



Agenda

Meeting: Pension Fund Committee

Venue: Brierley Room, County Hall, Northallerton, DL7 8AD

Date: Friday, 26 May 2023

Time: 10.00 am

Councillors: John Weighell (Chairman), Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Neil Swannick, Angus Thompson, Matt Walker, and Andrew Williams

Christian Vassie, City of York Council

David Portlock - Chair of Pension Board (Non-Voting)

Brian Hazeldine, UNISON

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, on the grounds that this includes 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) Minutes of the Committee Meeting held on 3rd March 2023 (Pages 3 - 10)

3(b) Confidential Minutes of the Committee Meeting held on 3rd March 2023 (Pages 11 - 14)

4. Appointment of Vice-Chair of the Committee

5. Declarations of Interest

6. 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 page 1 of the Agenda sheet) by midday on Tuesday 23rd May 2023. 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.

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|------------|--|-------------------------|
| 7. | Pensions Administration Report - Report of the Treasurer | (Pages 15 - 36) |
| 8. | Budget, Cashflow and Accounts - Report of the Treasurer | (Pages 37 - 42) |
| 9. | Quarterly Funding and Investments Report (Including Investments Update) - Report of AON | (Pages 43 - 90) |
| 10. | Pension Board - Draft Minutes of the Meeting held on 6th April 2023 - Report back by the Chair | (Pages 91 - 100) |
| 11. | Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency | |

At the conclusion of the meeting representatives of Baillie Gifford will provide a presentation on their Long-Term Global Growth Fund.

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
Northallerton

Thursday, 18 May 2023

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

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 3 March 2023 held at County Hall, Northallerton commencing at 10 am.

Present:-

County Councillors John Weighell OBE (Chair), Alyson Baker (as substitute for County Councillor Les) Sam Gibbs, George Jabbour, Carl Les, Cliff Lunn, David Noland, Neil Swannick, Angus Thompson, Matt Walker and Andrew Williams.

Councillor Patrick Mulligan – Local Government North Yorkshire and York

David Portlock - Chair of the Pension Board.

Apologies for absence - County Councillor Carl Les, Councillor Christian Vassie - City of York Council, Brian Hazeldine – UNISON retired members.

Copies of all documents considered are in the Minute Book

24. 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 Min.no. – Investment Strategy Review

25. Minutes

Resolved -

That the Minutes of the meeting held on 25th November 2022 were confirmed and were signed by the Chairman as a correct record.

26. Declarations of Interest

County Councillor George Jabbour declared the following non-registerable interest:-

I have been campaigning on issues involving the way public-sector organisations, pension funds and other institutions manage their finances.

27. Public Questions or Statements

There were no public questions/statements.

28. Pension Administration Report

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund in the quarter and updates 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 2023

Breaches Policy & Log

Issues and Initiatives

Administration System

Payroll Enhancements

McCloud

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- The Administration Section continued to be very busy, however, there had been an improvement in the performance against target rating of the section which had resulted from a full complement of staff and better management.
- There was no particular emerging pattern in terms of complaints received but account was taken of the issues raised with alterations made to ways of working to address these issues, where appropriate.
- All the 2022 Annual Benefits Statements (ABS) had now been issued and work had commenced on the 2023 ABS.
- There had been no reported breaches of the regulations over the previous quarter.
- An update was provided in respect of the employer portal, i-Connect, for monthly data returns, with NYCC now fully incorporated. A further 106 employers were required to be taken onboard to the system, with an aim of ensuring that the remaining District Councils were incorporated by vesting day.
- The Payroll enhancement project had now gone live which was beneficial to the increased efficiency of the service.
- Work continued to process McCloud data returns.
- The final stages of the triennial valuation were now taking place with proposed rates having been submitted to employers with an opportunity provided for

them to ask questions in relation to that. The final details of the valuation would be published on the NYPF website by 31st March 2023.

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

- The Administration Team were complimented on the improvements to their performance as demonstrated by the figures provided in the report.
- A Member considered that the preparation work required for the Pension Dashboard would be extensive and asked when this would be undertaken. In response it was stated that there had been further delays to this requirement. Fortunately this would enable checks to be undertaken to ensure that the data provided had been fully validated. An integrated service provider was being identified in relation to the delivery of the Dashboard and further discussions would take place with the Treasurer of the Fund to determine the action required going forward. The Member raised concerns that a great deal of resources would be directed towards the creation of the Dashboard, but it could be very sparsely used. The concerns were acknowledged, but it was emphasised that the Fund was required to provide this.
- An explanation was provided in relation to why HMRC had issued fines to the NYPF following a breach of the regulations previously. It was noted that this issue had been discussed at the previous meeting of the Committee and had also been discussed at the Pension Board meeting with a recommendation that there was no reason to report the issue to the Pensions Regulator.
- Clarification was provided as to what was meant by a preserved pension.
- The Chair highlighted the training opportunities detailed in the report and encouraged Members to take up the chance to attend those and the conferences highlighted. It was noted that the national governance review could see a requirement for PFC Members to have a relevant level of pensions knowledge and experience and the opportunities detailed would assist in achieving those levels.

Resolved –

That the contents of the report be noted.

29. Budget and Cashflow

Considered –

The report of the Treasurer outlining the following:-

the 2022/23 budget and the cost of running the Fund;

the 4 year cashflow projection for the Fund.

The main variances within the budget were lower fund manager fees with the decrease resulting from the difficult market conditions experienced over the quarter, leading to lower asset values and, therefore, lower manager fees. It was expected that, in the long term, the position would recover.

The cashflow position was challenging due in the main to an extended period of high inflation with the position showing a move towards being cashflow negative. It was expected that in three years time the position would be negative £20m, which was a significant amount of money but less than 1% of the total value of the Fund. Cash would initially be obtained from property and other income. It was noted that there was a Cashflow Policy in place which would be adhered to ensuring that the Fund was able to meet its commitments.

The Chair emphasised that there had been predictions that the Fund would become cashflow negative in the short term which had not materialised, and the details provided were just a prediction at this stage. As had previously been outlined it was emphasised that many LGPS operated without problems whilst they were in a cashflow negative position, and, with NYPF having a cashflow negative policy in place there was no reason to think that it would have a detrimental effect on the Fund.

It was stated that the final accounts had still to be signed off which was due to national accountancy issues. In view of this a note was attached to the NYPFs Annual Report, which had been published on the website in line with the regulations, highlighting this issue. The note would be removed once the accounts had been cleared. Discussions were now taking place with the Auditors in respect of the next Audit review. It was noted that the Audit Committee were comfortable with the explanation provided in respect of the late publishing of the accounts.

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

- It was noted that performance related fees were capped at a certain level which resulted in the Fund still paying some fees when the fund manager was not performing as well. Baillie Gifford was highlighted as an example of this. It was stated that a note would be circulated to Members detailing how this was implemented.

It was highlighted that the pooling arrangements had been expected to lower investment manager fees, but NYPF was willing to pay higher fees for a better return. The main challenge was to ensure that the Fund was not paying too high a fee for the returns provided. A report on costs and performance for 2022/23 would be presented to the Committee at a meeting later in the year for members to discuss.

The Fund's Independent Financial Adviser stated that performance fees had been an issue in the industry for a while now and he noted that capped fees were introduced to ensure that fund managers did not get a large fee for good performance in one year, with no come-back for poor performance in another year.

A Member stated that he preferred fees to be related to performance, rather than fixed fees, but recognised the need to minimise fees as much as possible. It was noted that there had been a saving made on fees and charges through the pooling arrangements, however, this was very small in the context of investment performance.

Resolved –

That the contents of the report be noted.

30. Business Plan and 2023/24 Budget

Members considered the updated Business Plan which was considered by the Committee on an annual basis following a review. The Plan was praised for being concise and understandable with details provided on the progress on targets highlighted in the previous year, together with details of the targets set out for this year and going forward.

The variances to the budget for 2022/23 were set out in the report..

Members discussed the report and the following issue was highlighted:

- Clarification was provided in relation to the role of the Custodian in response to a Member' question, with details provided as to the service they provide to the Fund and the fees paid.

Resolved:-

- (i) That the progress made against the 2022/23 NYPF Business Plan be noted;
- (ii) That the draft 2023/24 - 2025/26 NYPF Business Plan be approved; and
- (iii) That the draft 2023/24 NYPF Budget be approved.

31. Performance of the Fund

Considered –

Report of the Investment Consultants, AON, providing comprehensive details of performance and asset allocation information for the Fund along with a background to the investment markets during the third quarter of 2022/23. The Fund's Independent Financial Advisor also provided analysis of the details.

The risks to the Fund's investment strategy and the performance of the various fund managers were also detailed.

The following issues were highlighted:-

- The quarter had seen a significant rise in Gilt yields.
- Inflation remained at a high level, but expectations were that would begin to fall.
- Equity investments were being affected detrimentally by the high rate of inflation and increased interest rates.
- Details of how other markets had been affected, including bonds and property, were outlined.
- The majority of asset classes had provided a negative return over the quarter, the exception being UK equities.
- At the end of quarter 3 the total value of assets held by the Fund was around £4bn, which meant that the Fund was 106% funded, down one percent on the previous quarter.
- Details of the impact of the market influences over the quarter were set out the report, together with the performance of individual fund managers and the investments held by BCPP. It was stated that volatility of the markets, over the quarter, had been expected and the figures reflected that.
- The property portfolio was discussed, with the current investments being potentially reduced in favour of an allocation to global property. Performance in the third quarter had been poor, however, it was noted that there had been a recent upturn and this would continue to be monitored. It was noted that property holdings were a concern for UK Corporate Pension Schemes considering buyout arrangements due to their illiquidity. A potential recession and increased interest rates could have a significant effect on property values. The Chair noted the issues that had arisen for the Fund in the past in relation to property investments, noting that property used to be owned by the Fund and this had created a number of problems when disinvestment was required. He noted that the current arrangements did not involve the direct ownership of property by the Fund. The Independent Investment Adviser emphasised that it would be advisable to leave the property portfolio alone for the short term as redemptions could prove to be difficult and would crystallise losses.
- The numerous factors currently affecting markets were discussed, including the potential for a recession, higher interest rates, high inflation with uncertainty as to when this would fall, and the cessation of quantitative easing. All these had impacted on consumer spending and the corporate cost of borrowing.
- The various investments continued to be monitored by the Investment Consultants and Independent Investment Adviser, taking account of the current and predicted financial forecasts, and their likely impact on the current Investment Strategy of the Fund. The Investment advisers considered that additional work was required

around the investments with Baillie Gifford and BCPP given the state of the markets. A review of the equity allocations was made at the time of the transfer to BCPP in 2019 and it would be useful to revisit this, given market developments, the outlook and views on the managers and funds.

- Particular reference was made to the investment with Baillie Gifford, which had seen large negative returns over recent months, however, the performance of the investment over the longer term had been outstanding. Issues relating to the investment with Baillie Gifford were discussed at length with consideration given to the reasons behind the recent negative returns. It was noted that despite this they were still performing 4% above their benchmark. There had been a slight downgrading in terms of the experience of staff following a number of key departures, which would continue to be monitored.
- A Members asked, given the volatile nature of the markets currently, whether some form of hedging could help. A discussion of the potential for hedging, specifically currency hedging was undertaken, and it was stated that options ranged from passive hedging to using a currency hedging specialist manager. Members stated that they did not see a benefit from currency hedging and were against doing that.
- A discussion took place in respect of the Fund's exposure to Global equities as opposed to UK equities. It was noted that a decision had been made by the Committee to pursue Global equities a number of years back, which had proved to be the correct decision. The Fund's investment Strategy still includes a small allocation to UK Equities and it may be time to consider whether this should continue.

Resolved –

- (i) That the contents of the report, and the issue raised, be noted;
- (ii) That further consideration be given to the investment strategy at forthcoming workshops.

32. Pension Board – report back by the Chair on the meetings held on 12th January 2023

Considered -

A verbal update by the Chair of the Pension Board based on the Minutes of the meeting held on 12th January, which had been provided.

The Chair of the Pension Board stated that in line with the work plan, a review of the Terms of Reference had been submitted to the meeting resulting in no changes being recommended to Full Council. He was aware, however, that on the 1st April 2023 a new Unitary Council would be in place, which would result in some changes being required to the Terms of Reference. The meeting of the Board on 6th April 2023 would consider those changes.

Internal Audit reports continued to be presented to the Board. The most recent reports, as identified in the minutes, had all resulted in substantial assurance. Should any issues arise from the reports the Board would refer these to the Committee.

Resolved -

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

Minute No.33 was considered as a private item (see Minute No. 24, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

33. Investment Strategy Review

Members considered a report of the Treasurer which sought to:-

describe the review of the investment strategy and make a recommendation based on the conclusions;

note options to further develop the investment strategy and for training; and

recommend commitments to Border to Coast's infrastructure and private credit funds.

Resolved –

- (i) that no changes are to be made to the investment strategy of the Fund
 - (ii) that a commitment to Border to Coast's private credit fund of £70 million be agreed
- 6.3. that a commitment to Border to Coast's infrastructure fund of £120 million be agreed.

The meeting concluded at 11.45.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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North Yorkshire County Council

Pension Fund Committee

26 May 2023

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 31/12/2022	+/- Change (%)	At 31/03/2023
Active	30,757	+0.62%	30,948
Deferred	39,744	+1.05%	40,160
Pensioner (incl spouse & dependant members)	28,321	+1.35%	28,702
Total	98,822		99,810

3.2. Throughput Statistics

- Period from 1 January 2023 to 31 March 2023

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	5	45	40	10
Transfer Out quotes	23	151	131	43
Employer estimates	1	57	58	0
Employee estimates	3	188	187	4
Retirement quotes	10	877	873	14
Preserved benefits	1,209	3,171	2,107	2,273
Death in payment or in service	101	560	522	139
Refunds	17	213	219	11
Actual retirement procedure	459	604	525	538
Interfund transfers	123	764	547	340
Aggregate member records	129	369	486	12
Process GMP	0	0	0	0
Others	111	481	396	196
Total Cases	2,191	7,480	6,091	3,580

- As well as processing the above cases, the Pensions team also handled 2,653 phone calls (average 52 per working day) and 7,311 emails received via the Pensions Inbox (average 114 per working day) in the quarter to 31 March 2023.

3.3. Performance Statistics

- The performance figures for the period 1 January 2023 to 31 March 2023 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	96%
Customers surveyed ranking service good or excellent	94%	95%
Increase numbers of registered self-service users by 700 per quarter (total registered users 41,451)	700	1,398

- Our measured work completed within target rating has improved again this quarter and we continue to focus on this improvement.
- Our leavers project has finished and the team managed to reduce our backlog to under 4 months, clearing in excess of 4,500 additional cases on top of their day to day work.

3.4. Commendations and Complaints

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Jan	3	I was very impressed with all the service I got. You were clear and supportive
Feb	4	your service has far exceeded theirs - in the information provided, the quickness of your replies and your overall efficiency
Mar	3	very helpful, supportive, friendly and efficient

Complaints

Date	Number	Summary
Jan	0	
Feb	0	
Mar	0	

- The complaint categories are:
 - Admin - these can relate to errors in calculations, delays in processing and making payment of benefits.
 - Regs - these relate to a complaint where regulations prevent the member being able to do what they want to.
 - 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 no patterns identified requiring further attention.

3.5. Annual Benefit Statements 2023

Templates are being reviewed and we are starting to receive year end data both via i-Connect and on our Excel template.

3.6. Breaches Policy & Log

The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 2** for review. There are no new entries in the quarter to 31 March 2023.

4. Issues and Initiatives

4.1. Ongoing projects

We continue to make progress with both the i-Connect rollout and the new website:

- We now have 128 employers onboarded with 101 remaining.
- We managed to onboard four of the Districts ready for LGR. The remaining ones will be onboarded as part of the normal roll out.
- Website development continues with the focus on getting the employer site fully configured before we go live.

4.2. LGR

We continue to make progress updating member records and issuing the TUPE letters to members affected. The deadline for the letters is end of June and we are on target to meet that deadline.

4.3. McCloud

The third-party supplier has completed a provisional data load into our Test environment and we are now working through the errors created. The next step is to complete an actual load into Test, revisit any remaining errors then load the data into our Live environment.

The remaining data on the City of York file has been input to the system with the few remaining errors being worked through. The NYC data file has been progressed and next steps are to undertake a provisional load into the Test environment.

5 Member Training

The Member Training Record showing the training undertaken to March 2023 is attached as **Appendix 3**. Please contact Stephen Loach (01609 532216 or email stephen.loach@northyorks.gov.uk) with any details of training undertaken or conferences attended and these will be added to the training record. Consideration has been given to undertaking the Hymans Knowledge Assessment, however, it was determined that it feels too early, at this stage, for this. Members are encouraged to complete the Hymans online modules on offer and then an assessment will be undertaken as to whether there are knowledge gaps to fill.

Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 4**. Please contact Qingzi Bu (01609 535851) or email pensionfund@northyorks.gov.uk for further information or to reserve a place on an event.

The views of Members will be sought on the provision of training events, but, given the technical nature of some of the areas of responsibility, there is expected to be a significant number of such events and it will be suggested that on-line training is made mandatory for all Members. It is recognised however that this will need to be done proportionately and over a period of time.

6 Meeting Timetable

The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 5**.

7 Recommendations

7.1 Members to note the contents of the report.

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

18 May 2023

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Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
South Kilvington CE VC Primary School	NYCC	Elevate Multi Academy Trust	1.2.2023	Complete
Brompton Hall Special School	NYCC	Venn Academy Trust	1.3.2023	Complete
Mill Hill Primary School	NYCC	Arête Learning Trust	1.3.2023	Complete
Bradleys Both Community Primary School	NYCC	Yorkshire Collaborative Academy Trust	1.4.2023	Complete
All Saints RC School, York	COYC	Nicholas Postgate Catholic Academy Trust	1.5.2023	In progress
Woodlands School, Scarborough		Single Academy moving to Horizons Specialist Academy Trust	1.5.2023	In progress
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	1.6.2023	In progress
Poppleton Road Primary School	COYC	Pathfinder Multi Academy Trust	1.9.2023	In progress
Huntington Primary Academy		Single Academy Trust moving to Pathfinder Multi Academy Trust	1.7.2023	In progress
Barkston Ash RC Primary School	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	1.10.2023	Will be progressed nearer the time
St Wilfrid's Catholic Primary School, Ripon	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	1.10.2023	Will be progressed nearer the time
Kirby Hill Primary School	NYCC	Leeds Diocesan Learning Trust	TBC	Will be progressed when conversion date known
Christ Church CE Primary School	NYCC	Possibly with Leeds Diocesan Learning Trust	TBC	Will be progressed when Trust has been appointed and conversion date known

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
North Stainley CE Primary School	NYCC	Possibly with Leeds Diocesan Learning Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Middleham CE VA Primary School (NYCC)	NYCC	Possibly with Dales Academies Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Spennithorne CE VC Primary School (NYCC)	NYCC	Possibly with Dales Academies Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Sherburn CE Primary School	NYCC	Engagement with EBOR MAT underway	TBC	Will be progressed when Trust has been appointed and conversion date known
Nidderdale High School	NYCC	Possibly with Moorlands Learning Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Rossett School		Single Academy moving to Red Kite Learning Trust	TBC	Will be progressed when conversion date known
Ripley Primary School	NYCC	Possibly with Yorkshire Collaborative Academy Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Summberbridge Primary School	NYCC	Possibly with Yorkshire Collaborative Academy Trust	TBC	Will be progressed when Trust has been appointed and conversion date known
Beckwithshaw CP School	NYCC	TBC	TBC	Will be progressed when conversion date known
Kettlesing Felliscliffe Primary School	NYCC	TBC	TBC	Will be progressed when conversion date known
Ripley Endowed CE VC Primary School	NYCC	TBC	TBC	Will be progressed when conversion date known

Admission Bodies - 9 'in progress'

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
South Bank Multi Academy Trust Carr Junior School Millthorpe School York High School	Bulloughs Cleaning Services Ltd	1.8.2022	Complete
Selby Educational Trust Selby Community Primary School Carlton Primary School	Mellors Catering Services Limited	1.9. 2022	Complete
South Bank Multi Academy Trust Scarcroft School	Bulloughs Cleaning Services Ltd	1.1.2023	Complete
Veritau Limited	Transfer of staff from Veritau North Yorkshire Limited into Veritau Limited	1.4.2023	Complete
Northern Star Academies Trust New Park Primary Academy Harrogate High School Hookstone Chase Primary School Sholebeck 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
Outwood Grange Academies Trust Outwood Academy Ripon	ISS Mediclean Limited	1.1.2022	In progress
The Rodillian Trust Brayton Academy	Aspens Services Limited	8.4.2022	In progress
Elevate MAT Caretaking and cleaning contract	SBFM Limited	1.9.2022	In progress
City of York Council Huntington School	Aspens Services Limited	21.2.2023	In progress
Beyond Housing	Ground Control	1.3.2023	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Hope Sentamu Learning Trust Poppleton Ousebank Primary School Skelton Primary School	Catering contract - supplier TBC	20.7.2023	In progress
Outwood Grange Academies Trust Outwood Primary Academy Alne	Cater Link Limited	1.9.2023	In progress
NYC Hemingbrough Community Primary School	TBC	TBC	In progress

Exited Employers – 25

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
RCCN Limited	31.3.2021

Name of Employer	Date exited the Fund
Streamline Taxis Limited	28.5.2021
Ringway Infrastructure Services Limited	31.5.2021
Churchill Security Solutions Limited	31.5.2021
Hexagon Care Services Limited	6.8.2021
Sanctuary Housing Association	20.12.2021
Atalian Servest Food Co Limited	31.12.2021
Elite Cleaning and Environmental Services	31.12.2021
4 Site Security Services Limited	11.4.2022
Welcome to Yorkshire	14.4.2022
Lifeways Community Care Limited	31.7.2022

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 identified 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 receiptent 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 receiptent 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 receiptent 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 receiptent 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 receiptent 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 receiptent 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
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 receiptent 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

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
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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrence 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 receipt 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.	<p>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.</p> <p>Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.</p>	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	<p>The data has now been coded correctly on the administration system</p> <p>Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.</p>	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
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 - No report	N
22/02/2022	Administration	5 letters were included in the same envelope to a single recipient who was the next of kin of a deceased member	Staff member on post duty did not follow the agreed process	Data Protection Act 2018	Accidental disclosure of personal data for 4 members to another. It is highly unlikely that the receipt knows the person whose information was disclosed.	<p>Recipient confirmed destruction of 4 letters received in error. Staff reminded again of correct process to follow. Staff involved spoken to directly. Alternative printing and posting arrangements being investigated.</p> <p>Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO.</p>	N/A	N/A	27/05/2022	07/04/2022	PB - No report PFC - No report	N
28/07/2022	Administration	5 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Records were not selected in the bulk annual allowance process as the year end pay information used in the calculation had not been updated on the records	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. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	<p>Senior officer review of annual process. Has been established the cause of the breach different to previous breach in 2020. Process amended so that future similar cases can be identified earlier in the process.</p>	N/A	N/A	09/09/2022	06/10/2022	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
31/08/2022	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	120 – have outstanding year end tasks 201 – have “other” outstanding administration tasks on record 56 – are x’d out, no outstanding task, prohibits statement creation due to error on record 295 – pending further investigations as to why statement not produced	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 97.73% of Active members received a statement. (672 members did not of which only 295 were eligible to receive one)	Of the 672 active members missing a statement only 351 are eligible to receive one. These are being worked through to identify what is required to enable statement to be produced.	N/A	N/A	25/11/2022	06/10/2022	PFC - No report PB - No report	N
04/11/2022	Administration	2 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Human error. One record had a data error which resulted in the PSS being suppressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19 One record had been updated incorrectly following receipt of a transfer from another Fund. Relevant tax year 19/20	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. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Training for wider administration team is already scheduled so errors like these can be prevented and corrective action taken at the time rather than being left to year end.	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
11/11/2022	Administration	One member’s documentation was sent in error, password protected, to another Fund.	Human error. The wrong attachment was added to the email.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another Fund. It is highly unlikely that the recipient knows the person whose information was disclosed.	Other Fund deleted email and attachment. Reported to Veritau. They assessed is as Very Low risk - minimal risk of any detriment to the data subject & sent to a trusted partner organisation	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N

Appendix 2

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Date	Title or Nature of Course	Mulligan P	Weighell J	Portlock D	A Thompson	C. Vassie	#C. Les	#S. Gibbs	#G. Jabbour	#C. Lunn	#D. Noland	#A. Williams	#M. Walker	#N. Swannick	Unison (Vacancy)	Unison (Vacancy)
30 September/1 October 2021	BCPP Conference	✓		✓		✓				✓						
25 November 2021	Investment Strategy Workshop		✓	✓		✓				✓						
10 February 2022	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
3 March 2022	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
26 May 2022	Asset Allocation Workshop	✓	✓	✓	✓	✓			✓			✓	✓	✓		
30 June 2022	Asset Allocation Workshop		✓	✓				✓	✓		✓	✓	✓	✓		
8 September 2022	Asset Allocation Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
28/29 September 2022	BCPP Annual Conference	✓		✓				✓		✓	✓			✓		
12/13 October 2022	PLSA Conference	✓														
9/10 November 2022	Baillie Gifford – Annual Investment Conference	✓			✓	✓		✓								
20 November 2022	Asset Allocation Workshop	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
20 February 2023	Asset Allocation Workshop	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		
2 March 2023	Investment Strategy Workshop	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		

- Appointed to the Committee following May 2022 elections.

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UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	Course / Conference Title	Date(s)	Location	Themes / Subjects Covered
PLSA	Investments Conference	6 – 8 June 2023	EICC, Edinburgh	The Investment Conference is where CIOs, trustees, investment board members, pension managers, finance professionals and their advisers gain insight on the major trends and events affecting UK investors and markets. We bring the whole of the UK pensions investment chain together under one roof.
PLSA	Local Authority Conference 2023.	26 – 28 June 2023	Cotswold Water Park in Gloucestershire Local Authority Conference 2023.	The Local Authority Conference is the largest of its kind dedicated to the Local Government Pension Scheme. It is attended by over 300 local authority officers, councillors, members of Local Pension Boards, admitted bodies and their advisers.
PLSA	Annual Conference	17 – 19 October 2023	Manchester Central Windmill Street Manchester M2 3GX	The definitive pensions conference and exhibition, where the industry comes together to discuss every aspect of pensions, from communications and engagement, to investment, to the geopolitical outlook, and the trustee agenda. In 2023 the PLSA is celebrating 100 years as the voice of workplace pensions.

Provider	Course / Conference Title	Date(s)	Location	Themes / Subjects Covered
SPS	SPS LGPS Sustainable Investment & Topical Issue Conference	19 October 2023	The View at the Royal College of Surgeons, London	This conference aims to examine a range of property, infrastructure and other real asset investment strategies and explore the ways pension funds can use them to meet their scheme specific goal requirements such as stable and sustainable returns, risk management and diversification. We will also consider how recent and prevailing conditions have impacted performance and prospects, and to include key practical considerations such as liquidity, ESG/impact/climate requirements and cost and implementation issues.
PLSA	Local Authority Forum	9 November 2023	TBC Central London	<p>The new and innovative Local Authority Forum brings together pension professionals from across the industry to help drive policy debate, engage on key issues and share best practice.</p> <p>This Forum creates a space for delegates to discuss the challenges facing local authority pension funds. There will also be the opportunity to ask the experts about the key issues affecting local authorities in a moderated Q&A session.</p>
PLSA	Responsible Investment Conference	TBC Late November	TBC Central London	The PLSA's Responsible Investment Conference - formerly our digital ESG Conference - returns for 2023 as a face-to-face event featuring expert speakers discussing the latest developments in this quickly evolving landscape. Meet pension schemes and advisers at this essential event for anyone with an interest in responsible investment.

Provider	Course / Conference Title	Date(s)	Location	Themes / Subjects Covered
				The one-day event takes place in a central London location. Information due shortly.

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.

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PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2023/24

Meeting Date	Time & Venue	Event	Fund Managers
29 June 2023	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
30 June 2023	10 am, TBC	Pension Fund Committee	
14 September 2023	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
15 September 2023	10 am, TBC	Pension Fund Committee	
23 November 2023	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
24 November 2023	10 am, TBC	Pension Fund Committee	
29 February 2024	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
1 March 2024	10 am, TBC	Pension Fund Committee	

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NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

26 May 2023

BUDGET, CASHFLOW AND ACCOUNTS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the 2022/23 budget and the cost of running the Fund (see section 2)
- (b) the 4 year cashflow projection for the Fund (see section 3)
- (c) update on the Fund's final accounts and annual report 2021/22 (see section 4)

2.0 2022/23 BUDGET - THE COST OF RUNNING THE FUND

- 2.1 The provisional outturn position against the 2022/23 budget is presented in **Appendix 1**. It shows an estimated total running cost of £33.1m for the Fund against a budget of £38.7m. The forecast underspend is therefore £5.6m.
- 2.2 As previously reported to the Committee, the fall in asset values over 2022/23 has resulted in a fall in fees, as most fee arrangements are on an "ad valorem" basis, so are a percentage of the value of assets under management. The estimated impact is £5.6m over the year. However, the final figures to be included in the Accounts may be different, as investment managers will be reporting fees and costs on a more transparent basis than has been the case in previous years. Their deadline for providing this information is the end of June each year, which is a deadline established by the Scheme Advisory Board as part of their Cost Transparency initiative.
- 2.3 The total of the other variances is under £100k. The largest variance of £64k related to additional work undertaken by the investment consultant Aon, including on climate risk analysis and an investment strategy review.

3.0 4 YEAR CASHFLOW PROJECTION

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the cash flows of the Fund for the financial year 2022/23 and a projection for the following three years. Contribution income and benefits payable are the main inflows and outflows of the Fund, so essentially determine when the Fund will turn cash flow negative as it gradually matures.
- 3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflation. CPI in September 2022 was

used to uplift benefit payments from April 2023, and this was 10.1%. Inflation and other assumptions will continue to be reviewed and updated regularly to reflect any new information that becomes available.

- 3.3 The forecast contribution income is based on the employers' new contribution rates as determined by the 2022 Triennial Valuation. The pay on which these rates are based assumes an increase of £1,925 per employee in 2023/24, which is the offer made by the Government. However, this offer has been rejected by the unions and it may be some time before an agreement can be reached. Future year contributions have been increased in line with the forecast included in the Council's budget. Forecasts for inflation could imply a higher increase, but the possibility of the Government implementing further cuts in public finances could result in downwards pressure.
- 3.4 The overall cash flow position was for a small Scheme Surplus in 2022/23, which is the position before investment related cashflows are taken into account. Deficits are projected from 2023/24. As previously reported to the Committee, it is a natural development for a pension fund to become cashflow negative, due to factors such as increasing life expectancy.
- 3.5 The cash flow forecast also shows movements relating to the Fund's investments. The first port of call in covering any shortfall will be income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. This is already being received to a limited extent. Options to increase receivable income through Border to Coast continue to be explored.

4.0 FINAL ACCOUNTS AND ANNUAL REPORT 2021/22

- 4.1 At time of writing, the audit of the Council's Accounts 2021/22, which includes the Fund Accounts, is still not complete due to the ongoing technical accounting issue relating to the Council's IAS19 liability. This is a nationwide issue and is not specific to North Yorkshire Council.
- 4.2 No material issues have been identified from the audit of the Fund Accounts and it is expected that the Fund's auditor Deloitte will issue an unqualified opinion in due course. As the Fund Accounts are a part of the Council's accounts, this cannot happen until the Council's Accounts have been completed.
- 4.3. Once the Fund's audit has been finalised, the published draft Annual Report 2021/22 will be updated to reflect any changes.

5.0 RECOMMENDATIONS

- 5.1 Members to note the contents of the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
County Hall
Northallerton

17 May 2023

North Yorkshire Pension Fund - 2022/23 Budget - Cost of Running the Pension Fund

	Budget 2022/23 £k	Actuals 2022/23 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	453	449	(4)
Provision of Pensioner Payroll (ESS)	93	73	(20)
Pensions Administration Team	1,371	1,375	4
McCloud	50	15	(35)
Other Admin Expenses	678	705	27
Total Admin Expenses	2,645	2,617	(28)
Oversight and Governance			
Actuarial Fees	90	65	(25)
Custodian Fees	86	66	(20)
Consultants Fees	140	204	64
Pooling Operational Charge and Project Costs	709	761	52
Other O & G Expenses	100	42	(58)
Total Oversight and Governance	1,125	1,139	14
Investment Fees			
Performance Fees	3,208	2,599	(609)
Investment Base Fees	31,739	26,761	(4,978)
Total Investment Fees	34,947	29,360	(5,587)
TOTAL	38,717	33,116	(5,601)

North Yorkshire Pension Fund - Cash Flow

	2022/23 Outturn £k	2023/24 £k	2024/25 £k	2025/26 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(106,333)	(121,000)	(132,000)	(139,000)
Lump Sums	(29,238)	(30,000)	(31,000)	(32,000)
	(135,571)	(151,000)	(163,000)	(171,000)
Transfers out	(14,515)	(15,000)	(15,000)	(15,000)
Refunds to leavers	(780)	(830)	(880)	(930)
	(15,295)	(15,830)	(15,880)	(15,930)
Operational Expenses				
Admin Expenses	(2,617)	(2,800)	(2,900)	(3,000)
Oversight and Governance	(1,139)	(1,200)	(1,200)	(1,200)
	(3,756)	(4,000)	(4,100)	(4,200)
TOTAL PAYMENTS	(154,621)	(170,830)	(182,980)	(191,130)
SCHEME RECEIPTS				
Employer and Employee Contributions	145,828	145,000	149,000	152,000
Transfers in	18,654	19,000	19,000	19,000
TOTAL RECEIPTS	164,482	164,000	168,000	171,000
SCHEME SURPLUS/ (DEFICIT)	9,861	(6,830)	(14,980)	(20,130)
CASH FLOW FROM INVESTMENT ACTIVITIES	7,723	(2,000)	5,000	20,000
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	17,584	(8,830)	(9,980)	(130)
CASH BALANCE B/F	21,742	39,326	30,496	20,516
CASH BALANCE C/F	39,326	30,496	20,516	20,386

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Quarterly Funding & Investment Report

End March 2023

Prepared for: North Yorkshire Pension Fund

Prepared by: Aon

Date: 16 May 2023



For professional clients only

AON

Agenda Item 9



Table of Contents

1. At a glance...	<u>3</u>
2. Funding	<u>6</u>
3. Asset allocation	<u>10</u>
4. Fund performance	<u>16</u>
5. Market background and investment outlook	<u>20</u>
6. Manager review	<u>24</u>
7. Further information	<u>35</u>



1. At a glance...

A high level summary of your investments and funding

At a glance...

Funding*

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated and the surplus has decreased by £251M, falling 6% to 110%.

This has been primarily driven by a reduction in asset values although this has been partially offset by an increase in the net discount rate.



Asset Allocation and Implementation

Following a review of the investment strategy, the Committee agreed that no changes were to be made to the investment strategy of the Fund.

In addition, the Committee agreed to commitments of £70m to Border to Coast's private credit fund and £120m to Border to Coast's infrastructure fund.

Performance

The Fund outperformed the composite benchmark over the quarter but underperformed over the 1 year and 3 year periods.

Market Background and Investment Outlook

Risky asset markets experienced a solid start in 2023 as markets initially felt confident that a recession would be avoided, although were hit by inflation fears in February and then concerns about the global banking system in mid-March.

Expectations of an US interest rate pivot later this year have supported markets, but this view of coming rate cuts looks increasingly premature. The economic follow-through effects from last year's large interest rate rises and recent credit tightening by banks does point to the likelihood of the global slowdown turning into recession over the coming year.

Equities are unlikely to go anywhere fast given multiple headwinds and we continue to prefer other return sources less dependent on rising markets. Credit's worth is in its ability to earn excess returns over equivalent duration government bonds. This could still be a struggle near-term, but credit spreads are fair value for longer-term strategically positioned investors.

Key actions

1. Committee members to consider the contents of this report, noting the Baillie Gifford LTGG update, noting that the Fund's equity portfolio is being reviewed later this year.

*The funding update makes allowance for the results of the 2022 valuation of the Fund. This includes a 10% loading for short term inflationary impacts.

Key Stats – Q1 2023

5

Assets

£4,210m



Assets decreased by £425m since 2022 valuation

£4,635m at 2022 valuation

Funding level

110%



Funding level decreased by 6% since 2022 valuation

116% at 2022 valuation

Return on Assets Since 2022 Valuation

-9.7% pa



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

+6.8%



0.9% increase since 2022 Valuation

5.9 % at 2022 valuation

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

+6.8%



0.7% increase since 2022 Valuation

6.1% at 2022 valuation

Discount rate

4.7%



Discount rate has increased by 0.5% since 2022 Valuation

4.2% at 2022 valuation

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

£886m

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

£810m

Estimated Total Employer cost

17.2%



Estimated Total Employer cost decreased by 0.2% since 2022 valuation

17.4% at 2022 valuation

Note: The funding update makes allowance for the results of the 2022 valuation of the Fund. This includes a 10% loading for short term inflationary impacts.

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2. Funding

A review of your funding position and contributions

Funding position

Funding level

110%

at end 31 March 2023

Down from 116% at 31 March 2022

Surplus

£389M

at end 31 December 2022

Down from £640m at 31 March 2022

Comments

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated and the surplus has decreased by £251M.

This has been primarily driven by a reduction in asset values although this has been partially offset by an increase in the net discount rate.

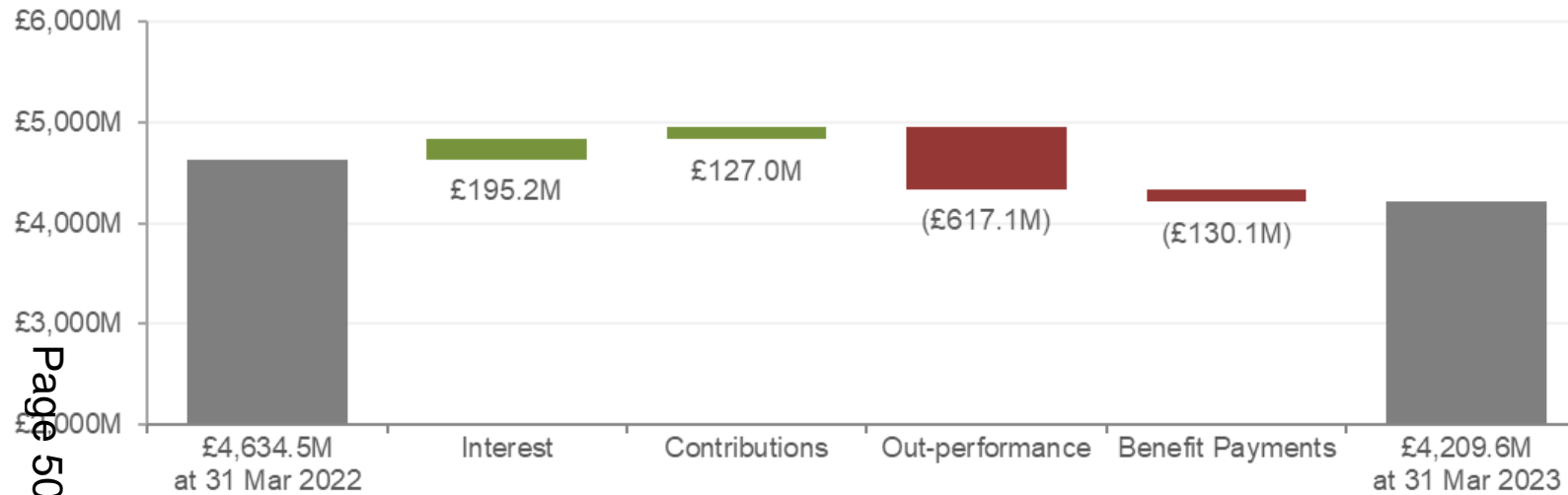
Page 49

Change to funding level since 31 March 2022

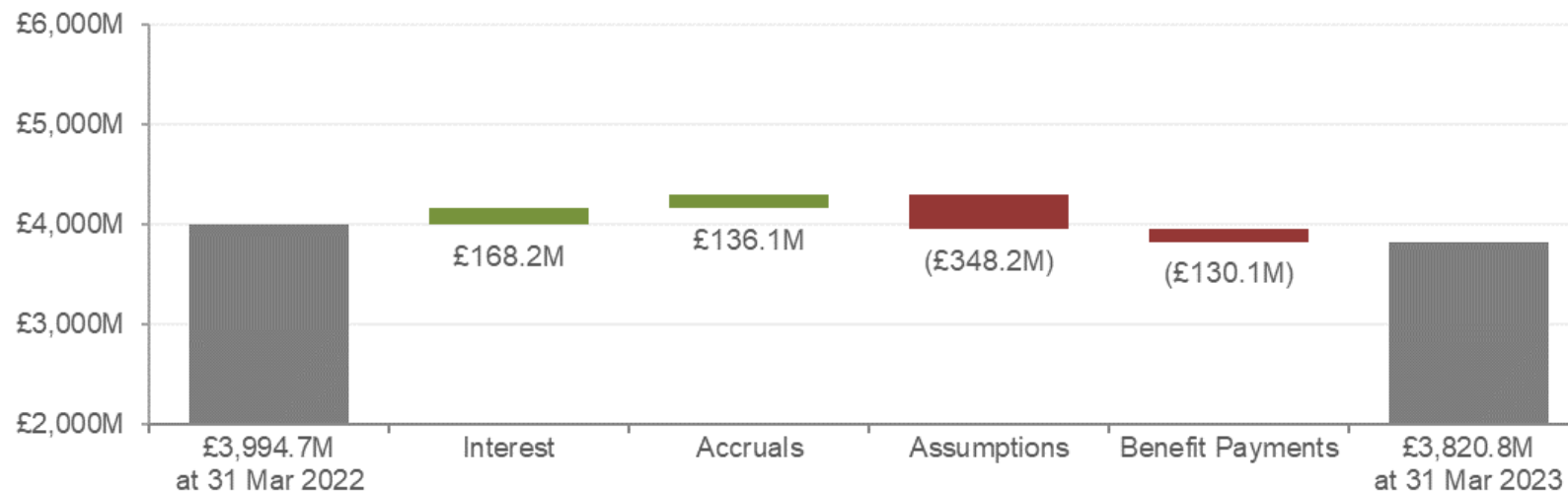


Analysis – ongoing funding target

Reason for change since 31 March 2022 – Asset Attribution



Reason for change since 31 March 2022 – Liability Attribution



Comments

Since the 2022 valuation the surplus has decreased by £251M.

Aggregate Employer contributions – ongoing funding target

Total employer contribution rate

17.2% ▼

at 31 March 2023

Down from 17.4% at 31 March 2022

Employer cost of accrual

17.2% ▼

at 31 March 2023

Down from 20.1% at 31 March 2022

Comments

The cost of accrual has decreased since 31 March 2022 due to the increase in net discount rate. However, the surplus has decreased which has offset this to an extent. Overall there is a small reduction in the total employer contribution rate.

Notes

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 have been reviewed as part of the triennial valuation at 31 March 2022.






3. Asset allocation

A review of your strategic asset allocation

Asset allocation – Q1 2023

11

Asset Group	Manager	31 March 2023				
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range
Equities		2,195.5	52.2%	50.0%	+2.2%	
	BCPP UK equity	178.4	4.2%	4.0%	+0.2%	TBC
	BCPP Global Equity	1,219.6	29.0%	28.0%	+1.0%	+/- 5%
	Baillie Gifford LTGG	797.5	18.9%	18.0%	+0.9%	+/- 3%
Absolute Return		8.4	0.2%	0.0%	+0.2%	
Page 53	Leadenhall Remote Risk	3.1	0.1%			
	Leadenhall Diversified	3.3	0.1%			
	Leadenhall Nat Cat	2.0	0.0%			
Property		266.2	6.3%	7.5%	-1.2%	TBC 
	Hermes	33.8	0.8%			
	L&G	44.0	1.0%			
	Threadneedle	188.4	4.5%			





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

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Asset allocation – Q1 2023 (cont'd)



12

		31 March 2023					
Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Infrastructure		525.5	12.5%	10.0%	+2.5%		
	BCPP Infrastructure	220.5	5.2%				
	BCPP Listed Alts	288.1	6.8%				
	BCPP Climate Opportunities	17.0	0.4%				
Private Credit		155.1	3.7%	5.0%	-1.3%		
	BCPP Private Credit	104.4	2.5%				
	Arcmont	27.7	0.7%				
	Permira	22.9	0.5%				
Non-Investment Grade Credit		220.4	5.2%	5.0%	+0.2%	TBC	
	BCPP Multi Asset Credit	220.4	5.2%				
Investment Grade Credit		301.1	7.2%	7.5%	-0.3%	TBC	
	BCPP Investment Grade Credit	301.1	7.2%				

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

Asset allocation – Q1 2023 (cont'd)

13

Asset Group	Manager	31 March 2023					Possible action
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	
Gilts		496.5	11.8%	15.0%	-3.2%	TBC	
	BCPP Index Linked Bonds	496.5	11.8%				
Cash		40.9	1.0%	0.0%	+1.0%	TBC	
	Internal Cash	40.9	1.0%				
Total		4,209.6	100.0%	100.0%			

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

Investment strategy update

Following a review of the investment strategy, the Committee agreed that no changes were to be made to the investment strategy of the Fund.

In addition, the Committee agreed to commitments of:

- £70m to Border to Coast's private credit fund
- £120m to Border to Coast's infrastructure fund.

The following rebalancing activities took place over the quarter:

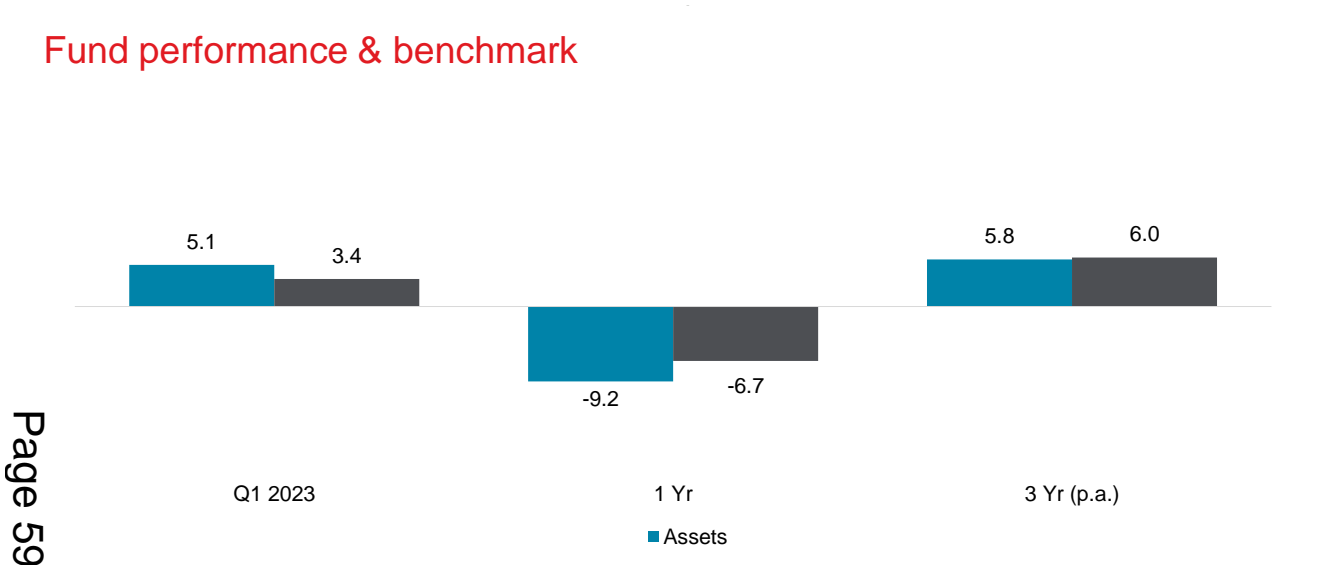
- Border to Coast made 16 capital calls and 10 distributions for Infrastructure over the quarter totalling £13m, 13 capital calls and 15 distributions for Private Credit totalling £9m, 7 capital calls and 1 distribution for Climate Opportunities totalling £16m.
- Arcmont made 1 distribution for Private Credit over the quarter (£0.4m); Permira made 1 distribution for Private Credit over the quarter (£1.0m).
- £16m was disinvested from LGIM Property Fund, which was a deferred redemption from Q4 2022

4. Fund performance

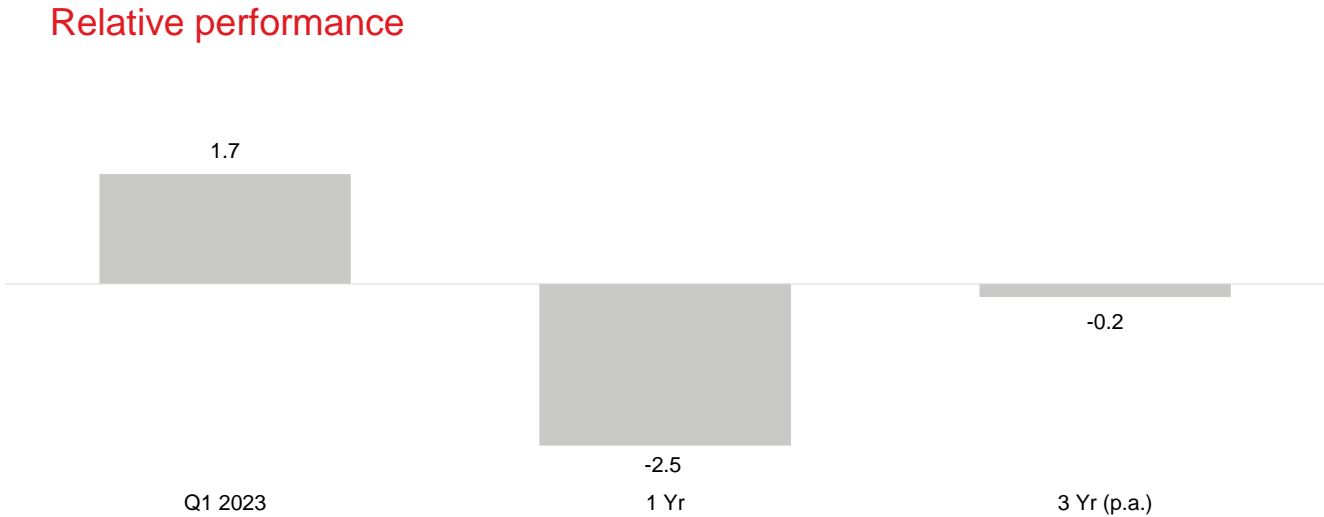
A review of your investment performance



Total Fund performance – Snapshot



Page 59



Quarterly (relative)

1.7%



The Fund outperformed the benchmark returning 5.1% vs 3.4% over the quarter.

3 year (relative)

-0.2%



Over 3 years the Fund has underperformed the benchmark returning 5.8% vs 6.0%.

Comments

Total Fund performance is behind the composite benchmark over 1 year period and 3 year period but ahead over the quarter to 31 March 2023.

Source: Northern Trust, Aon

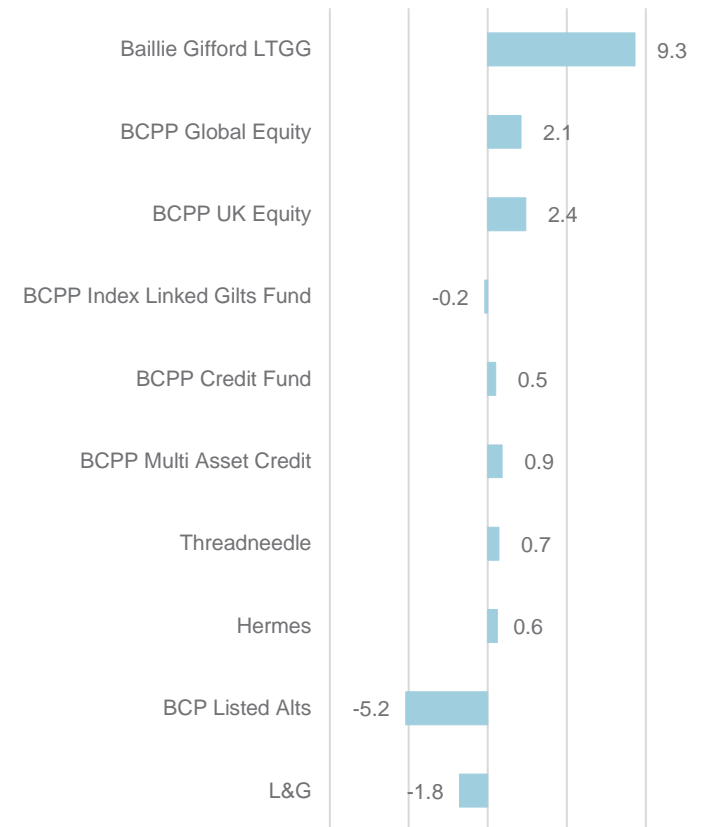
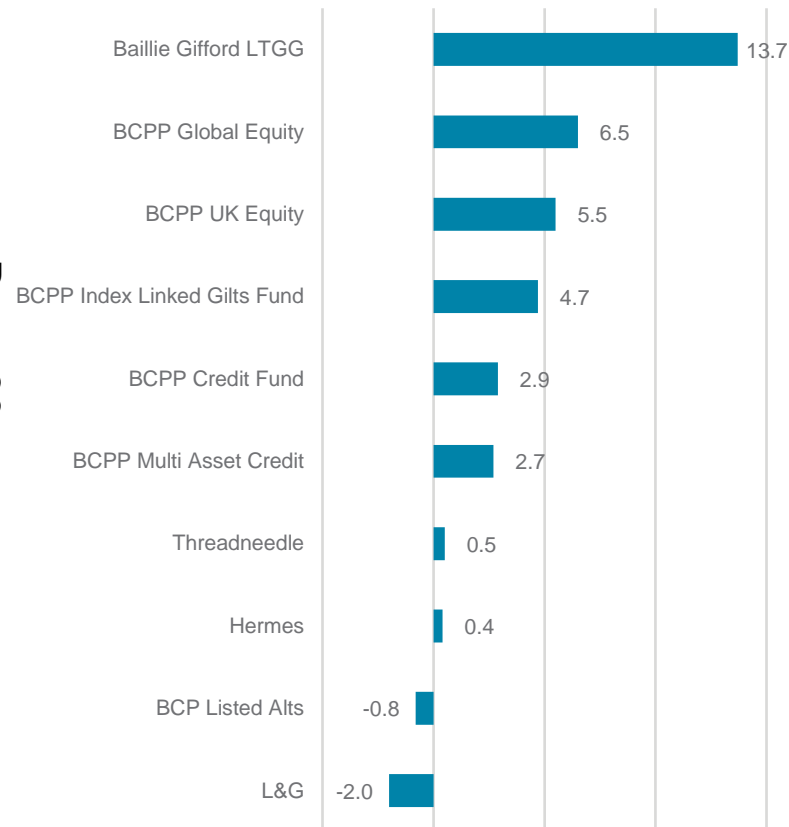
Manager performance – Quarter Snapshot

18

Absolute performance

Relative performance

Page 60



Source: Northern Trust, Managers, Aon.

Note: Infrastructure and Private Credit returns not shown during initial investment drawdown phase. Performance for Leadenhall is not shown as mandates only hold residual assets. Hermes, L&G, Threadneedle; MSCI data was used for fund performance and benchmarking purposes, total fund performance calculated using Northern Trust data.

Manager performance – Longer term

19

Page 10 of 11

	1 Year (%)			3 Years (% p.a.)			Since inception			
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Inception date
Equity										
UK Equity										
BCPP UK Equity	-0.1	2.9	-3.0	14.1	13.8	+0.3	3.0	4.1	-1.1	Jun-19
Global Equity										
BCPP Global Equity	3.6	-1.4	+5.0	18.3	15.8	+2.5	9.3	9.2	+0.1	Oct-19
Baillie Gifford LTGG	-14.3	-0.9	-13.4	11.0	16.0	-5.0	14.2	9.3	+4.9	Sep-06
Property										
Hermes	-13.2	-14.1	+0.9	2.1	2.5	-0.4	-	-	-	Mar-12
L&G	-13.7	-14.5	+0.8	2.6	2.6	0.0	-	-	-	Dec-12
Threadneedle	-13.8	-14.5	+0.7	2.7	2.6	+0.1	-	-	-	Jun-12
Infrastructure										
BCPP Listed Alts	-11.5	-1.4	-10.1	-	-	-	-6.8	0.0	-6.8	Feb-22
Investment grade credit										
BCPP Investment Grade Credit	-9.8	-10.2	+0.4	-	-	-	-5.2	-6.4	+1.2	Aug-20
Non-investment grade credit										
BCPP Multi-Asset Credit	-3.4	5.8	-9.2	-	-	-	-5.9	-	-	Nov-21
Gilts										
BCPP Index Linked Bonds	-39.0	-39.1	+0.1	-	-	-	-18.0	-18.9	+0.9	Oct-20
Total	-9.2	-6.7	-2.5	5.8	6.0	-0.2	6.9	7.3	-0.4	Jan-02

Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding.

Note: Hermes, L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes. BCPP Infrastructure returns and BCPP Private Credit returns not shown during initial investment drawdown phase. Performance for Leadenhall is not shown as mandates only hold residual assets.

5. Market background and investment outlook

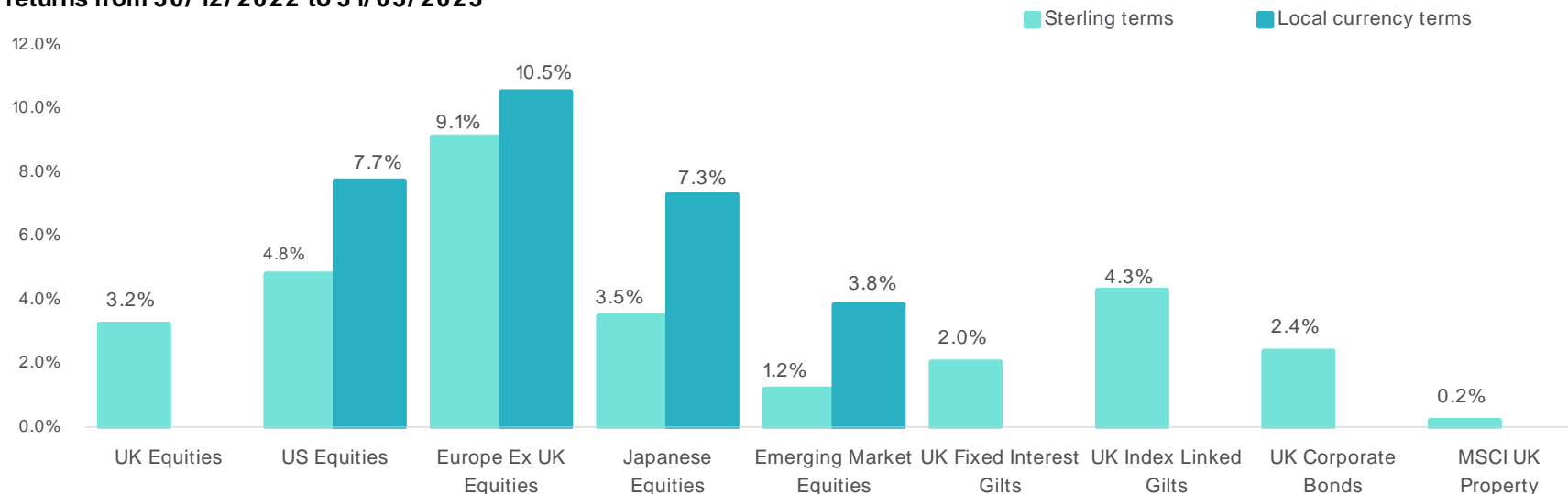
Aon's views on the market outlook and snapshot of investment markets and key economic data



Market – Background Q1 2023

21

Index returns from 30/12/2022 to 31/03/2023



Page 63

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

Equities

The MSCI AC World index posted a 7.2% return in local currency terms as major central banks slowed the pace of monetary policy tightening. However, the material appreciation of the sterling against the US dollar pushed down the returns in sterling terms down to 4.5%.

UK equities returned 3.2% in the first quarter of 2023 but underperformed its developed market peers and was the worst-performing major equity region.

Bonds

UK investment grade credit spreads fell marginally by 0.01% to 1.67%, based on IBoxx Sterling Non-Gilts data. Higher quality bond credit spreads contracted more than their lower-quality counterparts, with AAA-rated non gilt spreads falling by 0.06% to 0.63% whilst BBB-rated non-gilt narrowed by 0.01% to 2.37%. The fall in UK government bond yields and the narrowing of spreads led the Sterling Non-Gilts Index to post a return of 2.4%

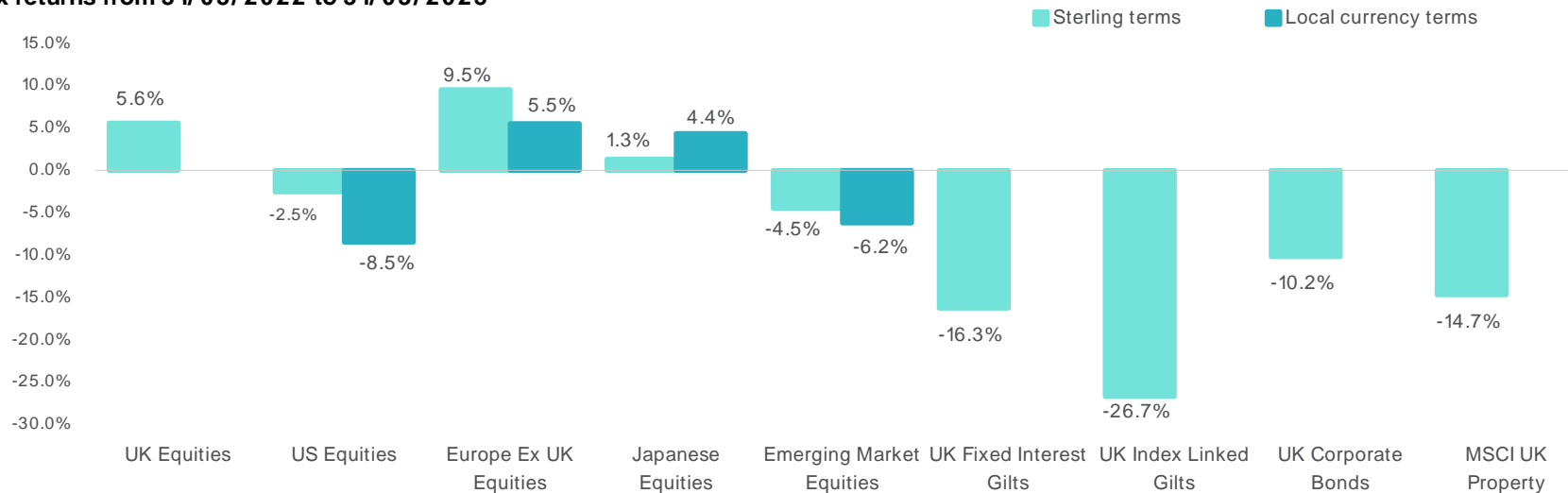
Gilts

The UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter.

Market – Background 12 month

22

Index returns from 31/03/2022 to 31/03/2023



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

Page 64

Equities

Global equities generated negative returns over the last twelve months, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. However, equity markets recouped more than half of the losses over the last six months of the year as markets felt confident that a deep recession would be avoided, and investor concerns on tighter monetary policy abated.

Bonds

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 0.37% to 1.67%. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.

Gilts

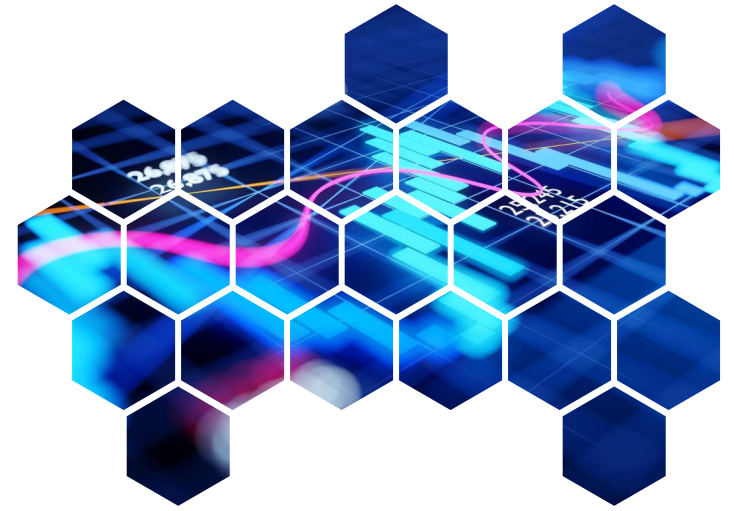
The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss' resignation as prime minister.

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Quarterly Investment Outlook - April 2023

23

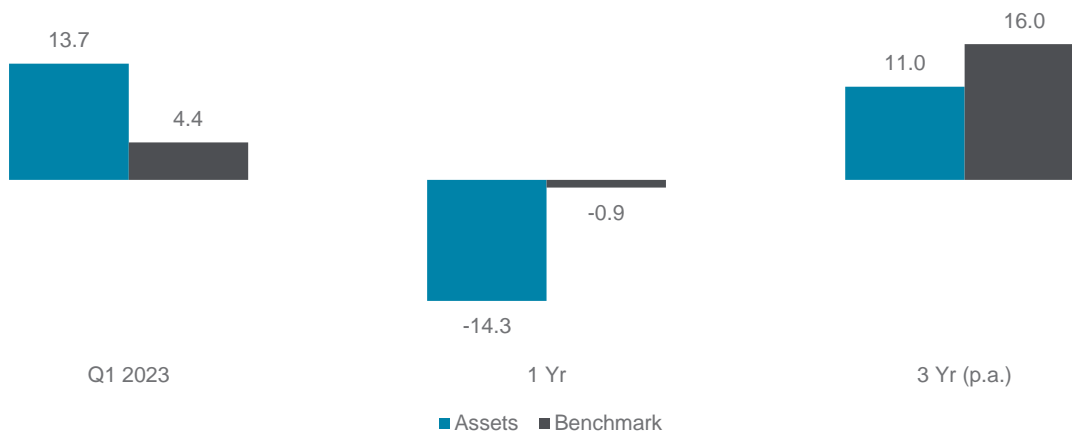
- Expectations of a US interest rate pivot later this year have supported markets, but this view of coming rate cuts looks increasingly premature.
- The economic follow-through effects from last year's large interest rate rises and recent credit tightening by banks does point to the likelihood of the global slowdown turning into recession over the coming year.
- Persistently high underlying UK inflation keeps upward pressure on interest rates. Even taking a longer-term (five-year) view, a return to the ultra-low UK interest rate environment of earlier years looks unlikely.
- Gilt yields continue to be in a range with relatively high trading volatility, common to global fixed income, as interest rate uncertainties continue. Limited reversion prospects mean that index-linked gilt yields could now remain positive over time.
- Credit's worth is in its ability to earn excess returns over equivalent duration government bonds. This could still be a struggle near-term, but credit spreads are fair value for longer-term strategically positioned investors.
- Equities are unlikely to go anywhere fast given multiple headwinds and we continue to prefer other return sources less dependent on rising markets. Insurance-linked securities and macro strategies are two places to look.
- It should be obvious that last year's big market upheavals have raised the reward and preference for liquidity for many. For those less liquidity-constrained, this could in time start to present opportunities.



6. Manager review

Aon ratings and understanding manager performance

Fund performance & benchmark



Performance comments

The strategy posted strong outperformance versus the index over Q1 2023.

Strong outperformance was generated by NVIDIA, Tesla and ASML. Some of these gains were modestly offset by Meituan, Moderna and BioNTech.

NVIDIA's share price had previously been weak due to concerns over restricted sales to China, though rallied strongly over the market's enthusiasm for OpenAI.

Tesla performed well early in 2023, with record-breaking car deliveries in 2022, impressive top-line growth of over 50%, and also, unlike other auto manufacturers, improving its margin.

Chinese restaurant delivery firm Meituan was weak in the period over competition and ongoing regulatory concerns, whilst Moderna and BioNTech have struggled as the market weighed concerns over their prospects in a world post COVID-19.

Buy

Reviewed: April 2023

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.

Positioning and Transactions

Salesforce was sold during the period, where the team's conviction was relatively reducing in multiple areas including competition and management execution.

Samsara and Advanced Micro Devices were purchased in the period. Samsara is an internet-oriented software company with key market segments including vehicle safety. The team is attracted by the company operating in market segments that have previously not used significant computer software, so there is limited competition from the likes of Microsoft.

Advanced Micro Devices (AMD), an established US semi-conductor company has been purchased as the team has grown conviction that AMD will take increased market share from competitors and see its relevant market segments become increasingly monopolistic in nature.

Major developments

Buy Rating Maintained

Aon's Investment Manager Research team ('IMR') has recently concluded the review of the Baillie Gifford Long Term Global Growth (LTGG) strategy.

As had been discussed previously, the review was partly due to the passage of time since our last on-site review, and in acknowledgment of a very steep drawdown in relative performance through the last 24 months.

The result of our review has been to maintain the Buy rating at an overall level, whilst the investment team subcomponent grade was revised downwards from a 4 rating to a 3 rating, which is discussed in the following section.

All other subcomponent grades remain the same. Overall, many of the aspects which helped the strategy achieve a Buy rating remain in place. For example, Baillie Gifford is a supportive firm, where there is strong and visible alignment of interests between investors to the strategy and investment professionals, has an above average investment team and a highly differentiated philosophy and end portfolio, that has generally served clients well.

However, the sharpness of the performance on the upside in 2020 and downside in 2021/2022 readily brings into focus how stylized the investment strategy is towards the growth investment style. This, in our view, in the post zero-interest-rate policy world, introduces new considerations for investors and allocators. Such strategies are likely to face a more uncertain period relative to the last decade and the most successful are likely to be the more adaptive to different types of market regime. As such, we will prospectively be assessing particularly stylized managers on our Buy list, such as LTGG, with a preference for those that can demonstrate adaption and be less explained by a narrow set of factors. This is discussed in more detail in the second part of this note.

Suggested actions:

- Evaluate the style balance of multi-manager global equity portfolios.
- Note the degree of stylization embedded within the LTGG portfolio and consider the comfort level with the exposure, and recognize Aon's ongoing assessment of growth strategies.
- Consider whether LTGG is appropriately sized in equity portfolios in light of the long-term outperformance and the complex market outlook.

Investment Staff Downgrade

IMR have revised the staff subcomponent grade down from a "4" to a "3" rating. This revision largely reflects changes in the team which are described below, which provides an element of uncertainty, whilst the change in market regime described in the subsequent paragraphs, in our view raises the bar for what a best-in-class growth team must be.

Team Changes:

- The retirement of James Anderson in 2022, having previously gradually stepped back to an analyst role prior to retirement.

Major developments (cont.)

- John MacDougall's appointment as a decision-maker in 2022. John MacDougall has been involved with the strategy since 2015, previously a decision-maker, but relinquishing that title when moving to Shanghai in 2019. In Shanghai, MacDougall remained involved with LTGG from a research perspective. On returning to Edinburgh in 2022, MacDougall has returned to a decision-making role on the LTGG team.
- Longstanding team member Tom Slater departing as a decision-maker in 2022. Slater has long been involved in LTGG. Five years ago, Slater took on the Head of US role at Baillie Gifford. With MacDougall returning to Edinburgh, Slater can focus more on the US role, which still provides input to BG global strategies. Slater is also Lead PM on Scottish Mortgage, which is a closed-end investment trust running a very similar book to LTGG.
- 69 The appointment of three less experienced decision makers in Michael Pye, Robert Wilson and Gemma Barkhuizen.

In general, these changes have been well sign-posted, and except for Anderson's retirement, are largely cosmetic, with input from the likes of Tom Slater seemingly still evident. However, some monitoring is required on this, with the younger cohort not yet nearly as proven as the more experienced individuals.

There are however also some positives we can see from these changes, where we have evidenced some interesting ideas initiated from the younger group – for example exploring quantitative risk tools on the investment process and providing different views on some of well-known positions in the portfolio. This encourages us that challenge is being provided to the senior investors, and provides a better backdrop for continual process introspection and development. This latter point is particularly important in the context of the considerations on the strategy looking forward, as described in the following section.

Looking ahead, stylized strategies in an uncertain World, and future milestones

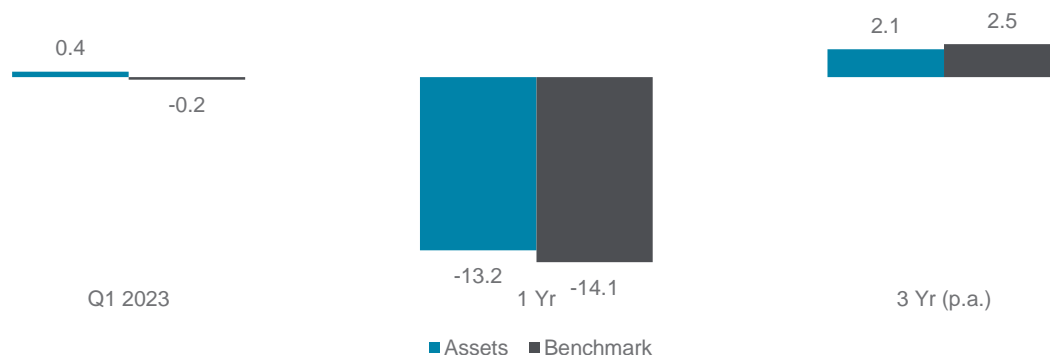
LTGG is a highly stylized growth equity strategy, but conducting a long enough assessment of its history has shown the strategy to have evolved. We have seen very different types of businesses come in and out of the portfolio. Similarly, some promising seeds of evolution were identified in our research; as such, we believe the strategy deserves an opportunity to evolve beyond the events of 2020-2022.

In the intervening period until the next review, for LTGG, we will look for signs of evolution in ideas generated and the end portfolio, better sensitivity to valuation, and further exploration of portfolio construction techniques and risk assessment. These assessments will be undertaken somewhat irrespective of relative performance, which over the short term will likely continue to be influenced by drivers such as global interest rate expectations, inflation and the growth/value factor.

Hermes – Property Unit Trust

28

Q1 Fund performance & benchmark



Buy

Reviewed: February 2023

Q4 2022 Monitoring comments

The performance of the Fund and the property market has been impacted by rapidly rising interest rates, increased borrowing costs, economic uncertainty and UK pension funds looking to exit real estate as they de-risk and look for liquidity.

Industrial assets continued to see large value write downs over Q4, impacted by further outward yield expansion. The Fund's Industrial Portfolio has seen a 29% correction since Q2 2022, contributing -13.7% to the Fund's weighted portfolio return, over 12 months to December 31st, 2022.

The largest detractors to performance over the 12-month period was the Fairway Trading Estate (-28.1%) and the M2 City Link in Rochester (-22.7%). Overall, the Fund maintains an underweight holding to industrial vs the benchmark at 34.3% vs 38.2%, accretive to relative performance over the quarter.

Despite the sharp correction in industrial valuations, given their low yields, the industrial sector is still expected to provide strong rental growth over the medium term.

In contrast to the above, West End Offices returned 6.3% over the 12-month period to weighted portfolio performance, with Great George Street London office the main contributor, returning 17.6%.

The Fund remains focused on rental collection. As at 90 days post quarter end, the Fund has collected 97% of outstanding rent for Q4 and 87% of rent demanded for Q1 after 21 days. This is in line with the previous quarter. Portfolio Vacancy currently stands at 12.9%, with 6.8% being strategic void under refurbishment.

The Fund remains a committed seller to address the outstanding redemption queue and has a clear sales strategy to address the redemption queue.

Key info

Appointed: 27 February 2012

Vehicle: Property Unit Trust

Mandate: UK Property Pooled Fund

Benchmark: IPD Other Balanced Property Fund Index

Target: To Outperform the benchmark by 0.5% over three year rolling periods.

Hermes – Property Unit Trust (cont.)

29

Q4 2022 Monitoring comments (cont.)

Great George Street has been earmarked for sale with a valuation of c. £75 million, which has remained stable on the back of its likely alternative use as a hotel. The sale of this asset will reduce the Fund's vacancy rate by 4.3% to 8.6%. Additionally, the Weybridge & Cobham pub portfolio has terms agreed with a buy for £6.4m, expected to complete in early Q1, reflecting a 36% premium to the most recent valuation.

The Manager also completed a significant number of asset management initiatives over the quarter across the office and industrial portfolio. Most notably, the Manager completed refurbishment works across 3 vacant floors of the Soho square office asset. One unit is now under offer (to a data tech company) for a 5-year term, at a rent of £87.5 ps ft (approx. £25,000 of rental income per annum), with completion expected in February 2023. The Manager also let the last two vacant units at M2 City Link in Rochester, to Vetee Rice Ltd on a 10 -year lease at £12.75 ps ft, which equates to £212,000 of annual rental income.

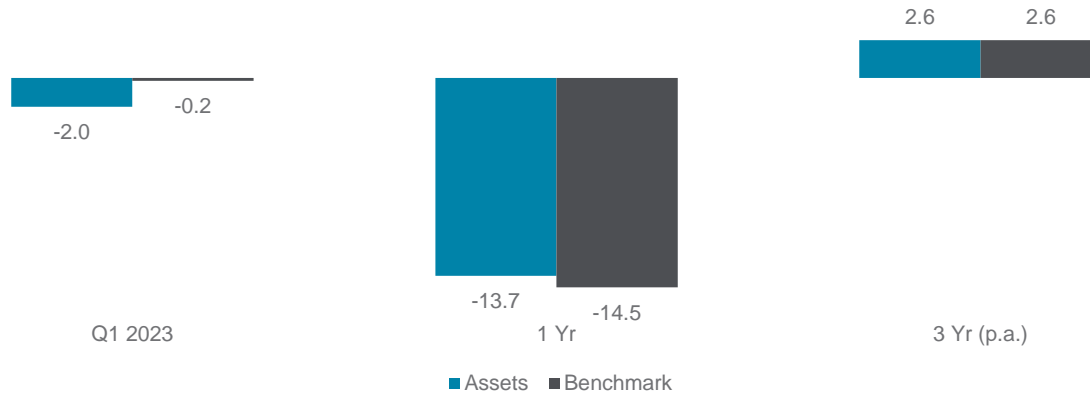
Q4 2022 Major Developments

As highlighted in the previous quarterly update, the Manager took the decision to defer redemptions from Q2, totalling £112 million, as well as Q3 redemptions totalling £114 million, C. 17% of NAV (assuming October pricing). £45.7 million of Q2 redemptions have been paid, with terms agreed on four further asset sales for £140 million. The magnitude of the level of redemptions is in line with other UK balanced open-ended funds.

LGIM – Managed Property Fund

30

Q1 Fund performance & benchmark



Qualified

Reviewed: March 2023

Page 72

Q4 2022 Monitoring comments

The Manager continues to have a largely negative view on the retail sector, particularly shopping centres and high street retail, despite forecasting that the relative performance gap will continue to narrow vs All Property. The Fund will therefore continue to underweight to retail assets, currently at 16.7% vs the benchmark weighting of 18.8%.

Despite this negative outlook the Manager remains relatively upbeat on retail warehousing, and has a positive view on leisure assets, especially those located in core locations. These assets are forecast to outperform vs All Property up to 2026 and offer an attractive yield profile, presenting targets for asset management initiatives. Leisure assets remain the largest holding, c.40% of the alternatives weighting, with the Manager highlighting the compelling relative value case. The Fund is also materially underweight office vs the benchmark (20.9% vs 24.8%).

The Manager continues to favour other areas of the alternative's sector, forecasting outperformance in the near-term vs traditional sectors. Most notably, the Manager has a desire to increase the Fund's exposure to student accommodation and urban residential, the latter through its allocation to LGIM's Build to Rent Fund. Alternatives currently make up 13.9% of the total portfolio, marginally higher than last quarter. As previously mentioned, the Manager has previously looked to increase the portfolio's industrial exposure in the past. However, pricing expectations of sellers remains a concern. The Manager also believes the current industrial holdings are of good quality in the Southeast and have room for rental growth.

Key info

Appointed: 1 November 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark by over three year rolling periods.

LGIM – Managed Property Fund (cont.)

31

Q4 2022 Monitoring comments (cont.)

The underweight position to industrials now stands at (35.8% versus 38.2%) reflected in the Fund's outperformance over Q4. The Fund remains focused on rent collection, particularly from sectors that have legacy challenges following COVID-19, predominantly retail and leisure. The Fund's most recent rent collection stats show continued levels of rent stabilisation while the Fund is achieving collection rates very close to pre COVID levels. Rent collection for the current quarter (to date) is currently 95% and similar levels are expected in Q1.

The Fund's void as a percentage of income remains marginally higher than the benchmark (10.1% vs 8%). However, the largest relative void is in the more challenging office sector and industrial portfolio, where there is strong occupational demand at rents ahead of estimated rental values. The Fund's cash level of 12.8% is also higher than the benchmark level of 6.3%.

Q4 2022 Transactions

There were three transactions over the quarter, totalling £105.5 million with sales of the holding at Cambridge Science Park, Tesco at Melton Mowbray and Castlemore Retail Park in Warminster. The Cambridge Science Park sale achieved a price of £85 million, reflecting a net initial yield of 3.84% and capital value of £763 per sq. ft. The Fund had undertaken significant asset management initiatives during ownership, regearing the leases with NAPP pharmaceuticals in 2014 and 2019. Additionally, a lease for £38 ps ft was also agreed with Microsoft in 2021 for a 10-year term. The Manager had concerns over the future demand and supply dynamics for life science investments along with the need for further capex.

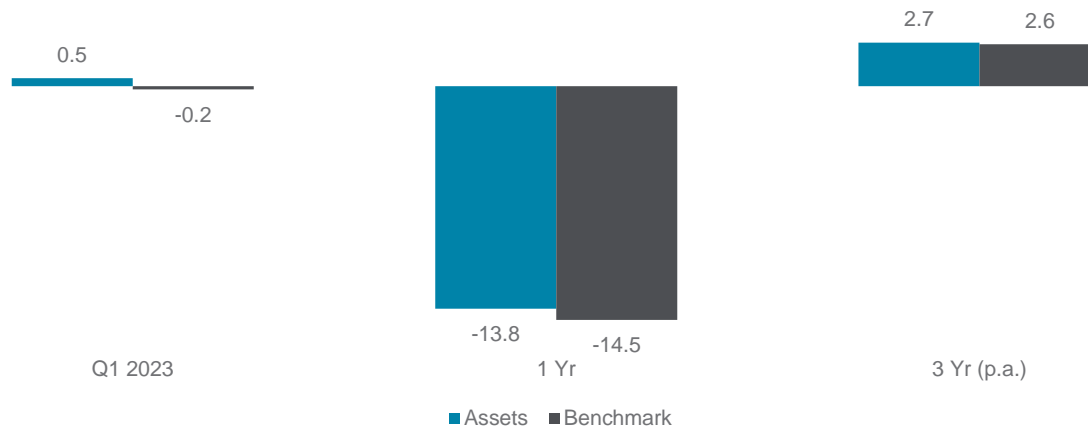
Q4 2022 Transactions (cont.)

Over the hold period, the asset delivered a 13.5% total return per annum. Tesco, Melton Mowbray achieved a sale of £13.75 million reflecting a net initial yield of 5.38% and capital value ps ft of £297. Lastly, the Manager achieved a price of £6.3 million at Castlemore Retail Park, reflecting a net initial yield of 7.48% and capital value ps ft of £128.

Threadneedle – TPEN

32

Q1 Fund performance & benchmark



Buy

Reviewed: March 2023

Page 74

Q4 2022 Monitoring comments

The Fund was an active seller during Q4 2022 and made 63 sales, totalling £172m. These assets were sold at an aggregated c.£20m discount to their book values (a 10% weighted average discount); this reflects the situation that in a rapidly falling market transaction prices are likely to be lower than the most recent valuations because of the inherent lag associated with real estate valuations.

The sales mostly constituted of retail and industrial holdings with some offices sold as well. The sale prices ranged from c. £500k to £15 million and the relatively small size of the assets helped liquidity while the industrial sector continued to attract buyers at rebased prices.

The large number of sales reflected the need to meet redemption payments, increase cash in the fund to manage future redemptions and also

continued the Manager's goal to dispose of weaker assets, especially weaker retail and office assets. The industrial sales looked to target smaller lots and / or assets which had completed their business plans. Over the year £364 million of asset sales were completed while the Fund made acquisitions totalling £95.8 million.

Key info

Appointed: 21 June 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark by 1 to 1.5%.

Threadneedle – TPEN (cont.)

Q4 2022 Transactions

One asset was acquired during the quarter, a former railway yard in Cambridge which is land adjacent to an existing asset that will allow for further development at the site.

Major Developments

During September the Manager took the decision to defer redemptions given the elevated level of redemption requests received and the uncertainty and lack of liquidity in the property market. Individual DC members trading within their historical levels were not captured by this action. At the end of the quarter TPEN had c. £60 million of outstanding redemption requests to pay.

Since the end of June 2022, the U.K. experienced the largest and swiftest valuation decline since the Global Financial Crisis. This has been driven by rapidly rising interest rates and borrowing costs and lack of liquidity as a period of price discovery began. TPEN was not the only open-ended balanced fund to defer redemption requests and the magnitude of the Fund's valuation declines were in line with the wider property market.

BCPP – Quarterly high level monitoring (Q1 2023)

34

Changes to Senior Management at BCPP

- Kevin Palmer, Portfolio Manager (Fixed Income) has retired. A replacement Portfolio Manager is expected to join in the next couple of months.
- James McLellan, Senior Portfolio Manager (Equities) has left to pursue opportunities closer to home in Switzerland. This role has been incorporated into the Head of Equities role (Will Ballard).

Changes to views of External Managers

- BCPP Global Equity Alpha
 - Loomis Sayles: The manager was placed on the Watchlist due to resignations and departures from their dedicated analyst team. BCPP have engaged with the CEO, CIO and investment team at Loomis and have further calls scheduled to discuss this matter further and will keep Partner Funds abreast of any pertinent developments.
 - Ninety One Franchise: Simon Brazier (co-Head of the Quality Team) has departed Ninety One. Simon was focused on the UK funds and although shared leadership responsibilities with Clyde Rossouw (PM on Global Quality), he had no material input on the BCPP strategy and his responsibilities are being picked up by senior UK focused individuals.
- BCPP UK Equity Alpha
 - Baillie Gifford: Following Baillie Gifford's removal from the Watchlist in Q4 2022, BCPP continue to be encouraged by the structure Milena Mileva is building and the counsel being provided by other senior members of Baillie Gifford's UK Equity team in the process. With the portfolio now settled and aligned with Milena's own convictions.



7. Further information

Key reference information about your scheme

Explanation of Ratings – Overall ratings

Overall ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Page 78

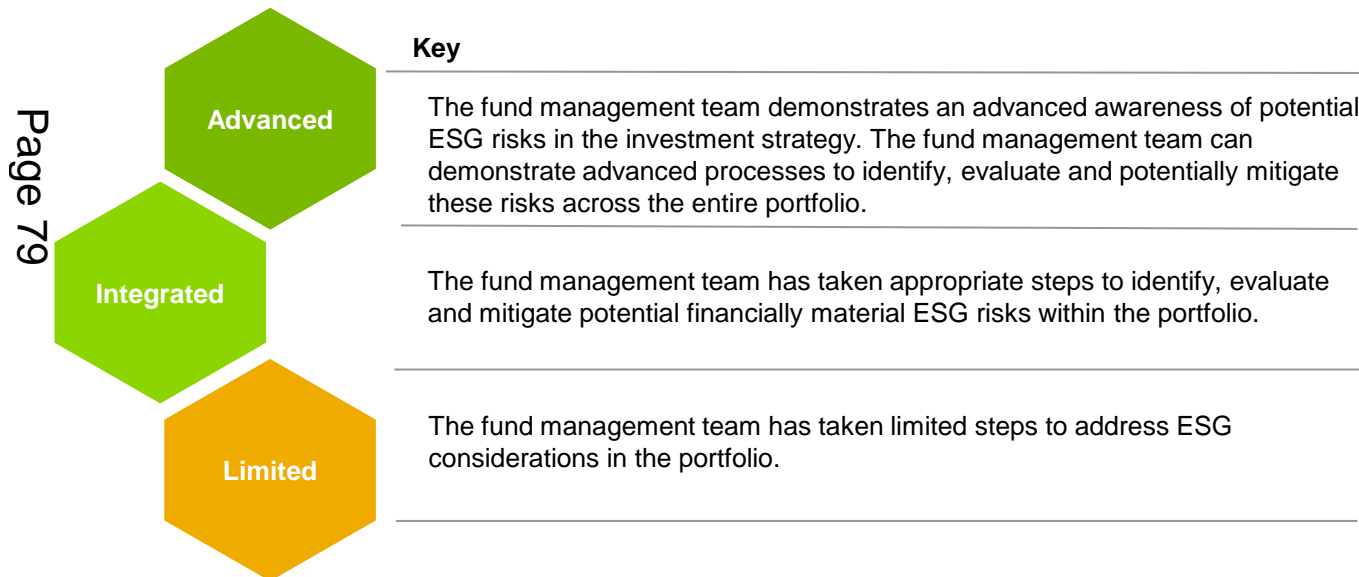
Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Explanation of Ratings – Overall ratings

37

ESG Factor

The ESG factor is assigned a rating and can be interpreted as follows:



Method

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

- This funding update is consistent with the calculations for the results of the actuarial valuation as at 31 March 2022. 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 actuarial valuation as at 31 March 2022 valuation 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 2022 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 2022 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 March 2023 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 2022	4.20%	3.55%	2.30%
31 December 2022	4.80%	3.55%	2.30%
31 March 2023	4.70%	3.55%	2.30%

* Plus an allowance for short term inflationary increases

Risk/Return Assumptions

39



- 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 March 2023.

High level asset class	Expected Return	Expected Volatility
Equities	7.0%	18.9%
Property	5.9%	12.6%
Infrastructure	7.6%	15.8%
Listed alternatives	6.9%	19.2%
Illiquid credit	7.9%	5.7%
Investment grade credit	5.2%	9.4%
Non-investment grade credit	6.4%	9.4%
Absolute Return	6.0%	5.2%
Gilts	2.9%	9.6%
Cash	3.3%	1.3%

Page 81

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

OFFICIAL - SENSITIVE

AON

Correlation Table

40

High level asset class	Equities	Property	Infrastructure	Listed Alternatives	Illiquid credit	IG Credit	Non-IG Credit	Absolute Return	Gilts	Cash
Equities	100%	38%	61%	100%	29%	4%	54%	20%	-8%	-2%
Property		100%	19%	36%	29%	5%	28%	8%	-1%	7%
Infrastructure			100%	63%	15%	3%	22%	20%	-3%	1%
Listed Alternatives				100%	28%	3%	53%	21%	-8%	-2%
Illiquid credit					100%	56%	67%	16%	7%	25%
IG Credit						100%	27%	17%	51%	40%
Non-IG Credit							100%	16%	1%	8%
Absolute Return								100%	10%	33%
Gilts									100%	31%
Cash										100%

Data and assumptions

Date of calculation	31 March 2023
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,209,617,137



- Infrastructure is modelled as a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Listed Alternatives are modelled as passive global equities (including emerging markets).
- Private Credit modelled as combination of 2/3 Senior Direct Lending (for Arcmont and Permira) and 1/3 Whole Property Debt (for BCPP).
- Gilts are modelled as a 62.9% 15 year index-linked gilts and 37.1% 20 year index-linked 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 multi-asset credit.
- Absolute Return is modelled as Leadenhall Insurance Linked Securities modelled as an equal 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 Scheme.
 - The analysis considers the expected return of the Scheme'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 Scheme 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 Scheme'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 Scheme along the journey to full funding.

This document has been prepared in accordance with the framework below.

This document has been requested by the Administering Authority. It has been prepared under the terms of the Agreement between the North Yorkshire Council and Aon Investments Limited on the understanding that it is solely for the benefit of the addressee.

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The compliance is on the basis that North Yorkshire Council is the addressee and the only user and that the document is for information only and is not to be used to make any decisions on the contributions payable or the investment strategy. If you intend to make any decisions after reviewing this document, please let me know and I will consider what further information I need to provide to help you make those decisions.

This report should be read in conjunction with:

- The Report on the actuarial valuation of the North Yorkshire Pension Fund as at 31 March 2022 dated 29 March 2023.
- The latest Funding Strategy Statement.

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

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47

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North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 6th April 2023 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Emma Barbery (Askham Bryan College)
Councillor Mike Jordan (North Yorkshire Council).

Scheme Members:

David Houlgate (Unison)
Simon Purcell (Unison)
Gordon Gresty (NYPF retired members)
Sam Thompson (North Yorkshire Council)

County Council Officers:

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

A representative of the press was present.

The Chair welcomed Councillor Jordan to his first meeting since his re-appointment to the Board.

Copies of all documents considered are in the Minute Book

1. Apologies

Apologies were submitted by Councillor Anne Hook (City of York) and David Hawkins (York College).

2(a) Minutes

Resolved -

That the Minutes of the meeting held on 12 January 2023, having been printed and circulated, be taken as read, confirmed as a correct record and signed by the Chairman.

2 (b) Progress on Issues Raised by the Board

Advice from the SAB was still awaited in relation to the Hymans Good Governance review.

The other issues would be covered by agenda items at today's meeting.

Resolved -

That the report be noted.

3. Declarations of Interest

Councillor Jordan declared a non-disclosable interest in respect of the Pension Fund's Investment Consultant, AON, being used by him for his pension and financial advice.

4. Public Questions or Statements

There were no public questions or statements.

5. Terms of Reference

The Terms of Reference were provided to Members as they had been altered to reflect the changes to the Council, following Local Government Reorganisation (LGR). The only changes were removing reference to the County Council with this changed to North Yorkshire Council. There were no other material changes.

It was noted that the terms of office for Board Members remained the same, with David Houlgate being appointed for a further four years at the February meeting of Full Council.

Resolved –

That the changes to the Terms of Reference be noted.

6. Annual Discussion with the Treasurer of the North Yorkshire Pension Fund

The Treasurer of the North Yorkshire Pension Fund (NYPF), Gary Fielding, attended the meeting for his annual discussion with Members of the Board. His discussion with Members of the Board saw the following issues highlighted:-

- The previous 18 months had been very busy, but the Treasurer had not been required to be as involved with matters due to having a strong, resilient team in place that managed the issues well.
- The overall funding level had dropped following the recent volatility in the markets having an effect on investments, but this remained above 100% (106%).
- The Pension Fund Committee (PFC), following the elections in May 2022, had proved to be knowledgeable and able to produce a high level of challenge, providing confidence that the body will continue to be very beneficial to the Fund, going forward.
- He noted that the PFC had lost Patrick Mulligan following LGR as he was the representative of District Councils.

- The Good Governance review would be expected to introduce additional governance requirements and there would be a renewed call from the Government on pooling, with recent comments suggesting that the existing requirements would be extended.
- Involvement with Border to Coast Pensions Partnership (BCPP) had been particularly beneficial in relation to addressing carbon reduction and environmental concerns through investments. It was clarified that BCPP were the main fund manager for the NYPF, managing 75% of NYPF's assets
- It was emphasised that it was difficult to compare investments from prior to pooling with those now operated through the pooling arrangements as they were different and market conditions were different.
- It was noted that the Government were considering a second phase of pooling as they wanted enhanced economies of scale. It was emphasised that further consolidation could lead to governance and decision-making challenges, as has been evidenced in other pooling arrangements. There is a good relationship with BCPP and the 10 other partner funds and another phase of pooling could upset that balance.
- An initial reason for the development of pooling for LGPS investments was the Government seeking to obtain additional funding for infrastructure projects in the UK. Another phase of pooling may reference another of the Government's agendas, Levelling Up. It was emphasised the NYPF would only invest in such projects if these would provide a suitable return at a suitable level of risk to the Fund. It was emphasised that the Government could not determine the Investment Strategy of the Fund as that would undermine the fiduciary arrangements.
- It was stated that consideration was given to environmental and sustainable issues through investments, as this was required by the Fund. It was noted that environmental, social and governance (ESG) investing was an integral part of deciding whether to undertake an investment. Oil and gas investments could still take place provided that there was sufficient confidence that the company involved was moving towards addressing climate issues sufficiently quickly. The allocation to investments having a positive environmental impact was on the increase, following recent investment strategy reviews. It was appropriate to have investments in a number of diverse areas to maintain good, steady returns.
- As things stand it was unlikely that, in the short term, 100% of the NYPF's investments would be with BCPP. For example, there was no suitable alternative to the Baillie Gifford portfolio. The property portfolio of the Fund would likely to transfer to next year.
- There was a risk, with BCPP being so successful, that there would be pressure for more Funds to join BCPP, which could upset the current balance of representation which was working well.
- A discussion on the impact of LGR on the NYPF and how that impacted on cashflow was undertaken. It was noted that the Administration Team had faced a heavy workload through LGR, but staff had responded well and dealt with the issues that arose commendably. It was expected that, going forward, there would be a simplification of the processes involved, as a number of large employers had amalgamated into one body. There had been no issues in terms of the actuarial assessment, but funding levels had been established and this should create savings for the new Council, going forward. In terms of cashflow, LGR had not had a major impact on this, but there was a probability that the Fund would enter a negative cashflow position in the near future, and a policy was in place to address that.

- The relationships between the NYPF and employers had improved significantly in recent years which had led to improvements in the quality of data and information provided.
- There were a large number of academies and multi academy trusts that were served by the NYPF but this had not had a major impact on membership as the scheme members had transferred from existing local authority schools.
- It was stated that the helpful booklet that had been published would be made available for all who required this, following a number of enquiries, despite there being no additional resource for its production. It was recognised that providing the information was good practice, therefore, this would be provided to those that required it.
- It was clarified that there had not been a large number of additional retirements to coincide with LGR, with levels remaining around the usual for this time of year.
- Auto-enrolment could have an impact on the number of members in the Fund.
- It was noted that the actuarial valuation of the Fund was above the level at which it stood now, but that it remained above 100%, which was a good position to be in given the current volatility of the markets. The expectation was that the lower funding position would continue for the time being, although there were many variables that could affect this. The PFC were assessing how to deal with this.

Resolved –

That the Treasurer of the Fund be thanked for his participation at the meeting and the answers provided to the issues raised, which were noted.

7. Pension Fund Committee – Draft Minutes of Meeting held on 3rd March 2023

Considered -

The draft minutes of the meeting of the Pension Fund Committee held on 3rd March 2023.

The Chair noted that the majority of items considered at that meeting were on the Board's agenda for discussion at today's meeting.

The PFC had agreed to continue with the current Investment Strategy at that meeting. Consideration had been given to this in view of the recent increased levels of inflation, and how the strategy had reacted to that.

Resolved –

That the Minutes be noted.

9. Pension Administration

Phillippa Cockerill, Head of Pensions Administration, 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 March 2023 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from the November 2022 meeting was provided as an Appendix.

Breaches

There had been no new entries in the breaches log since the previous meeting of the Board, which was welcomed by all.

Annual Benefits Statements (ABS)

The process for the 2023 ABS had now commenced. This should be less complex as a number of the larger employers were now on i-Connect, resulting in them having to submit a month 12 return, rather than a full year.

Major projects

The roll out of the i-Connect project was continuing but had been slowed by the year end procedures.

Triennial Valuation

The valuation was set at 31 March 2022.

There was a surplus of £639.8m relative to liabilities.

The funding level was 116%.

The primary contribution rate was 20.1%

The secondary contribution rate was 2.7% - bringing the funding level down to 110%

The overall contribution rate was 17.4%

Employers' contribution rates varied between 0% and 51.4% depending on their circumstances.

Business Plan

A revised plan, showing details of achievements during 2022/23, proposals carried forward to the new plan and new initiatives were submitted to, and approved by, the March meeting of the PFC.

Local Government Pensions Committee (LGPC) Bulletins Log

Details of recent LGPC bulletins, and the response to those, were set out in the report.

Members highlighted the following issues in respect of the report:-

- A Member queried the rise in the number of pensioners over the previous 3 years, with 5000 additional members receiving a pension during that time period. It was clarified that the figure correlated with the average increase during that time period. It was also noted that there had been an increase in the average age of the workforce during that period.
- There were a large number of deferred pensions that, going forward, would affect the cashflow position of the Fund, hence the development of the policy in respect of cashflow. It was emphasised, however, that there would

not be an unprecedented effect on the Fund, as the deferred levels were known, and the pension levels were set, at the time of the deferral. It was also noted that deferrals were included in the triennial valuation position.

- There was some impact on the administration of the Fund from the deferred position, as those accessing pensions tended to be less assured with the use of technology, which had a knock-on effect in terms of the provision of information.
- In terms of McCloud, slow progress was being made in terms of the verification of data. It was expected that the current statutory deadline would be pushed back further as all the public sector was affected by the judgement, and were finding it hard to obtain, and verify, the relevant data. It was considered that the remedy would only affect a small proportion of pension members.
- Members of the Board welcomed the lack of breaches that had occurred since the previous meeting and the improvements that had been made via the Business Plan.

Resolved -

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted.

10. Responsible Investment Policies

Tom Morrison sought the views of the Board on the Responsible Investment Policy and Climate Change Statement of the Fund and the policies of Border to Coast. He noted that the Pension Fund had held Responsible Investment Policies (RIPs) for many years now, and these were reviewed by the PFC on an annual basis. The statement on Climate Change issues had been added to the Policy around 2 years previously. These issues had been discussed with BCPP, and the partner Funds in the pool, to ensure they were aligned. The appendices to the reports provided details of the current position of the various related policies. Further reviews would continue to be undertaken to reflect further progress made in relation to these issues.

Members discussed the report and its appendices and the following issues were raised:-

- It was noted that some of the partner funds have adopted the policies of BCPP. NYPF had not adopted these policies, but had reviewed its own, to ensure they continue to be aligned. Going forward, as the Fund moves more of its investments into the management of BCPP, it may be appropriate to review this approach.
- It was suggested that the rationale for exceptions made in terms of investment managers complying with climate emission policies should be made stronger.
- It was considered that stewardship should be looking to improve standards in terms of responsible investment rather than promoting a level of tolerated acceptance. It was stated, in response, that every effort was made to influence investment managers on these matters, to ensure that these are addressed as far as possible, however, the primary focus remained on ensuring that the investments returns would be sufficient to pay pension benefits.
- In relation to section 8.2 of the policy a Member stated that reference to “a vote should be undertaken” should be changed to “will be undertaken”, where this was in the best interests of the Fund. It was agreed that this would be changed accordingly.

- Reference was made to section 3.8 in the report and the move towards Net Zero carbon and it was asked how the targets were set, whether the targets were realistic and how they were monitored. In response it was stated that these were in-line with Government targets for 2050, that milestones had been established, and progress would be periodically reviewed. The PFC had not specifically adopted a target. It was asked whether the Board were able to give guidance to the PFC on adopting this. The remit of the Board was explained, and it was noted that a suggestion could be forwarded to the PFC from the Board, but ultimately it would be for the PFC to decide.
- A Member requested further information on the development of policies, alongside BCPP, to allow an informed decision to be made on how to progress this. It was stated that a review of the policies would shortly be undertaken by BCPP, and the comments of the Pension Board would be taken account of. The reviewed policies would then be submitted to the PFC and PB for further consideration. Members requested that progress on the development and review of policies, alongside BCPP, be submitted to future meetings of the Board.

Resolved –

- (i) That comments from the Board on the Fund's draft Responsible Investment Policy and draft Climate Change Statement and Border to Coast's Responsible Investment Policy, Climate Change Policy and Corporate Governance and Voting Guidelines document be fed back, accordingly; and
- (ii) That progress on the development and review of policies, alongside BCPP, be submitted to future meetings of the Board.

11. Budget and Cashflow

Qingzi Bu presented a report that provided an opportunity for the Board to provide Pension Board members with an update on the Pension Fund's:-

2022/23 budget and the cost of running the Fund;

4-year cashflow projection for the Fund;

latest position on the Fund's accounts and annual report for 2021/22

In terms of the budget there was a forecast underspend of £3.7m, mainly as a consequence of the recent poor performance of investments resulting in a reduction in fund manager fees.

In respect of the cashflow forecast, the overall position was expected to be a small Scheme Surplus for 2022/23, with deficits projected for 2023/24, 2024/25 and 2025/26. The forecast for contribution income was based on the employers' current contribution rates and took into account the employer results from the 2022 Triennial Valuation. Details of how the Fund would address a negative cashflow position were outlined.

The report also provided an update on the position in relation to the 2021/22 accounts and the 2021/22 annual report. The audit for the Council's accounts was still not yet signed off, and as the Triennial Valuation statement for 2022 had been published on 31 March 2023, this new information now needed to be considered for any adjustment that may be required to the County Council's IAS19 liability in its accounts. The auditors were currently reviewing this and it was hoped this would be their final action before the completion of the audit. It was emphasised that delays to the auditing

process were a national issue and that the NYPF accounts could not be signed off until those for the Council had been agreed.

During a discussion of the report the following issues were raised:-

- It was noted that the recent pay negotiations were not taken account of in the details provided as these had not commenced at the time of the development of the report.
- The 2023/24 budget had been agreed by the PFC during their consideration of the Business Plan and it was noted that estimates for pay increases had been included.
- A Member asked how it was determined whether the financial advice offered by the Fund's investment consultant adviser offered value for money. In response it was stated that the contract for offering financial advice to the Fund was subject to a regular procurement process, with value for money for the service offered being evaluated. The contract term was 5 years, with the possibility of a further 2 years extension, subject to agreement by the PFC. The current contract had commenced in December 2021 and a review of the service would be undertaken, and considered by the PFC, at the end of the initial 5 years period. Details of the work and issues covered by the investment consultant were provided. It was noted that these arrangements were not affected by LGR.
- A Member suggested that the accounts for Pension Funds should be separated from that of Councils to prevent future delays. It was noted that this was one of the matters considered by the long, awaited good governance review.
- It was asked whether the amalgamation of the 8 Councils, following LGR, would have an impact on the final signing-off of the audit. In response it was stated that this was not expected to impact the NYPF audit, however, until the Council's accounts were signed-off, other issues such as the IAS 19 liability could arise, creating further delays, therefore, there was a desire for these to be completed as soon as possible. The Annual Report of the NYPF had been published by the required date, 1st December 2022, with a guidance note provided in relation to the delayed publication of the final accounts.

Resolved –

That the report and issues raised be noted.

12. Internal Audit Reports

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

Details of the audit plan for 2022/23 were set out in the report with the audits of aspects of expenditure, income and investments taking place and reports from those audits expected later in the year. There were 2021/22 actions that were due to be implemented on 31st March, but these had not yet been followed up as they were not due for completion until after the deadline for submission of reports to this meeting.

It was stated that consideration of Internal Audit matters would continue to be a standing item on the Board's future agendas.

Resolved -

That the report be noted.

13. 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 Hymans online training was about to launch version 2, which would be available for Members to undertake. It was stated that this would not be a carry over from version 1, and, therefore, could be undertaken as a completely separate training programme. Details for this would be circulated to Members shortly.

Members stated that they would welcome a section of this training on McCloud.

It was asked whether the forthcoming review of Good Governance was likely to have an impact on the training requirement for Pension Boards, going forward. In response it was stated that as PB Members were already expected to have reasonable level of knowledge of the LGPS, and were expected to continue enhancing that knowledge, there would be likely to be very little difference for them from the review. There could be new requirements on training for PFC Members, however.

It was stated that future topics for training events for Board Members were outlined in the report and would be provided where Members requested these.

Issues around the future of pooling and the potential further development of offers from BCPP, such as a UK opportunities fund, alongside the Government's Levelling Up agenda, for local projects, were discussed.

Resolved -

- (i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly, with details of version 2 of the package being circulated shortly to allow Members to access that:
- (ii) That Members continue to provide details of any training they wish to be included on their training record:
- (iii) That further consideration be given to identifying training sessions immediately prior to Board Meetings.
- (iv) That the report, and issues raised, be noted.

14. 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 for 2023/24.

Resolved -

- (i) That the Work Plan, as detailed in Appendix 1 to the report, be noted.
- (ii) That the dates of ordinary meetings for 2023/24, as detailed in the report be noted as follows:-

Thursdays at 10am

6th July 2023

12th October 2023

11th January 2024

4th April 2024

The meeting concluded at 12.05pm.

SL

DRAFT