: 1 October 2021

Climate Change Policy

This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

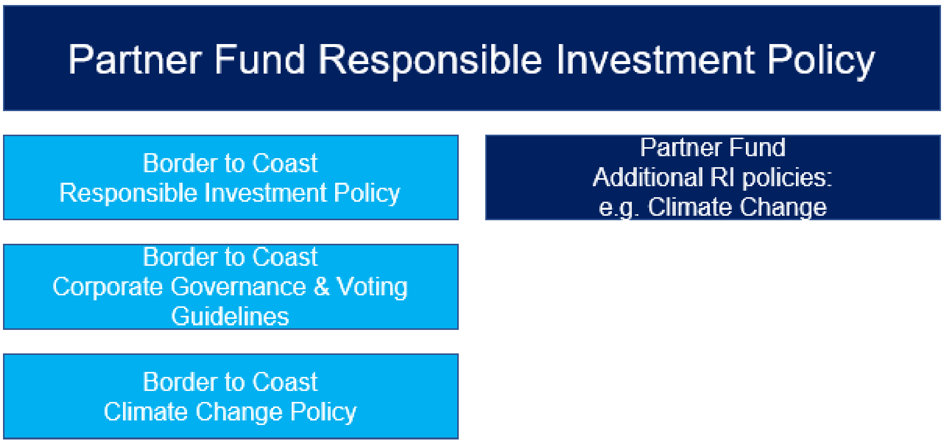
1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

RI Policy Framework



2 Policy overview

2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. Our planet has warmed by over 1ºC relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming.

Atmospheric CO_2 is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO_2 and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, “Global warming of 1.5ºC”[1], which starkly illustrated how critical successful adaptation to limit global warming to 1.5ºC is. The report found that limiting global warming to 1.5°C would require “rapid and far-reaching” transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach ‘net zero’ around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change.

2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Our climate change strategy is split into four pillars**: Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting.** We will continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

[1] https://www.ipcc.ch/sr15/

2.3 How we execute our climate change strategy

We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.

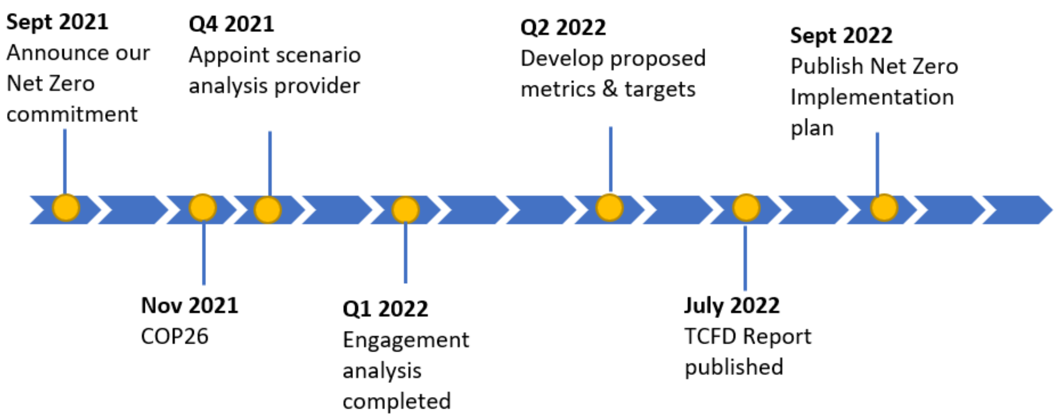
We consider climate change risks and opportunities within our investment decision making process.

We are committed to transparency regarding our climate change issues and activities.

Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

2.4 Roadmap

The roadmap demonstrates the milestones to implement the policy over the next 12 months.



3 Climate change strategy and governance

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We will continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we will continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the TCFD report.

In support of our Net Zero commitment, we will develop and set out a plan with high-level targets for each of the four supporting pillars of our climate change strategy which will be published in September 2022.

3.2 Governance and implementation

We take a holistic approach to sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our website.

3.3 Division of roles and responsibilities

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, oversees the identification and management of risk and opportunities. The Board is responsible for the oversight of climate related impacts as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the TCFD report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed annually, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to manage environmental, social and governance (ESG) issues including climate change. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

3.4 Training

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.

3.5 Regulatory change management

Regulatory change horizon scanning is the role of the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK regulations, and wider regulation including Responsible Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

4 Identification and assessment

4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework. The Company operates a risk management framework consistent with the principles of the 'three lines of defence' model, with external assurance providers acting as a fourth line. Risks to the Company are owned and managed by the business or functional areas (1st Line of Defence) and are subject to oversight and challenge by the Risk and Compliance Function (2nd Line of Defence) and independent assurance by Internal Audit (3rd Line of Defence).

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative[2] tool and climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

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[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

We are developing climate risk assessment for our listed equity investments that combines several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2ºC), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This will necessarily be an iterative process, recognising that data, tools and methodologies are developing rapidly.

We are reviewing how we conduct scenario analysis across our portfolios, evaluating tools and external providers and different scenarios and expect to have this in place during 2022.

We are using the Net Zero Investment Framework to support us in implementing our strategy to being Net Zero by 2050. Work will be undertaken during 2022 to assess and define any targets based around this commitment.

5 Investment strategy

5.1 Our approach to investing

We believe that climate change should be systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast offers Partner Funds a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles. Partner Funds then choose the funds which support their strategic asset allocation.

Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. Using these criteria and due to the potential for stranded assets, we interpret this to cover pure coal and tar sands companies and will therefore not invest in these companies. Any companies excluded will be monitored with transition plans assessed for potential reinstatement.

5.2 Acting within different asset classes

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more detail on the processes and analysis can be found in our annual TCFD report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings and Climate Action 100+ Net Zero Company Benchmark to assess companies' transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised.

Carbon footprints are conducted relative to the benchmark.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We are therefore considering the role private markets will play in managing transition risk and how we can invest in climate change opportunities as part of our Private Markets offering.

5.3 Working with external managers

Assessing climate risk is an integral part of the external manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We encourage managers to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we assess and monitor where managers are making net zero commitments.

6 Engagement and advocacy

As a shareholder, we have responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe success for our climate ambition can be supported by effective stewardship and governance oversight.

6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we will hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy. We practice active ownership through voting, monitoring companies, engagement and litigation. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reaching Net-Zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; and exposure to climate-stressed regions.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change, Climate Action 100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the Transition Pathway Initiative.

In particular, we are currently focusing on the following actions:

- Vote against company Chairs in high emitting sectors where the climate change policy does not meet our minimum standards, and/or rated Level 0 or 1 by the TPI, where there is no evidence of a positive direction of travel. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.
- Support climate-related resolutions at company meetings which we consider reflect our Climate Change Policy. We will co-file shareholder resolutions at company AGMs on climate risk disclosure, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the TCFD recommendations.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner Robeco and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Use carbon footprints and the TPI toolkit to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of the Institutional Investor Group on Climate Change ('IIGCC'). We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

7 Disclosures and reporting

Transparency is one of our key organisational values. We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities. We will keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy, as well as our exposure to the risks and opportunities of climate change.

During 2021 and 2022 we will be focusing on the following actions:

- Reviewing on an annual basis how we are implementing this Climate Change Policy. The findings will be reported to our Board and Partner Funds, as well as made publicly accessible through our TCFD and Stewardship reports and other disclosures.
- Reporting in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to climate change. We published our first TCFD report in 2020 and will look to evolve and refine our TCFD report, reflecting further developments that we undertake as part of implementation of this policy.
- Disclosing our voting activity.
- Reporting on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclosing climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.
- Reporting our progress against the Net Zero Investment Framework.

Quarterly Funding & Investment Report

End December 2021

Prepared for: North Yorkshire Pension Fund
Prepared by: Aon
Date: 4 March 2022

Signatory of: UK STEWARDSHIP CODE | 2021

For professional clients only

AON

Agenda Item 9

Table of Contents

1. At a glance…

A high level summary of your investments and funding

At a glance…

Funding

The funding level has fallen over the quarter (down by 0.6%), primarily due to a fall in the discount rate assumption, partially offset by slightly higher returns on assets relative to the expectation. The funding level remains above the funding level at the 2019 valuation.

Asset Allocation and Implementation

A number of short/medium term changes to the asset allocation have been agreed by the Committee in light of the recently agreed long-term investment strategy. The Fund's initial investment in the Border to Coast Multi Asset Credit took place over Q4 2021.

Performance

The Fund underperformed the composite benchmark over the quarter and 1 year period. Performance is ahead of the composite benchmark over the 3 year period to 31 December 2021.

Market Background and Investment Outlook

The discovery of the Omicron variant, a new highly mutated coronavirus strain, cast doubt on the strength of global economic growth over the quarter. Inflation rates worldwide continued to trend higher, leading to major central banks phasing out pandemic-era asset programs and hinting at accelerated interest rate hike schedules. However, equity markets were able to shrug off inflation and growth concerns, posting solid gains in Q4 2021.

The start of 2022 has, however, seen a marked change in market tone. Tested by an anticipation of faster rises in central bank interest rates and a sharp move in global bond yields, equities have looked shakier. This weak start could be a blip, or an indication that market resilience is facing a sterner test this year. We suspect the latter.

Manager news

Post quarter-end, Baillie Gifford announced some staff changes on the LTGG strategy. We view these as largely cosmetic with no material change to the intellectual input behind the strategy.

Key actions

1. The Committee to consider possibility of an allocation within the Fund to the Border to Coast Climate Opportunities fund – covered under a separate report

2. The Committee to consider commitment amounts for next series of Border to Coast Infrastructure and Private Credit funds – covered under a separate report

Key Stats – Q4 2021

Assets

£4,929m

Assets increased by £1,354m since last valuation

£3,575m at 2019 valuation

Funding level

129%

Funding increased by 15% since 2019 valuation

114% at 2019 valuation

Return on Assets Since 2019 Valuation

+12.7% pa

Current Assets Expected Return (10 year p.a.)

+5.2%

0.4% decrease since 2019 Valuation

5.6 % at 2019 valuation

Long-term Strategy Expected Return (10 year p.a.)

+5.5%

0.1% decrease since 2019 Valuation

5.6% at 2019 valuation

Discount rate

3.9%

0.3% decrease since 2019 Valuation

4.2% at 2019 valuation

Current Assets Value at Risk (1 Year 1 in 20)

£951m

Long-term Strategy Assets Value at Risk (1 Year 1 in 20)

£945m

Estimated Total Employer cost

15.0%

Estimated Total Employer cost decreased by 3.6% since 2019 valuation

18.6% at 2019 valuation

2. Funding

A review of your funding position and contributions

Funding position – ongoing funding target

Funding level

128.9%

at end December 2021

Down from 129.5% at end September 2021 but remains up from 114.4% at 31 March 2019

Surplus

£1,105.5m

at end December 2021

Up from £1,095.5m at end September 2021 and remains up from £449.8m at 31 March 2019

Comments

The funding level has deteriorated very slightly since the previous quarter, primarily due to a fall in the discount rate assumption, however this has been partially offset by slightly higher returns on assets relative to the expectation.

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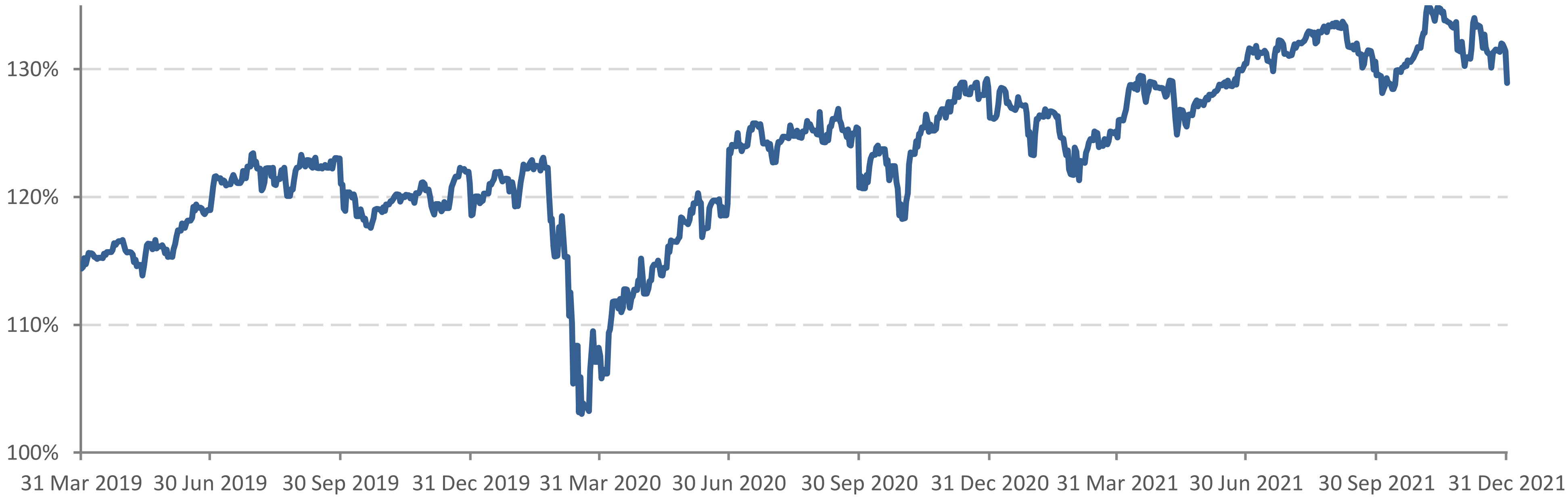
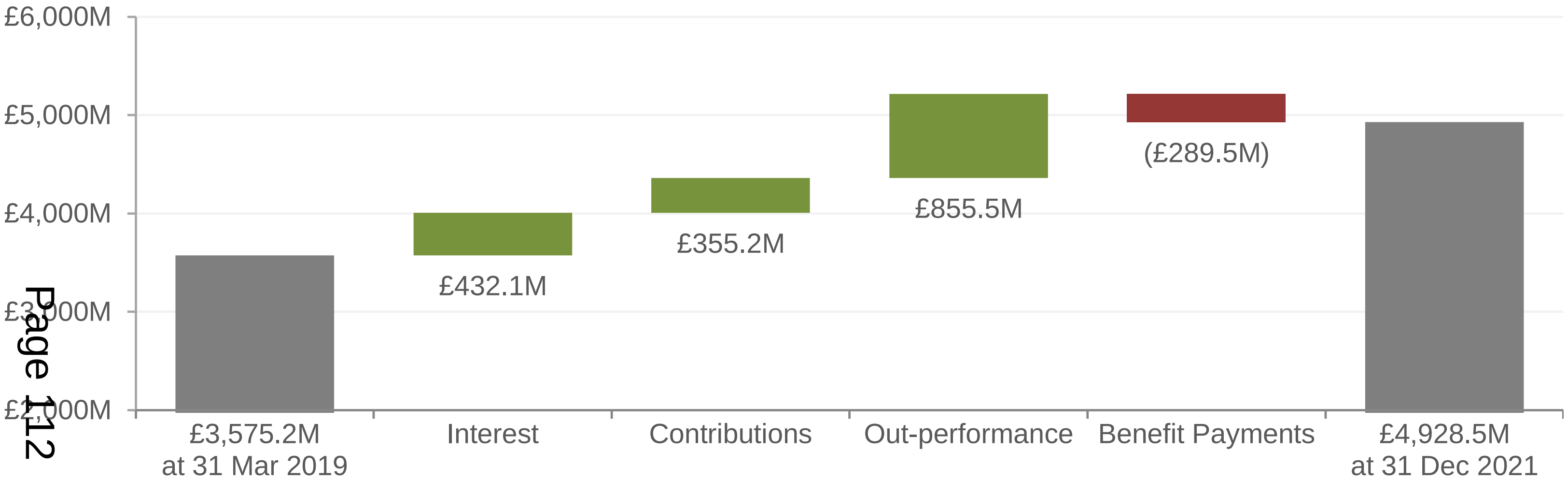
Change to funding level since valuation at 31 March 2019

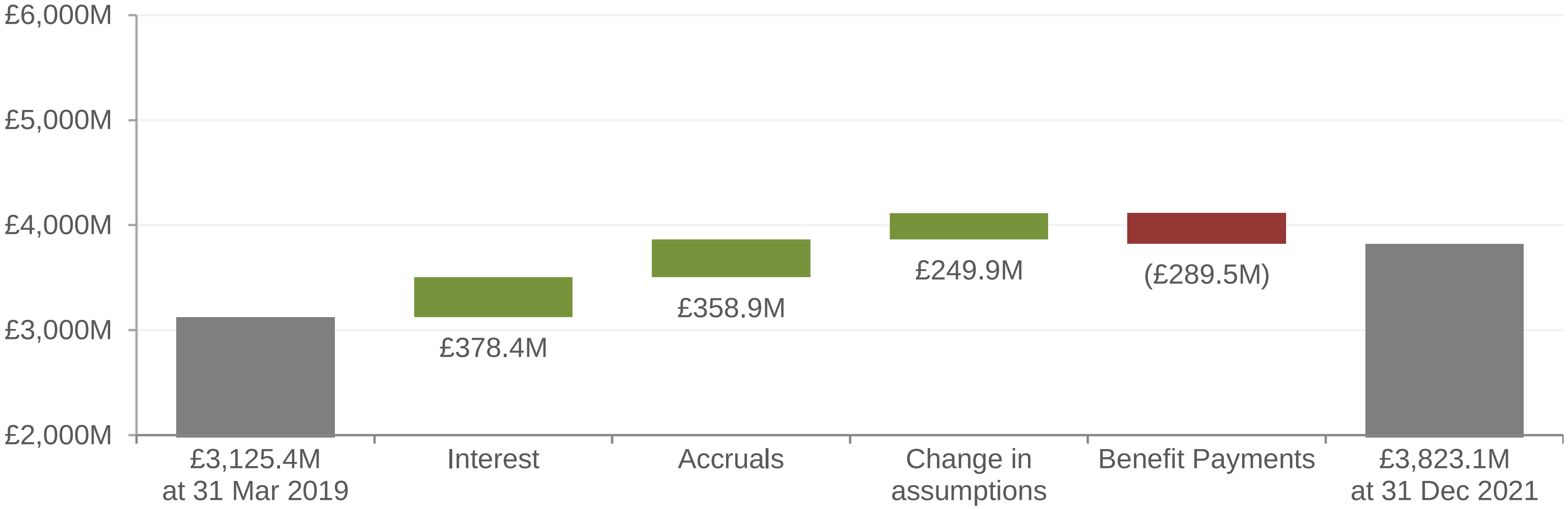


Analysis – ongoing funding target

Reason for change since 31 March 2019 – Asset Attribution



Reason for change since 31 March 2019 – Liability Attribution



Comments

Since the valuation the surplus has increased by £655.7M. This has been primarily driven by an increase in asset values.

Aggregate Employer contributions – ongoing funding target

Total employer contribution rate

15.0% ▲

at end December 2021

Up from 14.2% at end September 2021 but down from 18.6% at 31 March 2019.

Employer cost of accrual

22.8% ▲

at end December 2021

Up from 22.3% at end September 2021 and from 20.2% 31 March 2019

Comments

The cost of accrual has increased since the last quarter and since the 2019 valuation due to the fall in net discount rate.

Notes

Cost of accrual includes allowance for McCloud/cost management costs in line with the overall allowance in the 2019 valuation of 0.9% of pay.

The total employer contribution rate quoted above is based on the average total employer contribution rates across the Fund. Individual employer contributions can be very different to the average figure across the Fund shown above depending on their own characteristics, membership profile and funding target. The individual employer contributions will next be reviewed at the triennial valuation at 31 March 2022.

3. Asset allocation

A review of your strategic asset allocation

Asset allocation – Q4 2021

Asset Group	Manager	31 December 2021 Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Equities		**2,650.8**	**53.8%**	**50.0%**	**+3.8%**		
	BCPP UK equity	188.6	3.8%	4.0%	-0.2%	TBC	
	BCPP Global Equity	1,356.0	27.5%	28.0%	-0.5%	+/- 5%	
	Baillie Gifford LTGG	817.6	16.6%	18.0%	-1.4%	+/- 3%	
	Dodge & Cox	286.5	5.8%	0.0%	+5.8%		
	Fidelity	2.1	0.0%	0.0%	0.0%		
Absolute Return		**342.7**	**7.0%**	**0.0%**	**+7.0%**		
	Newton Real Return	180.7	3.7%				
	Leadenhall Remote Risk	57.4	1.2%				
	Leadenhall Diversified	55.0	1.1%				
	Leadenhall Nat Cat	49.7	1.0%				
Property		**330.3**	**6.7%**	**7.5%**	**-0.8%**	**TBC**	
	Hermes	39.0	0.8%				
	L&G	85.0	1.7%				
	Threadneedle	206.3	4.2%				

Source: BNYM, Aon. Note: Numbers may not sum due to rounding.

AON

Asset allocation – Q4 2021 (cont'd)

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
			31 December 2021				
Infrastructure		**119.6**	**2.4%**	**10.0%**	**-7.6%**		
	BCPP Infrastructure 1A	23.7	0.5%				
	BCPP Infrastructure 1B	95.9	1.9%				
Private Credit		**97.4**	**2.0%**	**5.0%**	**-3.0%**		
	BCPP Private Credit	30.1	0.6%				
	Arcmont	30.7	0.6%				
	Pemira	36.6	0.7%				
Non-Investment Grade Credit		**241.0**	**4.9%**	**5.0%**	**-0.1%**	**TBC**	
	PIMCO	1.2	0.0%				
	BCPP Multi Asset Credit	239.8	4.9%				
Investment Grade Credit		**354.3**	**7.2%**	**7.5%**	**-0.3%**	**TBC**	
	BCPP Investment Grade Credit	354.3	7.2%				
Gilts		**784.4**	**15.9%**	**15.0%**	**+0.9%**	**TBC**	
	M&G	0.0	0.0%				
	BCPP Index Linked Bonds	784.3	15.9%				

Source: BNYM, Aon. Note: Numbers may not sum due to rounding.

Asset allocation – Q4 2021 (cont'd)

				31 December 2021			
Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Cash		**8.0**	**0.2%**	**0.0%**	**+0.2%**	**TBC**	
	Internal Cash	8.0	0.2%				
	Treasury Cash	0.0	0.0%				
Total		**4,928.5**	**100.0%**	**100.0%**			

Source: BNYM, Aon. Note: Numbers may not sum due to rounding.

Investment strategy update

Decisions taken at the November Pension Fund Committee meeting:

- The Pension Fund Committee decided it may be appropriate to further consider an investment in Border to Coast's Global Property fund in 2022, with no firm commitment at this stage, and with appropriate due diligence checks to be undertaken.
- The Pension Fund Committee decided they would like to explore Border to Coast's Climate Opportunities Fund in more detail, by undertaking a review and due diligence checks to ensure that the investment would be appropriate.

Implementation actions over Q4 2021:

- The addition of Border to Coast's Multi Asset Credit fund into the portfolio;
  - The assets held in PIMCO's Diversified Income fund were transferred over to the Border to Coast Multi Asset Credit fund over the course of October and November 2021.

AON

Transitions and cashflows

The following rebalancing activities took place over the quarter:

- £240m of assets was transferred from PIMCO's Diversified Income fund into Border to Coast's Multi Asset Credit fund.
- Border to Coast made nineteen Infrastructure capital calls in the quarter totalling £80m and eleven Private Credit capital calls totalling £11m.

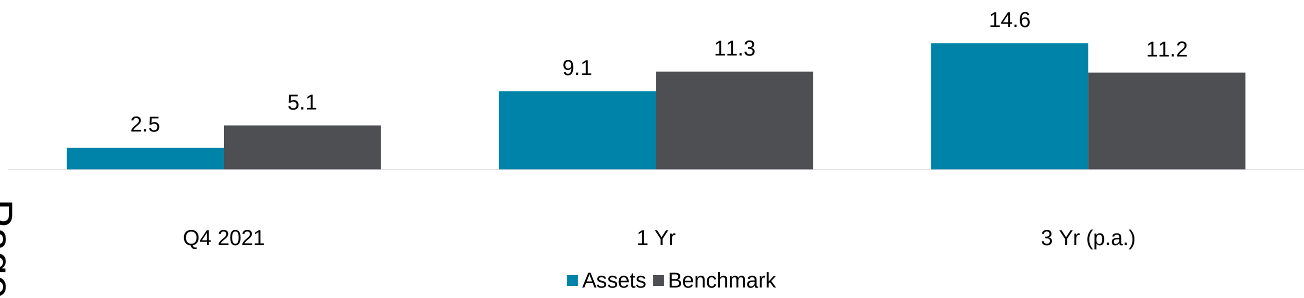
- £50m was disinvested from PIMCO's Diversified Income fund.
- £12m was disinvested from M&G.
- £5m was disinvested from Treasury Cash fund along with the cash proceeds from the other disinvestments to cover the capital calls made above in the quarter.

4. Fund performance

A review of your investment performance

Total Fund performance – Snapshot

Fund performance & benchmark



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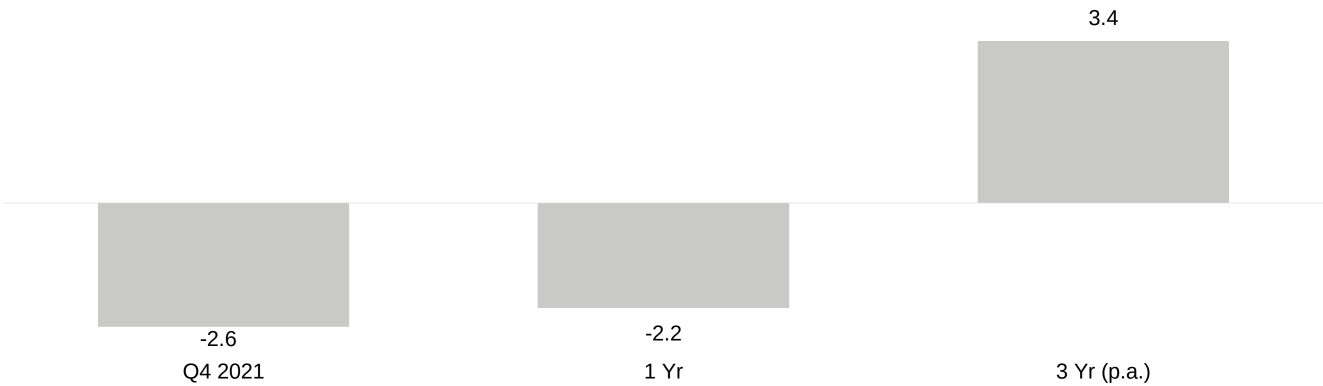
Relative performance

Relative Return (%)



Source: BNYM, Aon

Quarterly (relative)

-2.6%

The Fund underperformed the benchmark returning 2.5% vs 5.1% over the quarter.

3 year (relative)

+3.4%

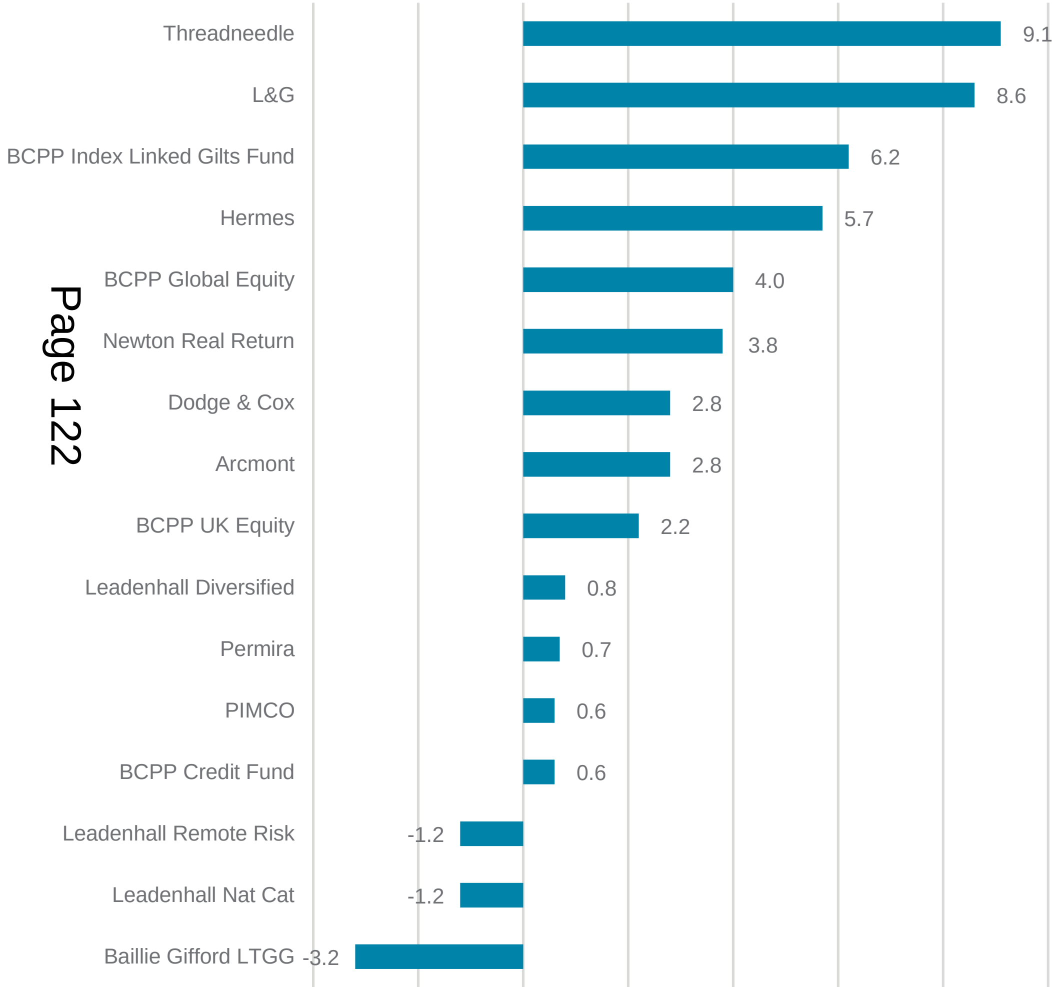
Over 3 years the Fund has outperformed the benchmark returning 14.6% vs 11.2%.

Comments

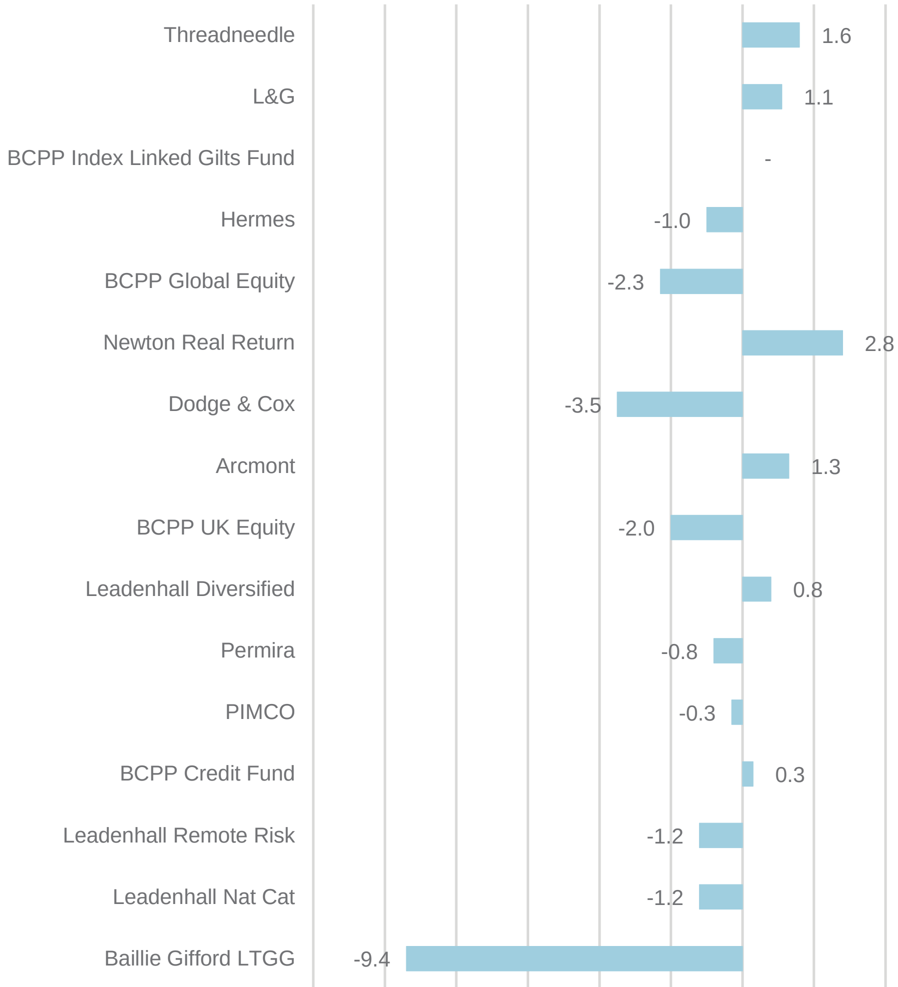
Total Fund performance is behind the composite benchmark over the quarter and 1 year period but ahead of the compositive benchmark over 3 year period to 31 December 2021.

Manager performance – Quarter Snapshot

Absolute performance



Relative performance



Source: BNYM, Managers, Aon.
Note: BCPP Infrastructure returns and BCPP Private Credit returns not shown during initial investment drawdown phase.

Manager performance – Longer term

	1 Year (%)			3 Years (% p.a.)			Since inception		
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel
Equity									
UK Equity									
BCPP UK Equity	17.3	18.3	-1.0	-	-	-	7.4	6.2	+1.2
Global Equity									
BCPP Global Equity	19.3	20.1	-0.8	-	-	-	15.1	16.9	-1.8
Baillie Gifford LTGG	4.1	20.0	-15.9	38.5	18.4	+20.1	18.3	10.3	+8.0
Dodge & Cox	21.4	20.1	+1.3	13.8	18.5	-4.7	9.6	12.6	-3.0
Absolute Return									
Diversified Growth									
Newton Real Return	7.3	1.0	+6.3	8.9	0.7	+8.2	4.2	0.5	+3.7
Insurance-Linked									
Leadenhall Remote Risk	-0.2	0.0	-0.2	2.3	0.3	+2.0	2.2	0.3	+1.9
Leadenhall Diversified	-0.4	0.0	-0.4	1.1	0.3	+0.8	0.7	0.3	+0.4
Leadenhall Nat Cat	-4.3	0.0	-4.3	-1.5	0.3	-1.8	-2.7	0.3	-3.0
Property									
Hermes	17.7	18.0	-0.3	5.9	5.9	0.0	8.2	5.6	+2.6
L&G	19.7	19.1	+0.6	6.7	6.2	+0.5	7.7	5.7	+2.0
Threadneedle	21.5	19.1	+2.4	6.5	6.2	+0.3	8.7	5.6	+3.1

Source: BNYM, Managers, Aon.
Hermes, L&G, Threadneedle; IPD data was used for benchmarking purposes, total fund performance was calculated using BNYM data.
Note: BCPP Infrastructure returns and BCPP Private Credit returns not shown during initial investment drawdown phase.

Manager performance – Longer term (cont'd)

	1 Year (%)			3 Years (% p.a.)			Since inception		
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel
Illiquid credit									
Arcmont	8.7	6.0	+2.7	7.2	6.0	+1.2	7.2	6.0	+1.2
Permira	4.9	6.0	-1.1	5.5	6.0	-0.5	7.5	6.0	+1.5
Investment grade credit									
BCPP Investment Grade Credit	-2.1	-3.1	+1.0	-	-	-	1.4	-0.3	+1.7
Non-investment grade credit									
PIMCO	0.8	1.2	-0.4	-	-	-	3.4	3.2	+0.2
Gilts									
BCPP Index Linked Bonds	4.3	4.0	+0.3	-	-	-	7.3	5.0	+2.3
Total	**9.1**	**11.3**	**-2.2**	**14.6**	**11.2**	**+3.4**	**8.4**	**8.2**	**+0.2**

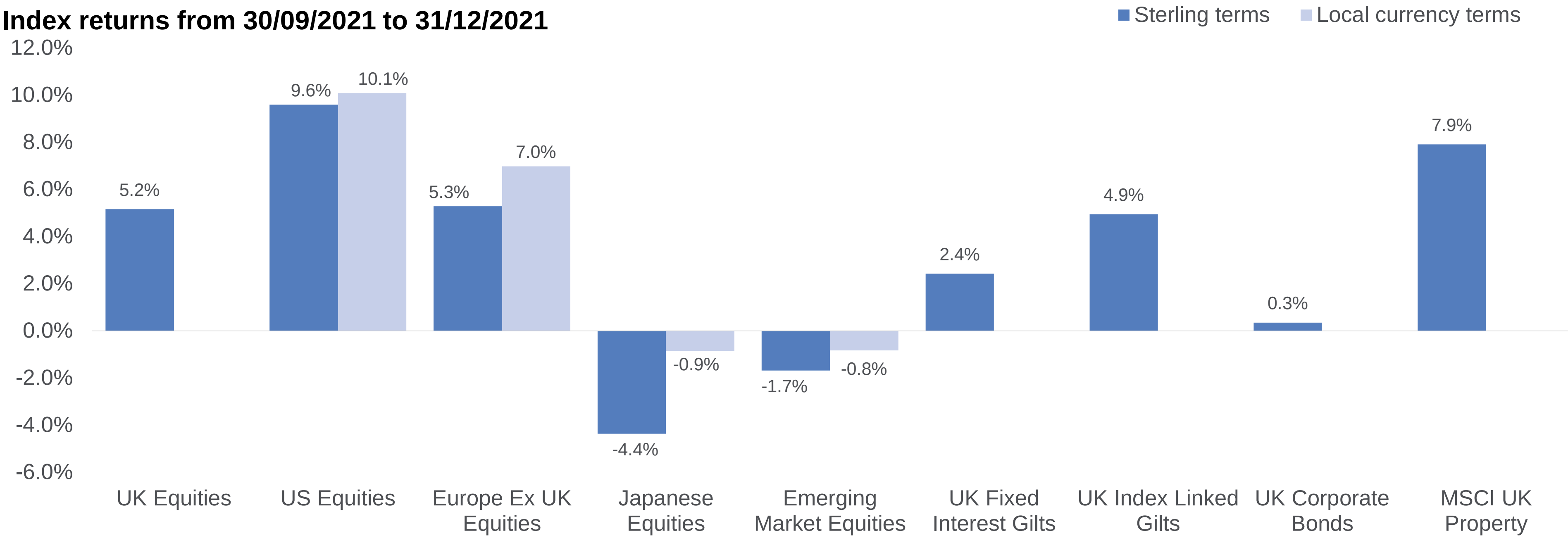
Source: BNYM, Managers, Aon.
Note: BCPP Infrastructure returns and BCPP Private Credit returns not shown during initial investment drawdown phase.

5. Market background and investment outlook

Aon's views on the market outlook and snapshot of investment markets and key economic data

Market – Background Q4 2021

Index returns from 30/09/2021 to 31/12/2021



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Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit)

Equities

Global equity markets rose despite concerns about the new Omicron variant and high inflationary pressures.

The MSCI AC World index posted a 7.1% return in local terms and a 6.3% return in sterling terms.

US equities performed the best, returning 10.1% over the quarter in local currency terms and 9.6% in sterling terms. Though returns were strong over the overall quarter, equity market momentum waned towards the end of the year due to the discovery of the Omicron variant.

Bonds

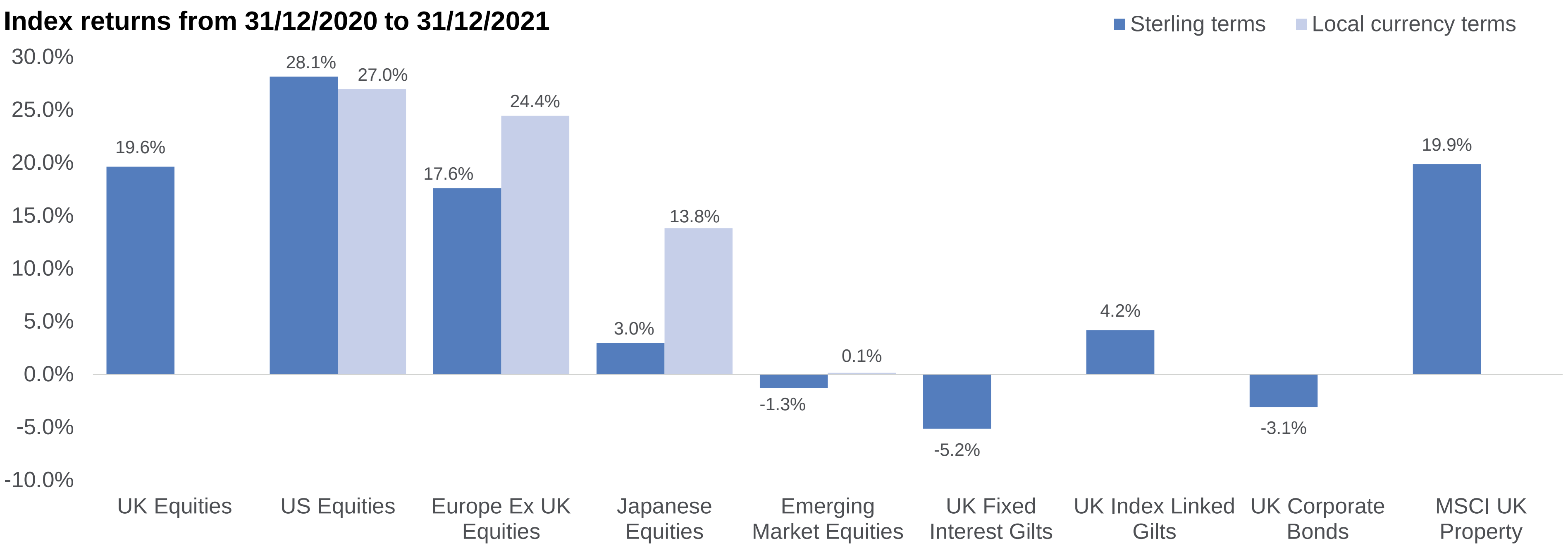
UK investment-grade credit spreads widened, resulting in underperformance against gilts, although a small positive return of 0.3% was still achieved over Q4.

Gilts

The UK gilt curve flattened on the back of Omicron and growth worries over the fourth quarter, driving the positive performance of UK fixed-interest government bonds. After falling in October and November, yields picked up in December as global inflation reached ever-higher levels. The Bank of England raised policy rates whilst the Fed accelerated its tapering pace.

The FTSE All Stocks Gilts Index returned 2.4% over the quarter. The FTSE All Stocks Index-Linked Gilts Index returned 4.9% as increasing inflation expectations caused breakevens to rise.

Market – Background 12 month



Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit)

Equities

Global equities generated strong positive returns over the last twelve months, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, the discovery of the new Covid-19 variants cast doubts over the prospect of global economic growth in 2021. Inflation rates worldwide continued to increase, as supply chain problems and rising wages persisted. Leading to major central banks indicating the end of pandemic-era asset purchase programs and hinting at accelerated interest rate hikes to help ease persistent inflation.

Bonds

Credit markets were underwhelmed over the year as they declined from risk-averse sentiment during the fourth quarter. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, were unchanged at 108bps.

Gilts

Optimism over global economic recovery in the light of several vaccine discoveries and stimulus packages drove global government bond yields higher at the beginning of 2021. However, in Q2 2021, yields fell back as variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of brought-forward interest rate hike expectations against the background of rising inflation and central bank indications that they were considering policy rate increases.

Investment outlook

Global Outlook

Market resilience being tested

The closing months of the year had demonstrated the US equity market's long-standing resilience. Other regions, particularly emerging markets, struggled, but US equities sailed through worries over rising inflation and interest rates alongside the rapid spread of the Omicron variant. The UK also had a fairly good end to the year for domestic equities and bonds, though worries over inflation and rising Bank of England interest rates did start to impact gilts and corporate bonds. UK commercial property again demonstrated its pandemic resilience, capital values reviving strongly.

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The start of 2022 has, however, seen a marked change in market tone. Tested by an anticipation of faster rises in central bank interest rates and a sharp move in global bond yields, equities have looked shakier. This weak start could be a blip, or an indication that market resilience is facing a sterner test this year. We suspect the latter.

UK inflation and the labour market

Some of the factors behind UK inflation moving still higher are clearly global. Supply chain pressures are universal. The impact of the faster spread of the Omicron variant in recent weeks has worsened some production constraints for suppliers of raw materials and manufactures. Energy prices have also risen further, reflecting strong demand, weak supply, and low inventories. These trends argue for persistence in price pressures well into 2022, which is disappointing for those hoping for a quick fall in inflation.

While some of these supply pressures should fade in time, the more concerning factor for UK inflation is the state of the labour market. Even though the economy has only just managed to climb back to its pre-Covid output levels of early 2020, the labour market is tight, surprisingly so. Unfilled vacancies are at record highs (see chart).

High unfilled vacancies in a tight UK labour market

Source: ONS, Macrobond

The cause is significant shrinkage of the workforce in the economy since the pandemic's onset. Whether to take early retirement or for other lifestyle reasons, many have decided to leave the labour market. Males of working age not looking for work have risen by around 400,000 to about 3.7m recently. Brexit-related outmigration is also a factor. This means that the economy's supply capacity, i.e., the output it can generate without raising inflation, has reduced somewhat. Unless productivity rises markedly to compensate, which has not happened to date, inflationary pressure will come through at lower output levels than pre-pandemic. This is already a factor behind rising UK inflation.

Investment outlook

Interest rates and gilt yields

How far can the bank raise rates?

The Bank of England has already started raising interest rates, largely out of concern that the tight labour market will embed current price pressures into inflation expectations, impacting wage and price setting ahead. Since rates are rising from about zero, even the three or four rises signalled in rates markets for 2022 will still leave them very low, well below inflation. Still, it is a big change from a long period of being so near zero. Bank rate has averaged a little under 0.5% since the start of 2010. If bank rate does reach the 1% level by year-end as markets signal currently, it would therefore be quite a break with the past decade.

How the economy reacts to rising rates is unclear. Even as wage settlements creep up, inflation is rising faster, pressuring the consumer. If the economy is already set to slow, the upward creep in interest rates could lead to an unwelcome, deeper slowdown. On this scenario, the Bank may have to slow or even abandon planned rate increases in time. The ultimate path for rates is therefore highly uncertain. It is worth noting that interest rate forecasts have overestimated actual rate paths for many years.

Long duration gilt yields staying low

Gilt yields have fluctuated in a series of sharp moves in both directions for the last two years, but still show no clear upward direction on an underlying basis. This suggests that even though expectations for interest rates during 2022/23 have moved higher, longer-term expectations still see low interest rates persisting. 20 year benchmark gilt yields, though moving up in early 2022, are still no higher than year-ago levels and barely above pre-pandemic levels. It is only shorter-duration (3-5 year) yields that have broken out of previous ranges, reflecting recent expectations that policy rates will be moving higher than pre-pandemic levels.

The gilt price anomaly we see is not in the absolute level of yields but rather the relative pricing of index-linked gilts versus fixed. This largely reflects distorted prices in the index-linked market. It is nothing short of extraordinary that the market implied inflation rate over the next 25 years is higher than the average seen over the past decade, even though RPI inflation converges with much lower CPI inflation in just over eight years' time. We doubt that this reflects a genuine market view on inflation running so far above the Bank of England target over time; rather it is the outcome of a still large supply shortfall of inflation-linked bonds against a backdrop of continuing buoyant demand.

Investment outlook

Equities

Rotations and mini-cycles

The anticipation of interest rate rises and some upward pressure on bond yields in recent weeks has squeezed longer duration stocks. The US Nasdaq index or the S&P 500 technology sector is where the impact of rising interest rates is being watched, given its higher valuations and longer duration attributes. Going into 2022, market chatter has once again been heavy on a strong duration rotation under way, from technology and into financials and energy, sometimes expressed as away from 'growth' and towards 'value'. However, there is still little evidence that these rotations are much more than mini-cycles. Interest rates rose sharply in the early part of 2021 too, and much as in recent weeks, technology was squeezed. This was not sustained. Is 2022 to be different? To us, it seems unlikely that interest rate trends alone can claw back much, if at all, of this sector's cumulative outperformance over financials, the most important 'value' sector (see chart). The more modest claim that can be made, with some validity, is that interest rate trends and very high valuations in technology now stand in the way of its continued outperformance.

Technology's lead still looks impregnable
(Cumulative returns, January 2017=100)

Source: Aon, FactSet

Most market supports look weaker

Our downgrade to equities late last year was taken on a view that most of the market supports we could identify looked less durable coming into 2022. The earnings rebound in 2020/21 has been impressive, but the best of the recovery is over, and revisions are now no longer upwards. While there is no obvious threat to economic growth, fiscal and monetary stimulus to economies is now on the retreat so economic activity is less well supported. Also, labour, and other input cost pressures are featuring as drags in the way companies are issuing guidance on their financial results. Earnings growth has kept up with market gains so far, but this still leaves valuations at the very top end of historical ranges where vulnerability to any adverse market development is high.

Investment outlook

Equities

Most market supports look weaker (cont'd)

The liquidity and interest rate environment is also on the move this year to becoming much less benign for risky assets. In terms of implications, all of this suggests that this is a better environment for institutional investors who are looking to reduce equity risk in portfolios than it is for those planning to commit new money to the market.

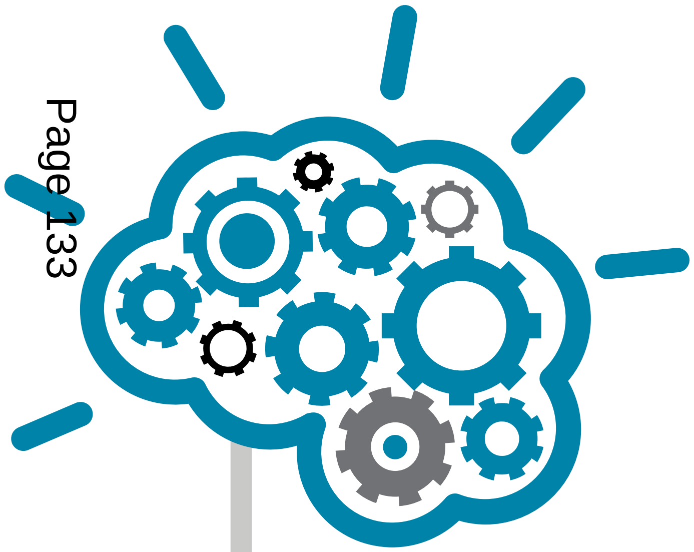
Geopolitical and hard to 'price' risks

Markets always find it difficult to allow for 'event risk'. The calculated risk of such events may be far from trivial, but a significant majority may still deem them to be unlikely over a near-term horizon. A good example is the risk of a Russian invasion of Eastern Ukraine. This is clearly possible in the near-term, though the high costs for Russia – loss of life, sanctions and more, may well prevent this occurring. It is our guess that a majority currently view these costs as high enough to deter Russia. This would well explain why the market impact so far from this threat has so far only been in directly impacted assets - Russian markets or in gas prices. If the majority view is wrong, and conflict ensues, a broader and larger market impact is probably unavoidable. Much the same could be said for other areas of conflict too, such as China-Taiwan or indeed other event risks for which setting a probability is difficult, such as a cyber-attack or a climate-change event that disables significant economic infrastructure. While the inability of markets to price event risk appropriately is hardly new, high asset prices across the board today raise the likelihood of a deeper market impact from any such event.

6. Aon’s latest thinking

Our latest investment ideas for you

The threat of new variants…



Omicron… and what next for global equities?

The latest highly mutated variant of Covid-19, Omicron, first discovered in South Africa, briefly rocked global equity markets towards the end of 2021.

Our view that global equities will produce low returns over the next few years still holds. A key risk for equity markets is persistent inflation as production costs, including wages, are an issue going into 2022 that is exacerbated by Covid-19 variants.

Portfolio diversification therefore remains key, and portfolios should be positioned to withstand weaker equity prospects and greater volatility.

Investing in a low carbon economy…

COP26… and an infrastructure opportunity?

The 26th annual *UN Conference of the Parties (COP26)* brought experts and decision-makers together to discuss urgent climate change action. The hope was to make more concerted progress, but progress was modest, and the commitments made leave the world on track for global warming of +2.4°C.

There will be rising demand for infrastructure investments aimed at galvanising the take-up of renewable energy and supporting the transition to a low carbon economy. Infrastructure can act as a useful diversifier, with cashflows linked to inflation and illiquidity premiums for schemes able to lock up capital.

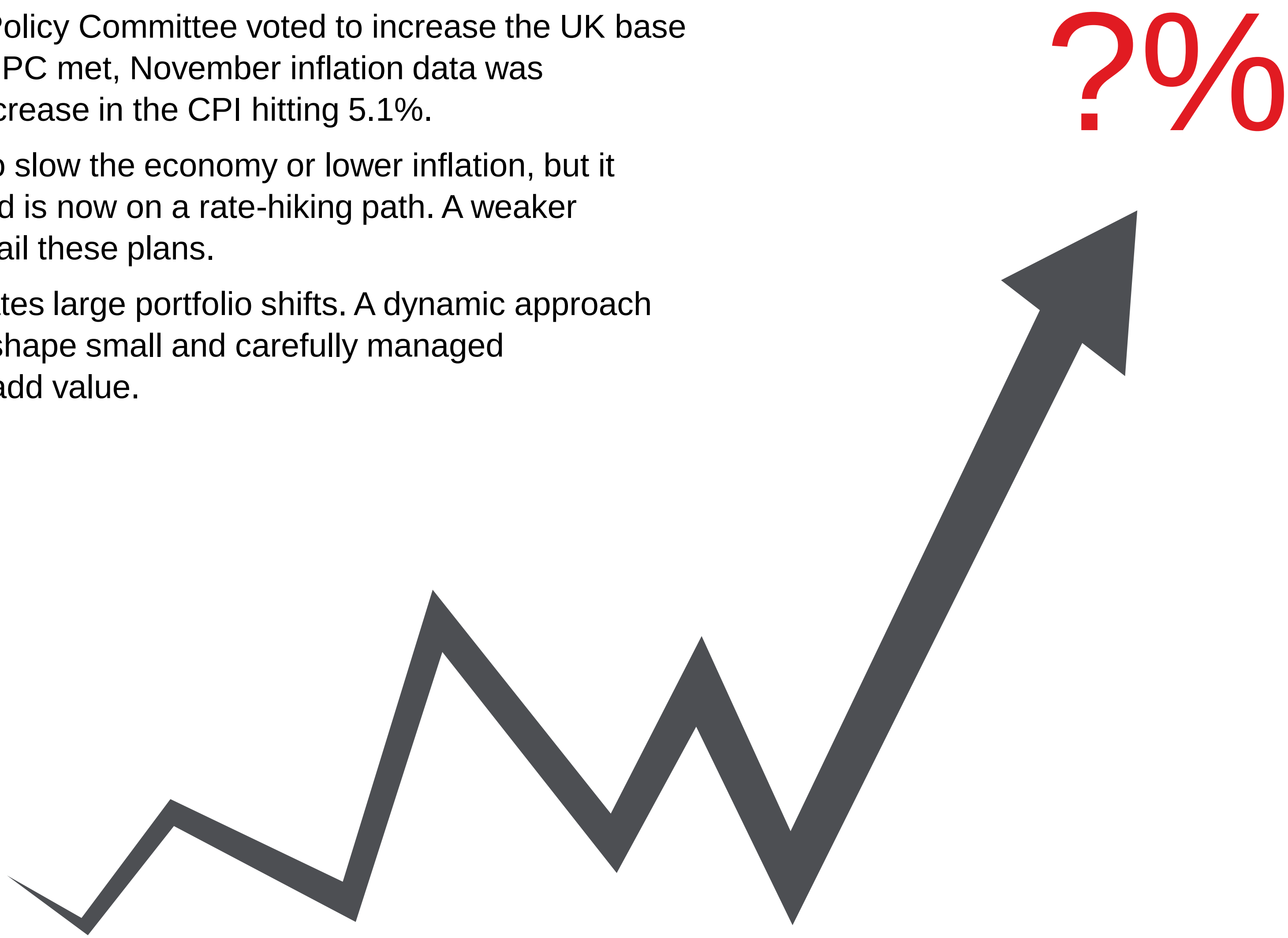
The Bank of England acts early…

…and further rate hikes anticipated

On 16 December, the Monetary Policy Committee voted to increase the UK base rate by 0.15% to 0.25%. As the MPC met, November inflation data was announced, with the 12-month increase in the CPI hitting 5.1%.

This hike is unlikely to do much to slow the economy or lower inflation, but it does suggest the Bank of England is now on a rate-hiking path. A weaker economy, however, could still derail these plans.

Increased yield volatility complicates large portfolio shifts. A dynamic approach to hedging, where tactical views shape small and carefully managed movements, has the potential to add value.



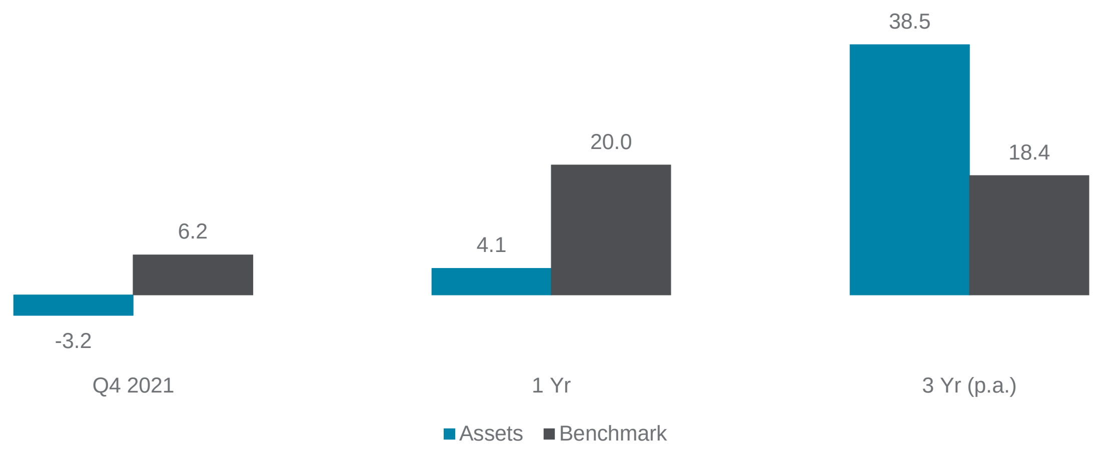
7. Manager review

Aon ratings and understanding manager performance

AON

Baillie Gifford - LTGG

Scheme performance & benchmark



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Performance comments

The manager significantly underperformed in the final quarter of the year. Higher inflation and interest rate expectations worked against the strategy which consistently has a high allocation to higher growth companies.

Most growth-orientated strategies we follow also underperformed in the period. Presently, as one of the most growth-orientated strategies we follow, the level of outperformance in 2020 and then underperformance in 2021 is expected given the market environment. A continuation of the current market trend will prove challenging for the strategy. Longer-term performance remains very attractive.

Negative earnings or news flow in higher-growth stocks were heavily punished in the rising rates environment.

Moderna's shares were weak in the period, buffeted around by short-term Covid-19 vaccine-related news flow. The team's core long-term investment thesis is outside the COVID vaccine, noting dozens of promising vaccines in the pipeline, using the now de-risked mRNA technology.

Peloton significantly underperformed in the period, with a number of negative headlines around supply chain issues and changing consumption trends post-pandemic.

Buy

Reviewed: February 2022

Ratings detail

ODD:	A1 pass	**Risk:**	●●○○
Business:	●●●●	**Perf:**	●●●○
Staff:	●●●●	**Terms:**	●●●○
Process:	●●●○	**ESG:**	Integrated

Key info

Appointed: 29 September 2006

Vehicle: Baillie Gifford Long Term Global Growth (+3% over 5-10yrs)

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

Target: To outperform the benchmark by 3% p.a. over rolling three-year periods.

Fee scale: Base fee of 0.30% plus performance fee of 8% on outperformance more than the benchmark (up to a maximum outperformance of 5%) for the period since inception.

Source: Aon, BNY Mellon, data for periods longer than 12 months are annualised.

Baillie Gifford – LTGG (cont'd)

Major developments

Post quarter-end, Baillie Gifford announced some staff changes on the LTGG strategy. We view these as largely cosmetic with no material change to the intellectual input behind the strategy.

John MacDougall has returned to Edinburgh, following a two-year stint in Shanghai, and will resume his role as a decision-maker for LTGG. Returning to Edinburgh from Shanghai (where he continued to contribute to LTGG) he is re-formalized as a decision-maker.

Tom Slater will step down as a decision-maker, but he will continue to be a key contributor to LTGG as an analyst and will lead the Scottish Mortgage Investment Trust, which has a high degree of overlap with LTGG. Slater has been Head of US Equities at Baillie Gifford since 2015, and MacDougall's return will provide an opportunity to concentrate on this and other overlapping Lead-PM responsibilities being taken on.

Analysts Michael Pye, Robert Wilson and Gemma Barkhuizen will be promoted from within the team to become decision-makers, recognizing the input they've been providing.

This means that decision-makers for LTGG will be Mark Urquhart, John MacDougall, Michael Pye, Robert Wilson and Gemma Barkhuizen.

Buy

Reviewed: February 2022

Ratings detail

ODD:	A1 pass	**Risk:**	●●○○
Business:	●●●●	**Perf:**	●●●○
Staff:	●●●●	**Terms:**	●●●○
Process:	●●●○	**ESG:**	Integrated

Key info

Appointed: 29 September 2006

Vehicle: Baillie Gifford Long Term Global Growth (+3% over 5-10yrs)

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

Target: To outperform the benchmark by 3% p.a. over rolling three-year periods.

Fee scale: Base fee of 0.30% plus performance fee of 8% on outperformance more than the benchmark (up to a maximum outperformance of 5%) for the period since inception.

Source: Aon, BNY Mellon, data for periods longer than 12 months are annualised.

8. Further information

Key reference information about your scheme

Method

The funding update has been prepared in accordance with the framework below.

- This funding update is consistent with the calculations for the formal actuarial valuation as at 31 March 2019. The assumptions used have been modified only insofar as is necessary to maintain consistency with the approach set out in the latest Funding Strategy Statement, reflecting the change in the effective date and in relevant market conditions.
- The funding update is projected from the results of the formal actuarial valuation as at 31 March 2019 and is therefore approximate. Since the update is not based on up-to-date membership data, it becomes more approximate the longer the period of time that has elapsed since the last actuarial valuation.
- The funding update takes account of the following over the period since the last formal actuarial valuation:
  – Cashflows into and out of the Fund estimated based on the 2019 valuation results;
  – Actual price inflation and its impact on benefit increases.
- Demographic experience since the last formal actuarial valuation has been assumed to be in line with the assumptions set out in the 2019 Valuation Report.
- This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.
- It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the investment strategy or economic outlook.
- For the purpose of this funding update, we have used an un-audited value of the assets as at 31 December 2021 provided by the Administering Authority
- The whole of fund total employer contribution rates shown in this funding update allow for a recovery period ending 31 March 2041 and allow for any surplus in excess of 110% to be recovered as set out in the Funding Strategy Statement
- The assumptions used in this funding update are as follows:

	Discount rate	Pay growth	Pension increases
31 March 2019	4.20%	3.35%	2.10%
30 September 2021	4.00%	3.45%	2.20%
31 December 2021	3.90%	3.45%	2.20%

Risk/Return Assumptions

- The table below sets out the asset and liability return assumptions over 10 years, together with the asset allocation and exposures used. These are based on Aon's Capital Market assumptions as at 31 December 2021.

High level asset class	Expected Return (10 year median % p.a.)	Expected Volatility (10 year % p.a.)
Equities	6.3	19.0
Property	5.6	12.6
Infrastructure	7.9	15.8
Illiquid credit	4.4	5.4
Investment grade credit	2.1	8.0
Non-investment grade credit	3.3	10.1
Absolute Return	3.8	6.0
Gilts	0.4	7.3
Cash	0.8	1.0

Note: all statistics are 10 year median expected returns/volatility of returns.

Correlation Table

High level asset class	Equities	Government Bonds	Liquid inv. grade credit	Absolute return	Infrastructure	Property	Private Credit	Non-investment grade credit	Cash
Equities	100%	-10%	6%	74%	61%	38%	28%	54%	-3%
Government Bonds		100%	53%	11%	-4%	-3%	4%	-3%	34%
Liquid inv. grade credit			100%	32%	4%	6%	63%	34%	37%
Absolute return				100%	52%	25%	37%	52%	19%
Infrastructure					100%	19%	14%	20%	0%
Property						100%	26%	27%	4%
Private Credit							100%	65%	20%
Non-investment grade credit								100%	5%
Cash									100%

Data and assumptions

Date of calculation	31 December 2021
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,928,517,121

- Illiquid Growth is made up of a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Illiquid Credit modelled as combination of Senior Direct Lending (for Arcmont and Permira) and Whole Property Debt (for BCPP).
- Gilts are modelled as a 90% long-duration index-linked gilts and 10% long-duration fixed-interest gilts.
- Property is modelled as UK Property.
- Liquid IG Credit modelled as UK corporate bonds (A-rated with average duration of 10 years)
- Liquid Non-IG Credit modelled as high yield credit.
- Absolute Return is modelled as 50% Newton RRF modelled as Capital Preservation DGF, and 50% Leadenhall Insurance Linked Securities modelled as a blend of Aggressive, Conservative and Moderate ILS.
- The Fund has an allocation to Equities which make up 50% of the long term allocation.
- For modelling purposes (and for consistency with the approach taken by the Actuary) we do not allow for any outperformance from active management (alpha).
- We have not allowed for the impact of equity protection on the risk and return of the portfolio
- Equities have been modelled using region splits in line with the long term allocation:

Passive UK Equity	10%
Passive Global Equity (including Emerging Markets)	90%

Key assumptions of the model (1)

- The purpose of the model is to consider and monitor the return and risk characteristics of the current and long term investment strategy of the Fund.
  - –The analysis considers the expected return of the Fund’s investment strategy and the 1-in-20 downside 5th percentile Value at Risk implied by the strategy.
  - –These metrics are considered as at the stated quarter-end.

- Investment risk is included in the model outputs but this is not the only risk that the Fund faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.
- Investment risk has been calculated on an asset only basis.

Key assumptions of the model (2)

- The calculation of portfolio risk is approximate;
  - The calculation considers (5000 stochastic) simulations of returns over a single year of the Fund's investment strategy.
  - The simulations are constructed using Aon Solution's Asset Model – the details and assumptions of which are outlined in this appendix.
  - The calculation does not take into account any cashflows payable over the year; if cashflows are expected to be material the result is likely to be different.
  - Risks are attributed into the categories outlined in the chart only; the investment strategy may be exposed to further risk categories not shown.
  - The calculation does not take into account longevity risk (i.e. liability values increasing due to members living longer than assumed).
  - Owing to these approximations, a more detailed ALM study is likely to result in a different result to the VaR calculation.
  - Other portfolios with different risk and return characteristics may be available to the Fund along the journey to full funding.

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The compliance is on the basis that North Yorkshire County Council is the addressee and the only user and that the update and projections in this funding update are for information only and do not contain the information you would need to make a decision on the contributions payable or the investment strategy. If you intend to make any decisions after reviewing this presentation, please let me know and I will consider what further information I need to provide to help you make those decisions.

The presentation has been prepared under the terms of the agreement between the North Yorkshire County Council and Aon Solutions UK Limited on the understanding that it is solely for the benefit of the addressee.

This presentation should be read in conjunction with:

- The report on the most recent actuarial valuation of the North Yorkshire Pension Fund dated 30 March 2020
- The latest Funding Strategy Statement

If you require further copies of any of these documents, please let me know.

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North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 13th January 2022 via Microsoft Teams commencing at 2pm.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Ann Hook (City of York Council), Emma Barbery (Askham Bryan College) and David Hawkins (York College).

Scheme Members:

David Houlgate (Unison), Simon Purcell (Unison), Gordon Gresty and Sam Thompson (Hambleton District Council)

County Council Officers:

Qingzi Bu, Phillippa Cockerill, Steve Loach, Ian Morton, Tom Morrison and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

All decisions made by the Committee are subject to the procedure set out in Minute 319, below.

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319 Chairman's Welcome and Introductions

The Chairman welcomed everyone to the formal, live broadcast, virtual meeting of the Pension Board. Members and officers introduced themselves for the benefit of the broadcast.

He announced that under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings would continue, with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach was reviewed by full Council at its November meeting where it was agreed that it be continued with a further review at the February meeting of the full County Council.

320 Apologies for Absence

Apologies for absence were submitted by County Councillor Bob Baker (NYCC).

321(a) Minutes

Resolved -

That the Minutes of the meeting held on 7 October 2021, having been printed and circulated, be taken as read and confirmed as a correct record and the Chairman would sign these at a convenient time.

321(b) Progress on Issues Raised by the Board

The appointments of David Hawkins (Employer Representative) and Sam Thompson (Scheme Member Representative) to the vacant positions on the Board had now been approved by the County Council as the Administering Authority.

Feedback and the supply of confidential papers from BCPP to Pension Boards had now been addressed satisfactorily with appropriate mechanisms in place to ensure that these were being delivered.

In respect of consideration given as to whether a breach should be reported to the Pensions Regulator, regarding late issue of Pension Savings Statements, it was stated that further details were yet to be received back from HMRC.

The data reconciliation projects were covered in a later report.

The issue of cyber security was covered in the Administration Report and would be discussed later in the meeting.

The comparison of the performance of the Fund, prior to, and post pooling would be brought to subsequent meetings of the Board, but it would require longer than the current position for meaningful data to be acquired for an analysis to be undertaken.

Remote meetings were to continue for the time being with a further review of this matter taking place at the February meeting of the County Council.

The other issues were included on the agenda and would be updated during consideration of those items.

Resolved -

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

322. Declarations of Interest

There were no declarations of interest.

323. Public Questions or Statements

There were no public questions or statements.

324(a). Pension Fund Committee – Minutes of Meeting held on 26 November 2021

The Chairman noted that the Minutes from the meeting had been circulated with the papers for this meeting. He noted that the main issues from that meeting featured on today's agenda. Members of the Board did not raise any issues.

Resolved –

That the Minutes be noted.

325(b). Pension Fund Committee – Confidential Minutes of Meeting held on 26 November 2021

The Chairman noted that the Confidential Minutes from the meeting had been circulated with the papers for this meeting. He stated that should Members wish to discuss any issues arising from those Minutes the meeting would need to go into private session and the broadcast would need to be paused.

A Member made a general point in relation to the meeting, which was not considered to be confidential, with him welcoming the consideration being given to Climate Change by the Committee.

Resolved –

That the Confidential Minutes be noted.

326. Review of Terms of Reference

An Annual Review of the Terms of Reference was included in the Work Programme for the January meeting of the Board each year with Pension Board members invited to make comments and recommendations for changes if appropriate.

On this occasion, as a review of the Terms of Reference was undertaken in July 2021, it is considered unnecessary to have a further review at this stage.

A copy of the current Terms of Reference was therefore appended to the report for information.

Resolved: -

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

327. Pension Administration

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 2021 meeting.

The following issues were highlighted:-

- PFC Report

  The PFC report from their November 2021 meeting was provided as an Appendix.

- Breaches

  There had been four new entries in the breaches log since the previous meeting of the Board. Details of the breaches were outlined together with the action taken to prevent those from reoccurring. In terms of the issuing of Annual Benefit Statements, further work had taken place since the previous meeting to address the outstanding statements, with 61 now waiting to be resolved.

- Major Projects

  Data reconciliation was completed and the final position was outlined in the report to the PFC, appended to this report.

  Efforts had been made to add NYCC and the City of York Council to the i-Connect project but data differences had led to this not taking place as yet. Every effort was being made to ensure they were both on the portal by the year end to ensure the largest employers were integrated into the system. The aim to have all employers on board by the end of March 2022 was no longer achievable but the roll out will continue until all employers are on-boarded.

  The Pensioners' Payroll project had been completed. There are 27,328 pensioners, of which 6,282 (23%) had opted out of obtaining their information on-line, whilst 9,564 had opted to receive their details on-line. The remainder had not contacted the Pensions' Administration team with their choice.

- Broadacres

  The situation regarding Broadacres requesting a transfer to the NYPF, as reported at the PFC, was ongoing, with legal and actuarial evidence currently being sought.

Members raised the following during a discussion of the report:-

- It was clarified that the majority of pensioners had not engaged with the Pensions' Administration team in relation to how they wished to receive their information, going forward. Communication in relation to this matter had been made with all pensioners, and a further communication exercise would be undertaken. It was stated that a message would be placed on the Pensioners' Representative's page on the NYPF website to remind everyone to respond to this matter. A Member asked how engagement would be made with those proving difficult to reach. In response it was emphasised that there would not be a huge amount of time or money spent on attempting to engage with what was a small proportion of the overall membership of the Fund, with the issue being addressed when pensioners contacted the Administration team regarding their information, following the additional communication. It was asked what the timescale would be regarding the further communication. In response it was stated that the timing would depend on workload, as the response would be expected to be on a large scale, requiring an extensive work programme, which would need to be factored into the existing pressures.
- Cyber Security was being considered by Technology and Change but from a whole NYCC perspective rather than something specific for the Fund. It would be determined

whether the NYPF could utilise the NYCC information, however it was recognised that CIPFA and the Pensions Regulator suggested that a Fund specific approach and reporting was more appropriate.

Members were concerned regarding the timescales for the delivery of this as the issue had been raised, both externally and internally, as a matter that needed addressing as a priority for a while. It was noted that the matter was being picked up by Internal Audit and it was hoped that a report would be available for the next meeting of the Board, as this was a key issue.

- Details of the Common and Conditional Data Scores were provided as these were submitted annually to the Regulator. It was noted that a comparison of the scores had been carried out with the other Funds that are involved with BCPP.
- A Member referred to the data breach that had taken place, affecting 330 people, and whilst in the context of the overall Fund membership this was relatively small, it was still a fairly high number and he asked for the details in relation to that and how it had been addressed. In response it was explained that the incident occurred through approaching the incorrect payroll provider for the schools, as City of York (CoY) schools who did not use , the CoY internal payroll. The details were shared with the wrong payroll as a result. This issue was addressed immediately and will not be repeated.
- It was asked whether the transfer of Broadacres to the Fund would be considered as a risk. In response, the process of transferring into the Fund was outlined, which would ensure that potential risks were considered and mitigated against. It was noted that Broadacres would not be able to bring a deficit into the Fund when transferring. Although it was not apparent why Broadacres wished to transfer at this stage it was considered necessary by them in terms of their financial planning, going forward.
- A Member asked what had to be done to achieve 100% with the Common and Conditional Data Scores. In response it was stated that this was highly unlikely to be achievable by any Fund as the processes involved people handling data, and there was always likely to be a human error factor.
- It was asked what specific difficulties had occurred to prevent NYCC and CoY being transferred to i-Connect. In response, it was stated that missing information and changes to employment and related details had been the main issues, with much of the date requiring an update. It was emphasised that it was a major task to corroborate the data in time to ensure the major employers were on the system for 31 March 2022.
- In respect of the breaches outlined it was considered that the explanation of how these occurred, how they were addressed and the action taken to prevent them from occurring again ensured that there was no reason to recommend that the matters were reported to the Regulator. Members discussed the implications should a matter be reported to the Regulator

Resolved -

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

(ii) That the contents of the Breaches Log be noted, and it be recommended to the Pension Fund Committee that no further action be taken in respect of the breaches identified, with no referral to the Pensions Regulator.

328. Government Actuary Department – Section 13 Report

Tom Morrison explained that the Government Actuary Department undertook an evaluation of each LGPS fund, based on the most recent valuation, taking account issues such as solvency and transparency, and graded them on a red/amber/green basis, which made up the Section 13 report. The NYPF had been graded green on all issues. The Report was devised to ensure that there was a regular review of the LGPS in aggregate.

Members welcomed the across the board green rating given to the NYPF.
Resolved –

That the report be noted.

329. North Yorkshire Pension Fund Annual Report and Statement of Final Accounts

A report updating members on the audit of the accounts, and the publication of the Pension Fund's Annual Report was provided. The Annual Report 2020/21 had been approved by the PFC at their November meeting and a copy was appended to the report. Based on legal advice, the document was published on the Fund's website by the deadline of 1 December 2021, even though the audit had not been completed. A note describing the status was included on the website. The publication date was 30 November 2021.

The audit was completed shortly before Christmas. The Council's Accounts, including the Pension Fund Accounts were signed off and published on 22 December 2021. The finalisation of the audit process did not result in any amendments to be made to the Accounts of the Pension Fund. It was noted that the details of the Annual Report were almost identical to those brought to the Board in October 2021, with a small number of very minor amendments.

A Member asked whether the delay to the publication of the Final Accounts would have a knock-on effect for next year's Accounts. In response it was stated that this was difficult to determine at this stage, but it was hoped that there would be no detrimental effect, going forward, and Members would continue to be updated on the progress.

Resolved –

That the report and issues raised be noted.

330. Internal Audit Reports

Ian Morton, the Assistant Director – Audit and Assurance, provided the Pension Board with an update on Internal Audit activity.

The report highlighted the Audit Plan for 2020/21, previously approved by the Pension Board, and indicated that all audits, Income, Expenditure and Investments had all been completed, and all provided substantial assurance.

The 2021/22 Audit Plan, agreed in October 2021, had commenced with the Expenditure Audit underway. Details of the issues to be audited during 2021/22 were set out in the report. It was noted that the IT Security audit would focus specifically on how that relates to the NYPF.

There was an outstanding action from the 2019/20 Expenditure report that had a revised completion date of the end of March 2022. The action for the 20/21 Income audit was not due until March 2022. The actions for the Investments audit had recently become due and were currently in the process of being followed up. It was noted that some actions identified in the report to be completed by the end of December 2021 had not been, due to workload pressures, but these would be completed as soon as possible.

It was suggested that reference within the report to the Corporate Director Strategic Resources should be altered to Treasurer of the NYPF, when relating to Pension Fund specific matters.

Resolved -

That the substantial assurance for the all of the audits carried out in 2020/21 be welcomed and the report be noted.

331. Review of Risk Register

Phillippa Cockerill, introduced the report which provided members with an opportunity to comment on the Pension Fund risk register. The Risk Register is reviewed by the Board every six months, following reviews by the PFC, and any feedback and comments from the Board are fed into the subsequent review. Details of the Register were appended to the report.

There had been two risk ranking improvements in the year:

- Pension Fund Solvency has been moved from category 1 to 2
- Regulations and Legislation has been moved from category 4 to 5

The primary changes made to the risk register since the last review were:

- The addition of two new risks associated with the McCloud project and Local Government Reorganisation into the Resources risk
- Contribution deferral as a result of Covid-19 had been removed from the Employer Contributions risk
- Enforcing of charging for late submissions and payments of contributions had been added to the Employer Contributions risk
- Process review and mapping work had been removed from the Benefit Payments risk

It was noted that circumstances for the Fund and its investments would change over the years, going forwards, and it was asked whether consideration was given to how risks would change in the long term. It was emphasised, in response, that many risks were managed by the Fund but the Register highlighted the most significant risks, and these were periodically reviewed and would be subject to alteration as circumstances changed. Any changes would be reported to both the PFC and PB.

It was asked whether a six monthly review was sufficient to adequately monitor the risks to the Fund. In response it was emphasised that the monitoring of risks was continual, whilst the reporting process was standard practice. Should there be a significant change to a risk Members of both the PFC and PB would informed accordingly.

Resolved:-

That the report, and issues raised, be noted.

332. Budget and Accounts

Members considered details of the following:-

(a) 2021-22 budget and costs of running the Fund
(b) 4 year cash flow forecast

The following issues were highlighted:-

Each quarter a report was taken to the Pension Fund Committee (PFC) to update Members on the current and forecast income and expenditure position against the budget, and the latest cash flow forecast.

The cash flow forecast had been extended to 2024/25 giving an indication of the expected position following the 2022 Valuation, based on assumptions on contribution rates from April 2023. It was also based on assumptions on inflation, transfers and other issues which were challenging to predict.

The report taken to the November PFC meeting is attached as Appendix 1 for Board members to consider.

It was noted that there was an error in 3.5 of the report to the PFC which should read £9.5m, rather than £8.7m.

A Member noted that the inflation figure within the report was 2%, whereas the current rate was around 6% and could rise further. It was asked whether this would have an impact on the Fund. In response it was confirmed that rising inflation would affect the Fund and the position would be closely monitored.

In terms of the cash-flow position, should that become negative, going forward, assets would be used to ensure pensioner benefits could be paid. It was emphasised that the Fund remained in a healthy cash-flow position, and many other Funds were already operating in a negative cash-flow position, with no detriment to them. The position would continue to be carefully monitored.

A Member asked whether the forthcoming LGR had been taken account of in the forecasts. In response it was stated that LGR was not expected to have a significant effect on the financial position of the Fund, nor the cash-flow position. The Member suggested the expected major reductions in Senior Officers could affect the pension position. It was stated that the move to a single employer from a number of major employers within the Fund would enable a single contribution rate to be determined, rather than a number of different rates which would simplify matters. The position in terms of contribution rates would be considered through the forthcoming triennial valuation. The projection for the combined Council was that the net effect of LGR for the NYPF would be nil, however, this Would be considered as part of the valuation process

Resolved:-

That the report, and issues raised, be noted.

333. Training

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

It was noted that the report providing details of training events attended, and activities undertaken by Pension Board Members was not now published as part of the report but did appear on the Meeting's web page and this was up to date.

The chairman stated that he had contacted the Fund's Independent Observer to clarify the position whether each individual Member required full training to serve on the Board, or whether collective knowledge would be sufficient. It was clarified that each Member should have full training to serve on the Board. It was stated that the Hymans Training package had been made available to assist Members in obtaining the appropriate knowledge, and Members were welcome to undertake any other appropriate training, including the Pensions' Regulator's modules. It was again stated that the training position for Pension Board Members was a statutory requirement. Members recognised this position and were supportive of a recommendation within the report that enabled training to be delivered as part of the Pension Board meetings, in future. It was stated that training would be provided to Members as part of the triennial valuation process during this year. Members stated that they were willing to pursue appropriate training but practically applying that to the operation of the Fund made that more meaningful.

Resolved -

(i) That the report and availability and details of the Hymans Robertson online training package be noted

(ii) that Meetings of the Board be developed accordingly to provide an opportunity for Members to undertake appropriate training, either individually or collectively..

(iii) That Members continue to provide details of any training they wish to be included on their training record:

334. Work Plan

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board for the coming year and providing meeting dates for the Pension Board until April 2022.

The Chairman stated that initially it had been the intention to enable members to undertake in depth analysis of aspects of the work programme, as individuals or in smaller groups, but this had not been possible in recent times due to the pandemic and the current workload of officers supporting the Fund. He stated that further consideration would be given to developing this analysis during the development of subsequent work programmes.

It was noted that the Meetings Calendar for 2022/23 was now available.

Resolved -

(i) That the Work Plan, as detailed in Appendix 1 to the report, be noted.

(ii) That the dates of ordinary meetings as detailed in the report be noted as follows:-

All Thursdays at 10 am

2021/22 - 7th April 2022

2022/23

7th July 2022
6th October 2022
12th January 2023
6th April 2023

The meeting concluded at 3.50pm.
SL

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