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# Agenda

**Meeting:** **Pension Fund Committee**

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

**Date:** **Friday, 15 September 2023**

**Time:** **10.00 am**

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

**Councillor Jonny Crawshaw, City of York Council**

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

**Brian Hazeldine, UNISON**

## Business

1. **Chair's introductions, announcements and apologies**

2. **Minutes of the Committee Meeting held on 30th June 2023** **(Pages 3 - 6)**

3. **Declarations of Interest**

4. **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 12th September 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.

5. **BCPP Update - Presentation by CIO of BCPP Joe McDonnell**

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

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|---|---|---|
| **6.** | **Pensions Administration - Report of the Treasurer** | **(Pages 7 - 38)** |
| **7.** | **LGPS Pooling Consultation - Report of the Treasurer** | **(Pages 39 - 52)** |
| **8.** | **Budget and Cashflow - Report of the Treasurer** | **(Pages 53 - 56)** |
| **9.** | **Quarterly Funding and Investments Report (Including Investments Update) - Report of AON** | **(Pages 57 - 108)** |
| **10.** | **Pension Board - Draft Minutes of the Meeting held on 6th July 2023 - Report back by the Chair** | **(Pages 109 - 116)** |
| **11.** | **Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency** | |

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

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

Thursday, 7 September 2023

# North Yorkshire Council

## Pension Fund Committee

Minutes of the meeting held on 30 June 2023 held at Border to Coast Pensions Partnership, Head Office, 5th Floor, Toronto House, Leeds, LS1 2HJ commencing at 1.30 pm.

**Present:-**

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

Councillor Jonny Crawshaw – City of York Council

David Portlock – Chair of the Pension Board

Apologies for absence – Councillors Mike Crane and John Weighell (Chair)

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**Copies of all documents considered are in the Minute Book**

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**11. Appointment of Chair – for the purposes of this meeting only**

In the absence of the Chair, and as no Vice-Chair had currently been appointed, the Committee were asked to appoint a Chair for the purposes of this meeting only.

**Resolved -**

That Councillor Angus Thompson be appointed Chair for the purposes of this meeting only.

**12. Minutes**

**Resolved -**

That the Minutes of the meeting held on 26 May 2023 were confirmed and were signed by the Chair as a correct record.

**13. Appointment of Vice-Chair**

**Resolved –**

That Councillor Angus Thompson be appointed Vice-Chair of Pension Fund Committee (PFC).

**14. Declarations of Interest**

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.

## 15. Public Questions or Statements

There were no public questions or statements.

## 16. Governance Arrangements – Report of the Treasurer

Considered –

The report of the Treasurer requesting Members to review a range of governance documents and for the Committee to approve the following documents and to provide Members with the draft 2022/23 Statement of Accounts to note:

a) Investment Strategy Statement
b) Governance Compliance Statement
c) Funding Strategy Statement
d) Communications Policy
e) Admissions and Terminations Policy
f) Risk Register
g) Risk Management Policy
h) Pensions Administration Strategy
i) Administering Authority Discretions Policy
j) Internal Dispute Resolution Procedure (IDRP) Guide
k) Governance Roles and Responsibilities
l) Charging Policy
m) Breaches Policy
n) GDPR Privacy Notice
o) GDPR Memorandum of Understanding
p) Training Policy
q) Cashflow Policy
r) Responsible Investment Policy and Climate Change Statement

Details of the alterations made, if any, since the previous review of the documents, were outlined by officers. The North Yorkshire Pension Fund (NYPF) draft Statement of Accounts were provided for Members to note.

Members discussed the governance documents and the following points were raised:-

- It was noted that a further amendment was required to paragraph 3.8 of the Investment Strategy Statement, to replace the full stop following the word 'required' with a comma.
- A member commented that an amendment was required to paragraph 3.1 of the Governance Compliance Statement, to replace the text 'one elected Members' with 'one elected Member'.
- It was clarified that the Asset Class (Summary) in the Funding Strategy Statement (FSS) related to the investment strategy at the time of the 2021 Valuation, rather than that recently agreed by the Committee in March 2023. The FSS would be updated alongside the 2025 Valuation and would reflect the investment strategy in place at that time. One member suggested replacing the text 'at the 2022 valuation the Fund actuary will undertake' with 'at each triennial valuation the Fund actuary will undertake' to provide greater clarity.
- It was noted that officer job titles had been updated in the Risk Register to reflect changes to the council structure following Local Government Reorganisation on 1 April 2023.
- With reference to the Charging Policy, it was confirmed that the chasing of outstanding information would continue to incur charges and that the removal of text at paragraph 3.0 was proposed to remove the duplication of text within

the charging scales table. In response to a question concerning whether officers applied the Charging Policy rigorously, it was confirmed that officers always aimed to work with employers to resolve any outstanding issues before applying the Charging Policy which was deemed to be a last resort.

- A member referred to the Responsible Investment Policy and emphasised the need to focus on the risks associated with climate change within the policy. Members proceeded to debate whether the Fund should disinvest in companies associated with the production of fossil fuels. Members considered the effects of pulling all investment from such companies or remaining invested and influencing companies to reduce their fossil fuel production over time. Reference was made to a resolution of City of York Council in March 2021 to move all pension fund holdings away from fossil fuels to avoid the potential impact of 'stranded assets' on the future performance of their pension funds. With reference to the ESG table at paragraph 2.4, Members agreed that under the environmental column, 'biodiversity' be added and the text 'mitigation and adaptation' be inserted after 'climate change'. Members approved the Responsible Investment Policy as amended, however it was noted that two members abstained.

Members were provided with details of the draft 2022/23 Statement of Accounts for information. It was noted that the final accounts would be approved by Audit Committee.

Members were then asked to provide their views on whether an independent review of the governance documents should be undertaken later in the year, or whether they would prefer to wait until the Department for Levelling up, Housing and Communities' (DLUHC) guidance on Good Governance had been published and after changes had been made to the Fund's arrangements. Members agreed to wait until the DLUHC guidance had been received. The potential risks associated with the deferral of the independent review were considered and it was confirmed that there were no legal issues associated with this.

**Resolved –**

(i) that the changes made to the following governance documents be approved:

- Investment Strategy Statement (Appendix 1)
- Governance Compliance Statement (Appendix 2)
- Funding Strategy Statement (Appendix 3)
- Communications Policy (Appendix 4)
- Admissions and Terminations Policy (Appendix 5)
- Risk Register (Appendix 6)
- Risk Management Policy (Appendix 7)
- Pensions Administration Strategy (Appendix 8)
- Administering Authority Discretions Policy (Appendix 9)
- Internal Dispute Resolution Procedure (IDRP) Guide (Appendix 10)
- Governance Roles and Responsibilities(Appendix 11)
- Charging Policy (Appendix 12)
- Breaches Policy (Appendix 13)
- GDPR Privacy Notice (Appendix 14)
- GDPR Memorandum of Understanding (Appendix 15)
- Training Policy (Appendix 16)
- Cashflow Policy (Appendix 17)
- Responsible Investment Policy and Climate Change Statement (Appendix 18)

(ii) that the draft 2022/23 NYPF Statement of Accounts be noted.

## 17. Border to Coast Responsible Investment Policies – Report of the Treasurer

Considered –

The report of the Treasurer presenting the Responsible Investment Policies of Border to Coast Pensions Partnership (BCPP) and requesting the comments of Members.

The NYPF had worked alongside BCPP with the development of their Responsible Investment Policies, which were based on best practice and advice. The policies were reviewed on an annual basis and had been considered by BCPP's Joint Consultative Committee, where it was agreed that they be circulated to the representative PFCs for comments.

Copies of the policies were appended to the report and included the Climate Change Policy.

Members discussed the report and the following points were raised:

- It was noted that four of the eleven partner funds had decided to adopt BCPP's Responsible Investment Policies as their own, as their own policies were closely aligned to that of BCPP's. One Member commented that the NYPF should continue with its own policies until a higher proportion of the Fund's assets were invested with BCPP. In response, it was clarified that 75% of the Fund's assets were pooled in BCPP. It was noted that there were several differences between the NYPF and BCPP policies, including BCPP's declared target of becoming carbon neutral by 2050. Once both policies were more closely aligned, the Fund would be in a better position to consider adopting BCPP's policies.
- One member expressed that they hoped the relationship between NYPF and BCPP would continue to develop in order to better align the policies. It was suggested that the word 'proper' was not required before 'advice' under the skills and competency paragraph within the Responsible Investment Policy.
- In response to a query from the same Member in relation to the Climate Change Policy and greenwashing, it was confirmed that BCPP would be asked to provide further information.
- A further Member raised concerns that adopting BCPP's policies would reduce the independence of the PFC, making it indistinguishable from BCPP. Members proceeded to debate the role of PFCs in representing local residents. In response, it was clarified that if PFC Members were minded to adopt BCPP's Responsible Investment Policies as their own in the future, they would still have the responsibility to instigate a new policy if there was any disagreement surrounding a particular matter.

**Resolved –**

That the report be noted.

The meeting concluded at 2.41pm

**North Yorkshire County Council**

**Pension Fund Committee**

**15 September 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 31/03/2023 | +/- Change (%) | At 30/06/2023 |
|---|---|---|---|
| Active | 30,948 | -1.69% | 30,424 |
| Deferred | 40,160 | +0.48% | 40,352 |
| Pensioner (incl spouse & dependant members) | 28,702 | +1.99% | 29,286 |
| **Total** | **99,810** | | **100,062** |

### 3.2. Throughput Statistics

- Period from 1 April 2023 to 30 June 2023

| Case type | Cases Outstanding at Start | New Cases | Cases Closed | Cases Outstanding at End |
|---|---|---|---|---|
| Transfer In quotes | 10 | 28 | 15 | 23 |
| Transfer Out quotes | 43 | 100 | 109 | 34 |
| Employer estimates | 0 | 62 | 62 | 0 |
| Employee estimates | 4 | 154 | 154 | 4 |
| Retirement quotes | 14 | 889 | 893 | 10 |
| Preserved benefits | 2,273 | 1,315 | 2,602 | 986 |
| Death in payment or in service | 139 | 431 | 472 | 98 |
| Refunds | 11 | 256 | 252 | 15 |
| Actual retirement procedure | 538 | 632 | 704 | 466 |
| Interfund transfers | 340 | 681 | 560 | 461 |
| Aggregate member records | 12 | 33 | 41 | 4 |
| Process GMP | 0 | 0 | 0 | 0 |
| Others | 196 | 256 | 278 | 174 |
| **Total Cases** | **3,580** | **4,837** | **6,142** | **2,275** |

- As well as processing the above cases, the Pensions team also handled 2,065 phone calls (average 44 per working day) in the quarter. Unfortunately, due to changes in the way NYC archive emails we are no longer able to obtain statistics for the number of emails handled by the administration team.

3.3. **Performance Statistics**

- The performance figures for the period 1 April 2023 to 30 June 2023 are as follows:

| Performance Indicator | Target in period | Achieved |
|---|---|---|
| **Measured work completed within target** | 98% | 97% |
| **Customers surveyed ranking service good or excellent** | 94% | 94% |
| **Increase numbers of registered self-service users by 700 per quarter (total registered users 42,476)** | 700 | 1,025 |

- Our measured work completed within target rating has improved again this quarter and we continue to focus on this improvement.
- Our targeted leavers project has finished and the team managed to reduce our backlog to under 3 months, clearing in excess of 4,500 additional cases on top of the normal day to day work.

3.4. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

**Commendations**

| Date | Number | Summary |
|---|---|---|
| Apr | 3 | They were patient and kind. It was very helpful to be able to easily speak to a person, unlike so many organisations. |
| May | 11 | All in all excellent and quick all done within 4 weeks, well done pensions department.<br>Staff extremely polite and knowledgeable. |
| June | 2 | It was a great help, I was very pleased with the response. |

**Complaints**

| Date | Number | Summary |
|---|---|---|
| Apr | 0 | |
| May | 3 | IHER – Appeal against tier of IHER awarded<br>Admin – Delays caused by Prudential disinvestment of AVCs<br>Admin – Delays in processing IHER caused by employer |
| June | 0 | |

- The complaint categories are:

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

**Lessons Learned**

Having reviewed the complaints received in the period there were no patterns identified requiring further attention.

3.5. **Annual Benefit Statements 2023**

The Deferred annual benefit statements were published online on 4 July 2023 with paper copies being sent the following week to those members who have requested one. 100% of deferred statements have been issued.

The Active annual benefit statements were published online on 25 July 2023 with paper copies being sent on 11 August 2023 to those members who have requested one. The current position with the active statements is:

**28,805 / 29,677 statements issued (97.06%)**

872 eligible active records without an annual benefit statement of which:

345 have an outstanding task on record
89 have a benefit calculation withheld marker on record
438 reason unknown

These 872 will be investigated by the team in the coming weeks to establish whether a statement can be generated or not.

We have managed to produce the statements a month earlier than normal as we are already starting to feel the benefit of having employers submitting data monthly via i-Connect.

3.6. **Breaches Policy & Log**

The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 2** for review. There are two new entries in the quarter to 30 June 2023. Both were accidental disclosures of data for a single member, one by email and one caused by an issue in the print unit. Veritau have confirmed the second breach has been recorded against the print unit and not the pensions team. It is included on the log for completeness.

Alongside the above a vulnerability was identified with two calculators we had on the Fund's website which, although password protected, could be relatively easily hacked and personal data accessed. The calculators have now been removed.

## 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 144 employers onboarded to i-Connect with 85 remaining. The rollout will recommence now the bulk of the year end work is completed.
- Website development continues with the focus on getting the employer site fully configured before we go live. We are now at the testing stage with pensions staff and a select few employers.

4.2. **New logo**

As part of the development of our new website we've also refreshed our branding and logo. We've stayed with our existing colour palette but have changed the logo and the design. Included at **Appendix 3** is the brand concept document for our new logo which is shown below.

North Yorkshire
Pension Fund

4.3. **LGR**

We are continuing to resolve issues with the year-end data received from three of the former districts and boroughs before we are able to fully update member records. The TUPE letters were issued before the end of June to all affected members.

4.4. **McCloud**

There has been a change of approach to loading the data back into member records following the load of the data into Test. A fully manual approach is required with a small project team being established. Work has commenced on getting the in scope records updated as accurately and as quickly as possible.

Regulations are still awaited to finalise the approach for some specific scenarios and these are not expected until late Autumn.

## 5 Member Training

The Member Training Record showing the training undertaken to March 2023 is attached as **Appendix 4.** 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 5.** Please contact Qingzi Bu (01609 535851) or email qingzi.bu@northyorks.gov.uk for further information or to reserve a place on an event.

Given the start of a new Committee, further training has been devised to help with the induction of new Members and the creation of a new team. The views of Members will be sought as we progress through this approach but, given the technical nature of some of the areas of responsibility, there will be a significant number of training 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 6**.

## 7 Recommendations

7.1 Members to note the contents of the report.

7.2 Members to note the contents of the Breaches log and determine whether a report should be made to the Pensions Regulator.

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

07 September 2023

**Academy Conversions** – 24 ‘in progress’

| Name of School | Local Authority | Multi Academy Trust (MAT) Name | Target Conversion Date | Current Position |
|---|---|---|---|---|
| South Kilvington CE VC Primary School | NYC | Elevate Multi Academy Trust | 1.2.2023 | Complete |
| Brompton Hall Special School | NYC | Venn Academy Trust | 1.3.2023 | Complete |
| Mill Hill Primary School | NYC | Arête Learning Trust | 1.3.2023 | Complete |
| Bradleys Both Community Primary School | NY | Yorkshire Collaborative Academy Trust | 1.4.2023 | Complete |
| All Saints RC School, York | COYC | Nicholas Postgate Catholic Academy Trust | 1.5.2023 | Complete |
| Woodlands School, Scarborough | | Single Academy transferred to Horizons Specialist Academy Trust | 1.5.2023 | Complete |
| Huntington Primary Academy | | Single Academy moving to Pathfinder Multi Academy Trust | 1.9.2023 | In progress |
| Rossett School | | Single Academy moving to Red Kite Learning Trust | 1.9.2023 | In progress |
| Poppleton Road Primary School | COYC | Pathfinder Multi Academy Trust | 1.9.2023 | In progress |
| Nidderdale High School | NYC | Moorlands Learning Trust | 1.9.2023 | In progress |
| Darley Primary School | NYC | Yorkshire Collaborative Academy Trust | 1.9.2023 | In progress |
| Summberbridge Primary School | NYC | Yorkshire Collaborative Academy Trust | 1.9.2023 | In progress |
| Naburn CoE Primary School | COYC | The Education Alliance | 1.10.2023 | In progress |

| Name of School | Local Authority | Multi Academy Trust (MAT) Name | Target Conversion Date | Current Position |
|---|---|---|---|---|
| St Barnabas Church of England VC Primary School | COYC | Pathfinder Multi Academy Trust | 1.11.2023 | In progress |
| Christ Church CE Primary School | NYC | Leeds Diocesan Learning Trust | 1.12.2023 | Will be progressed when conversion date known |
| North Stainley CE Primary School | NYC | Leeds Diocesan Learning Trust | 1.12.2023 | Will be progressed when conversion date known |
| Barkston Ash RC Primary School | NYC | Bishop Wheeler Catholic Academy Trust | 1.2.2024 | Will be progressed nearer the time |
| St Wilfrid's Catholic Primary School, Ripon | NYC | Bishop Wheeler Catholic Academy Trust | 1.2.2024 | Will be progressed nearer the time |
| St Hilda's Ampleforth CE VC Primary School | NYC | Ryedale Learning Trust | TBC | Will be progressed when conversion date known |
| Hertford Vale CE VC Primary School | NYC | Ryedale Learning Trust | TBC | Will be progressed when conversion date known |
| Kirby Hill Primary School | NYC | Leeds Diocesan Learning Trust | TBC | Will be progressed when conversion date known |
| Middleham CE VA Primary School (NYCC) | NYC | Possibly with Dales Academies Trust | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Spennithorne CE VC Primary School (NYCC) | NYC | Possibly with Dales Academies Trust | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Sherburn CE Primary School | NYC | Possibly with Ebor Academy Trust | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Beckwithshaw CP School | NYC | TBC | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Kettlesing Felliscliffe Primary School | NYC | TBC | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Ripley Endowed CE VC Primary School | NYC | TBC | TBC | Will be progressed when Trust has been confirmed and conversion date known |

| Name of School | Local Authority | Multi Academy Trust (MAT) Name | Target Conversion Date | Current Position |
|---|---|---|---|---|
| Luttons Community Primary School | NYC | Possibly with Ebor Academy Trust | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| Husthwaite CE VC Primary School | NYC | TBC | TBC | Will be progressed when Trust has been confirmed and conversion date known |
| East Ayton Primary School | NYC | TBC | TBC | Will be progressed when Trust has been confirmed and conversion date known |

**Admission Bodies -** 9 'in progress'

| Name of Employer | Name of Contractor | Staff Transfer Date | Current Position |
| --- | --- | --- | --- |
| **The Rodillian Multi Academy Trust**<br>Brayton Academy | Aspens Services Limited | 8.4.2022 | Complete |
| **South Bank Multi Academy Trust**<br>Carr Junior School<br>Millthorpe School<br>York High School | Bulloughs Cleaning Services Ltd | 1.8.2022 | Complete |
| **Selby Educational Trust**<br>Selby Community Primary School<br>Carlton Primary School | Mellors Catering Services Limited | 1.9. 2022 | Complete |
| **South Bank Multi Academy Trust**<br>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 |
| **City of York Council**<br>Huntington School | Aspens Services Limited | 20.2.2023 | Complete |
| **Elevate MAT**<br>Caretaking and cleaning contract | SBFM Limited | 1.9.2022 | Complete |
| **Northern Star Academies Trust**<br>New Park Primary Academy<br>Harrogate High School<br>Hookstone Chase Primary School<br>Starbeck Primary Academy | Aspens Services Limited | 1.1.2022 | Complete |
| **Outwood Grange Academies Trust**<br>Outwood Academy Ripon | ISS Mediclean Limited | 1.1.2022 | Complete |
| **South York Multi Academy Trust**<br>Bishopthorpe Infant School | Mellors Catering Services Limited | 1.1.2022 | In progress |
| **Beyond Housing** | Ground Control | 1.3.2023 | In progress |

| Name of Employer | Name of Contractor | Staff Transfer Date | Current Position |
|---|---|---|---|
| **Nicholas Postgate Catholic Academy Trust**<br>All Saints RC School, York | Hutchison Catering Limited. Transfer from COYC to Nicholas Postgate Catholic Academy Trust. | 1.5.2023 | In progress |
| **The Rodillian Multi Academy Trust**<br>Brayton Academy | RCCN Limited | 17.7.2023 | In progress |
| **Hope Sentamu Learning Trust** | Hutchison Catering Limited | 26.7.2023 | In progress |
| **Red Kite Learning Trust**<br>Coppice Valley Primary School<br>Western Primary School | Hutchison Catering Limited | 1.8.2023 | In progress |
| **Outwood Grange Academies Trust**<br>Outwood Primary Academy Alne | Cater Link Limited | 1.9.2023 | In progress |
| **Ebor Academy Trust** | Hutchison Catering Limited | 1.9.2023 | In progress |
| **Yorkshire Causeway Schools Trust**<br>St Peter's Church of England School, Harrogate<br>Hampsthwaite Primary School<br>All Saints CE Primary School<br>North Rigton CE Primary School | Aspens Services Limited | 1.9.2023 | In progress |

**Exited Employers – 26**

| 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 |
| 4Site Security Services Limited | 11.4.2022 |
| Welcome to Yorkshire | 14.4.2022 |
| Lifeways Community Care Limited | 31.7.2022 |
| Absolutely Catering Limited | 19.7.2023 |
| SBFM Limited | TBC |

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| 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.<br>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<br>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.<br>Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018.<br>Continue to work through errors & queries & issue ABS' when able to.<br>Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end | | | 14/09/2017 | 19/01/2018 | Noted the position, no requirement to report.<br>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.<br>192 manual calculations undertaken and 56 statements issued.<br>3.5% of members affected | Statements issued immediately.<br>Process under review by team leader.<br>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.<br>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.<br>No other member affected.<br>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.<br>Awaiting confirmation of scheme tax liability. | | | 22/02/2018 | 19/01/2018 | PB - Noted the position, no requirement to report.<br>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<br>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.<br>Significant year end queries (2,399) have impacted statement production. Ers being chased for response.<br>Continue to work through errors & queries & issue ABS' when able to.<br>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.<br>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.<br>Clarification on members not worked in year still outstanding at issue date.<br>Manual calculation of Annual Allowance figures still outstanding at issue date. | Reg 89 of LGPS Regs 2013 | 100% of Deferred members received a statement.<br>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.<br>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.<br>Following provision of above information both PFC & PB agreed not to report this time. | N |
| 09/04/2020 | Administration | A member's leaver statement was incorrectly sent to the wrong member. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>PFC - September meeting, noted position, agreed not to report. | N |
| 11/05/2020 | Administration | A member's retirement statement was incorrectly sent to the wrong member. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>PFC - September meeting, noted position, agreed not to report. | N |
| 15/05/2020 | Administration | A member's letter was incorrectly sent to the wrong member along with their own letter. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>PFC - September meeting, noted position, agreed not to report. | N |
| 15/05/2020 | Administration | A member's calculation print was incorrectly sent to the wrong member. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>PFC - September meeting, noted position, agreed not to report. | N |
| 26/05/2020 | Administration | A pensioner received a payslip which belonged to another pensioner. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>PFC - September meeting, noted position, agreed not to report. | N |
| 27/05/2020 | Administration | A member received a letter meant for a solicitor dealing with the death of another member. | Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting. | | | 11/09/2020 | 09/07/2020 | PB - July meeting, noted position, agreed not to report.<br>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.<br>Manual calculation of Annual Allowance figures still outstanding at issue date.<br>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.<br>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.<br>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.<br>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 receipient knows the person whose information was disclosed. The 3 original members had discussed it. | Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO.<br>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.<br>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.<br>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 | 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.<br><br>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.<br><br>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.<br><br>A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years. | We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take.<br><br>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.<br><br>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.<br><br>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.<br><br>This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected. | | | 05/03/2021 | 14/01/2021 | PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR.<br>PFC - Recommended no report required | N |
| 05/02/2021 | Administration | A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter. | Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient was asked to destroy the information.<br>Process and working practice was reviewed to ensure it remained relevant.<br>Staff were reminded of the correct process.<br>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.<br>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.<br>Year End queries still outstanding at issue date.<br>Manual calculation of Annual Allowance figures still outstanding at issue date.<br>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)<br>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.<br>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.<br>PFC - Agreed with PB recommended course of action.<br>Further update on Active statements is required. 13/01/22 no report | N |
| 17/09/2021 | Administration | McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database. | The way the data was held on the administration system did not enable the 3rd party to identify the members affected. | Data Protection Act 2018 | Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff. | A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team.<br><br>Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached. | N/A | N/A | 26/11/2021 | 13/01/2022 | PFC - No report<br>PB - No report | N |
| 28/09/2021 | Administration | McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved. | Member record created on the administration system but the wrong employer code was applied | Data Protection Act 2018 | Information for one data subject was wrongly disclosed to City of York Trading Limited | The data has now been coded correctly on the administration system<br><br>Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached. | N/A | N/A | 26/11/2021 | 13/01/2022 | PFC - No report<br>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<br>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<br><br>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<br>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 receipient knows the person whose information was disclosed. | 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.<br><br>Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. | N/A | N/A | 27/05/2022 | 07/04/2022 | PB - No report<br>PFC - 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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<br><br>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. | Senior officer review of annual process.<br>Has been established the cause of the breach different to previous breach in 2020.<br>Process amended so that future similar cases can be identfied earlier in the process. | N/A | N/A | 09/09/2022 | 06/10/2022 | PFC - No report<br>PB - No report | N |
| 31/08/2022 | Administration | Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members | 120 – have outstanding year end tasks<br>201 – have "other" outstanding administration tasks on record<br>56 – are x'd out, no outstanding task, prohibits statement creation due to error on record<br>295 – pending further investigations as to why statement not produced | Reg 89 of LGPS Regs 2013 | 100% of Deferred members received a statement.<br>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<br>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 supressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19<br>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<br><br>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<br>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 receipient knows the person whose information was disclosed. | Other Fund deleted email and attachment.<br>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<br>PB - No report | N |
| 17/04/2023 | Administration | Email querying pay and CARE was sent to the wrong Adam. It contained name, NINO & Pay information. Recipient is a senior officer at CYC. | Human error | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to staff at another employer. It is highly unlikely that the receipient knows the person whose information was disclosed. | Requested recipient to delete email<br>Reported to Veritau | N/A | N/A | 15/09/2023 | 06/07/2023 | PFC -<br>PB - No report | |
| 05/06/2023 | Administration | A member received another member's pension payslip in the same envelope as her own. The envelope wasn't sealed either. | Machine jam and human error in the print unit. Not checking the machien was fully cleared before restarting the pirnt and insert process. | Data Protection Act 2018 | Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the receipient knows the person whose information was disclosed. | Recipient posted payslip on.<br>Made print unit aware or error and received confirmation of refreshed instructions to the print team.<br>Reported to Veritau<br>Veritau have confirmed it has been classed as a print unit breach | N/A | N/A | 15/09/2023 | 06/07/2023 | PFC -<br>PB - No report | |

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**North Yorkshire Pension Fund** brand concept

# Logo/branding concept

# Logo/branding concept



The following concept is based on the Three Peaks in Yorkshire. Each at varying heights and topographic challenges.

Whernside - 736m

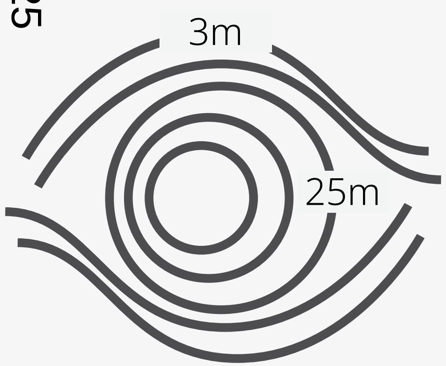
Ingleborough - 723m

Pen-y-Ghent 694m

# Logo/branding concept



A topographic survey map is a common way in which walkers navigate the countryside and peaks.




+

Circles reducing in size to represent the three peaks and their corresponding height differences.

+

The name, North Yorkshire Pension Fund (NYPF).

**NYPF**
**North Yorkshire Pension Fund**

+

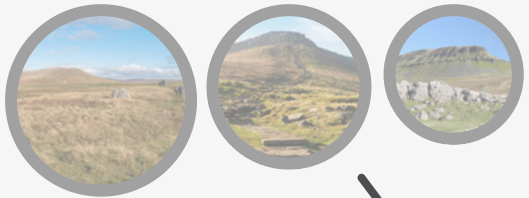
Brand colours.

NYPF

North Yorkshire Pension Fund

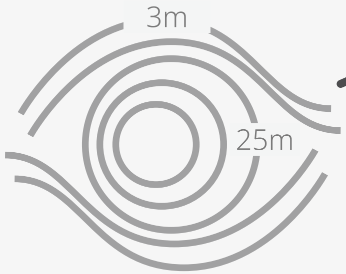
# Logo/branding concept

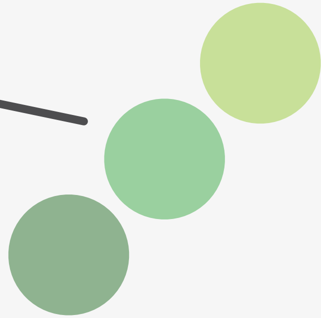




NYPF
North Yorkshire
Pension Fund

NYPF
North Yorkshire
Pension Fund



**North Yorkshire Pension Fund** brand concept

# Logo/branding concept - options and variations

V2 a

North Yorkshire
Pension Fund

V2 b

North Yorkshire
Pension Fund

V2 c

North Yorkshire
Pension Fund

V3 a

North
Yorkshire
Pension Fund

V3 b

North
Yorkshire
Pension Fund

V3 c

North
Yorkshire
Pension Fund

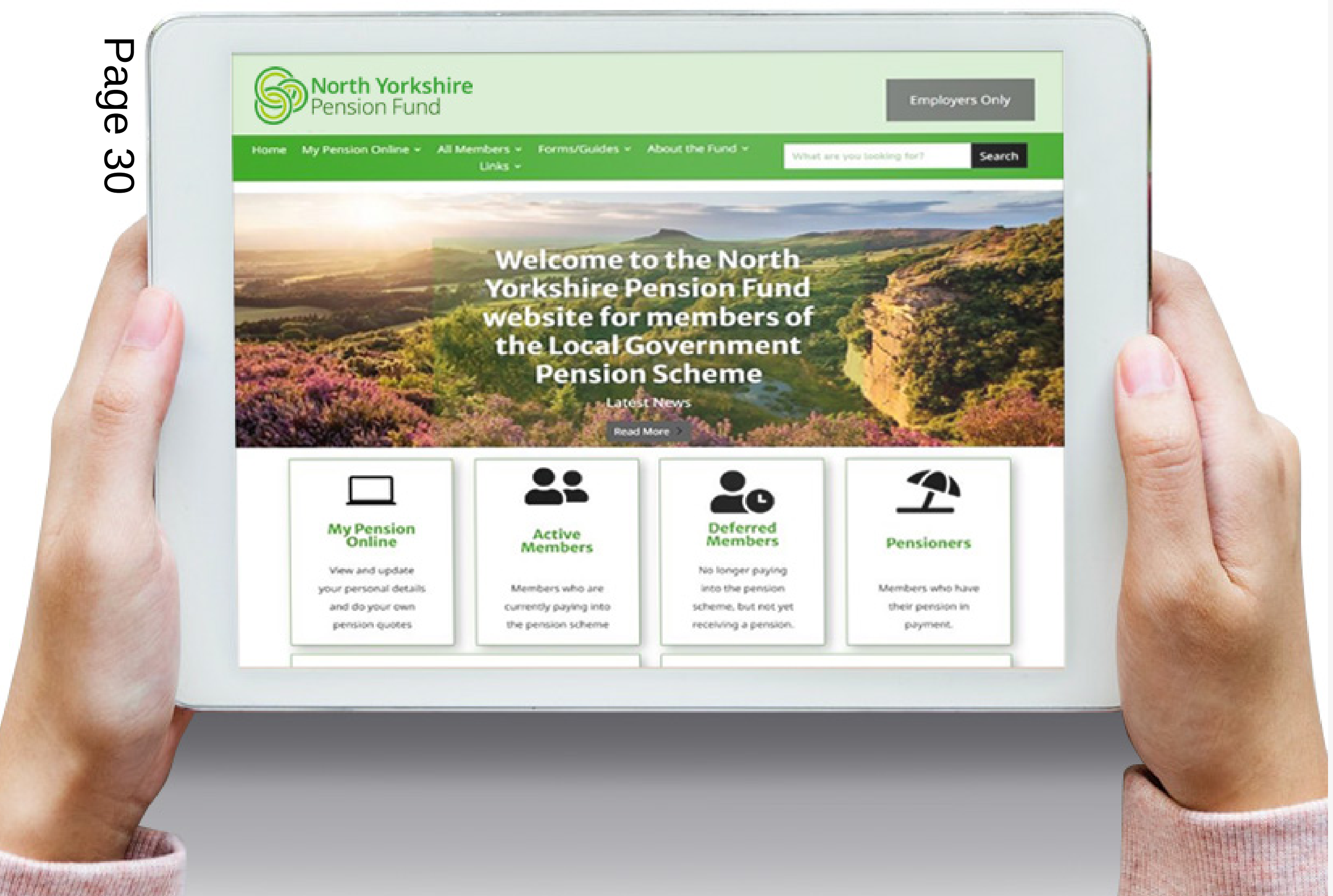
**North Yorkshire Pension Fund** brand concept

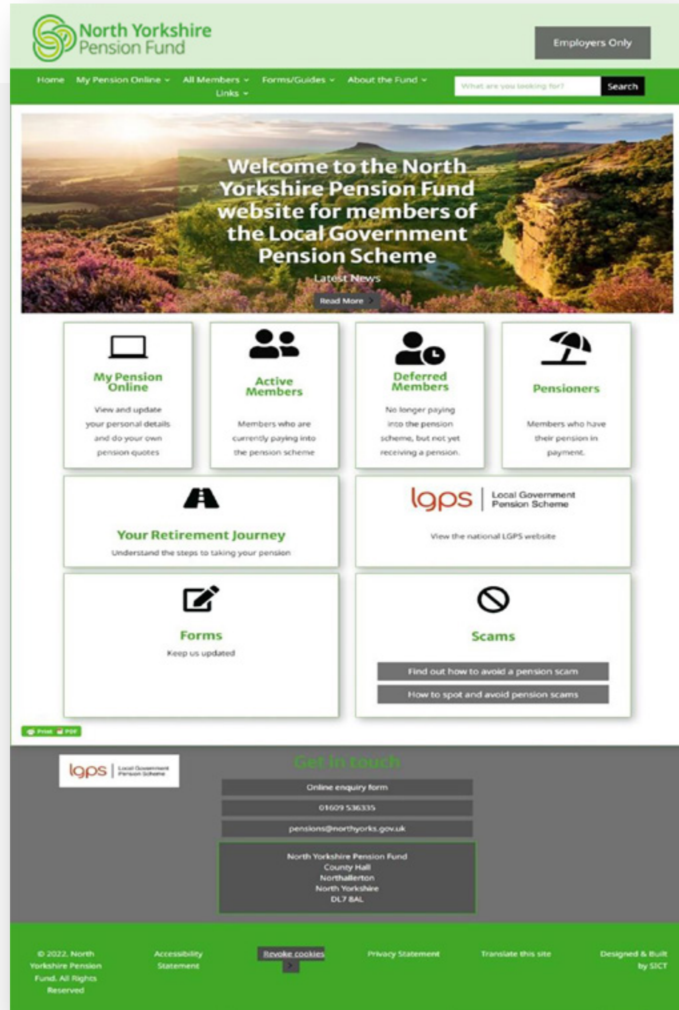
# Marketing messages - posters


**North Yorkshire Pension Fund** brand concept

# Web visual





Appendix 4

| 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 | ^J. Cattanach | +J. Crawshaw | Unison (Vacancy) | Unison (Vacancy) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | |
| 25 May 2023 | Investment Manager Workshop (Arcmont) | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | |
| 29 June 2023 | Investment Manager Workshop (PIMCO) | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | |
| 30 June 2023 | Investment Manager Workshop (Border to Coast) | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | |



**# - Appointed to the Committee following May 2022 elections.**
***- Cllr Patrick Mulligan left the Committee on 1st April 2023 following LGR.**
**“ – Cllr Sam Gibbs left the Committee on 17th July 2023**
**^ - Cllr John Cattanach appointed to the Committee on 17th July 2023**
**+ - Cllr Jonny Crawshaw appointed to the Committee May 2023 following City of York Council elections**
**➢ - Cllr Christian Vassie left the Committee May 2023 following City of York Council elections**

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APPENDIX 5

## UPCOMING TRAINING AVAILABLE TO MEMBERS

| ***Provider*** | ***Course / Conference Title*** | ***Date(s)*** | ***Location*** | ***Themes / Subjects Covered*** |
|---|---|---|---|---|
| PLSA | Annual Conference | 17 – 19 October 2023 | Manchester Central<br>Windmill Street<br>Manchester<br>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.<br>In 2023 the PLSA is celebrating 100 years as the voice of workplace pensions. |
| 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 | Responsible Investment Conference | 29 November | PricewaterhouseCoopers<br>1 Embankment Place<br>London<br>WC2N 6RH | 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.<br><br>Information due shortly. |
| PLSA | Policy Insights: The Regulatory Horizon for 2024 | 7 December | Online Webinar<br><br>11 – 11.45 am | Your chance to find out about the policy and lobbying work that we do on members' behalf. Hear from the PLSA's Policy and Advocacy team about the conversations they have with Ministers, Government officials and regulators, and ask questions about issues on the current agenda.<br><br>Join us for a Policy Insights Webinar on the regulatory horizon for 2024. Our policy experts will discuss the developments, themes and challenges expected for the next year in pensions. Learn how these may impact your scheme and what you can do to prepare. |
| PLSA | Local Authority Forum | 14 December | TBC<br><br>Central London | 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.<br><br>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. |

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. There are now two packages available with package two being the most up to date version. 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 |
|---|---|---|---|
| 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 COUNCIL**

**PENSION FUND COMMITTEE**

**15 SEPTEMBER 2023**

**LGPS POOLING CONSULTATION**

**Report of the Treasurer**

## 1. PURPOSE OF REPORT

1.1. To present the draft response to the consultation *Local Government Pension scheme (England and Wales): next steps on investments* and ask Members for their comments.

## 2. INTRODUCTION

2.1. In 2015 the Ministry of Housing, Communities & Local Government (MHCLG, now the Department for Levelling Up Housing and Communities, DLUHC) published the criteria the Local Government Pension Scheme (LGPS) should meet when developing proposals for pooling assets in the *Local Government Pension Scheme: investment reform criteria and guidance*.

2.2. Over the next few years investment pooling arrangements got underway across eight organisations, including Border to Coast.

2.3. In 2019 MHCLG decided it was time for new guidance to support further progress, given the experience until then. A consultation *Local Government Pension Scheme: statutory guidance on asset pooling* was published. However, the new guidance never emerged and the reasons for this are unknown.

2.4. Over the last few years, it has been clear that there would be another consultation, and on 11 July 2023 *Local Government Pension Scheme (England and Wales): next steps on investments* was published. The deadline for responses is 2 October 2023. The document, which has been circulated to Committee members, is available in the consultations section on DLUHC's website.

2.5. The first part of the consultation document suggests that DLUHC is frustrated with the extent of investment pooling progress, describing the wide range in the size of pooled assets (paragraph 10). Border to Coast is the top of this range. This frustration would therefore appear to be aimed elsewhere. Although the Secretary of State has powers to intervene, as described in the in the LGPS (Management and Investment of Funds) Regulations 2016, the decision has been made to address this issue through regulatory changes rather than take a more targeted approach.

## 3. INVESTMENT POOLING CONSULTATION

3.1. The consultation document seeks views on proposals in five areas.

3.2. The first talks about the next phase of pooling assets, through consolidation of pooling arrangements, acceleration of asset transfers to pool organisations and other related areas such as governance, training and reporting. For some LGPS funds this will have significant implications, given that they have not pooled any assets at all. However, Border to Coast is the largest of the 8 pools, with all partner funds including East Riding having transferred most of their assets, and there are plans to transfer more over the coming years.

3.3. The second and third relate to the Government's policy objectives on levelling up and investing in the UK economy. Border to Coast has well developed plans to launch their UK Opportunities fund in April 2024 which will address these objectives. This fund was discussed when the members of the Committee visited Border to Coast's offices on 30 June 2023.

3.4. The fourth relates to the use of consultants by LGPS funds. In 2019 the Competition and Markets Authority made the Investment Consultancy and Fiduciary Management Market Investigation Order. This was intended to ensure consultants are reprocured sufficiently frequently to ensure value for money, and that they have appropriate objectives. A change to the guidance is required to make the Order applicable to LGPS funds. North Yorkshire has been complying with the Order since it came into effect.

3.5. The fifth is a minor definition change to facilitate the second and third proposals in the consultation.

## 4. DRAFT RESPONSE TO THE CONSULTATION

4.1. The eleven partner funds in Border to Coast have been working on a Border to Coast response that can be used as a template for each individual partner fund. It has been clear from the discussions that there is broad consensus on how to respond, but that there will be some differences between partner funds. For example, the consultation talks about the treatment of passively managed assets, and North Yorkshire does not have any.

4.2. The Border to Coast response has been tailored for North Yorkshire's circumstances. The Fund's draft response is attached as **Appendix 1**.

4.3. The draft response has been circulated to Pension Board members for comments.

## 5. RECOMMENDATIONS

5.1. Members to comment on the draft response to the consultation *Local Government Pension scheme (England and Wales): next steps on investments*.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
NYCC
County Hall
1 September 2023

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**APPENDIX 1**

Dear Sir or Madam,

**Local Government Pension Scheme: Next steps on investments**

North Yorkshire Council (North Yorkshire) welcomes the opportunity to comment on the proposals in the consultation “Local Government Pension Scheme (LGPS): Next steps on investments”.

North Yorkshire is the Administering Authority for the North Yorkshire Pension Fund (the Fund) which is part of the LGPS. The Fund has assets of more than £4 billion and has over 200 employers.

In 2018, North Yorkshire’s jointly owned pooling company, Border to Coast Pensions Partnership Limited (Border to Coast) began managing investments on behalf of the 11 Partner Funds. The Partner Funds came together with an agreed set of principles that continue to guide how we work together. Guided by them, we are delivering against Government’s original pooling policy objectives:

- over £40 billion pooled through Border to Coast, with clear plans to increase this in the years ahead

- £65 million of cost savings delivered to 31 March 2023, with expectations to increase this to £340 million by 2030

- facilitating investments in wider range of assets at scale, in asset classes such as infrastructure and private credit delivering growth capital across the UK

Border to Coast adds significant value to the Fund above and beyond the original pooling objectives, particularly in relation to responsible investment. They have built a centre of expertise, taking the lead on behalf of Partner Funds on active stewardship on climate change and other issues, and working collaboratively with groups such as Climate Action 100+ to deliver real world change.

Almost all of the Fund’s listed assets are pooled, and a significant proportion of the Fund’s unlisted investments are also managed by Border to Coast. Plans are in place for the transfer of assets to continue in the coming years, as investment funds are launched following approval by the FCA.

Any evolution of the arrangements for pooling investments should be consistent with our fiduciary responsibility to determine an investment strategy which will deliver the pension promise for our scheme members and ensure that contributions for scheme employers remain stable and affordable.

It is regrettable, given the importance of governance to the successful delivery of the Government’s policy objectives in this consultation, that there has not been a response to the Scheme Advisory Board’s (SAB) recommendations in relation to the Good Governance Project. Concluding this work would have addressed some of these objectives.

**Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?**

The ecosystem in which the LGPS operates is changing and it is important to acknowledge and adjust to this, to ensure we can continue to collectively deliver for LGPS members. This includes dealing with the increasing regulatory and governance complexity and the burden on individual Funds.

This challenge can be addressed through:

- engaged and informed Pension Committees and Pension Boards, exhibiting an appropriate level of knowledge, understanding and professionalism. They should be supported by experienced officers, exclusively dedicated to the Pension Fund, with the right resources to develop oversight arrangements of the investments

- appropriately resourced pools, which can support the development and implementation of the investment strategies of their Partner Funds. As centres of expertise these pools can provide wider support for Partner Funds

In operating any system, good governance is fundamental. This can cover a wide range of issues, but includes the establishment of clear divisions of responsibilities, robust oversight and simplified, flexible decision-making, including effective delegations to specialists trusted to exercise sound judgement over the long-term. The importance of this is often underestimated.

The "governance premium" is thought to be around 0.6% per annum additional return and has been estimated as high as 1-2% per annum. This is evidenced[1] via asset owners with "good governance". This relates primarily to the clear delegation of investment decision-making with strong oversight and scrutiny by the asset owner Committee. It is based on research over the last 20 years. We recognise that standards are variable, with smaller funds less likely to rate themselves as highly on important measures of quality. While each fund and pool should consider their own governance frameworks, progress on the 'Good Governance' review will support the LGPS and progress would therefore be welcomed by all[2].

Scale can deliver significant benefits. A 2022 publication[3] by CEM looked at the case for scale for pension schemes. Its findings were that asset pooling led to lower staff costs per assets invested due to the ability to internalise certain investment capabilities, and to lower external management fees due to the negotiating strength that comes from the value of mandates being placed, negotiated by professional investors whose interests are fully aligned with the ultimate asset owners.

However, scale doesn't always deliver additional benefits; seeking scale without addressing issues such as good governance, management of conflicts of interest, a common vision and culture (within the Pool and among Partner Funds), complexity of investment strategies, and client needs, can either inhibit, or damage, a pools ability to deliver.

Delivering the benefits of pooling can be challenging and requires an understanding at officer and elected member level of both the benefits and costs of compromise, and an ability to assess where such compromise does not have a material impact on the risk/return profile that the Partner Fund wishes to achieve.

Given the potential benefits of scale, it's important to consider the entire LGPS ecosystem.  A key point for Funds is the need for appropriate capacity and capabilities to deliver their objectives.  In this context, further consolidation could be considered.

In considering the LGPS ecosystem and ensuring that good outcomes are delivered it is important to recognise and manage the potential conflict of interests that both investment consultants and pools may have in providing investment advice to Funds.

We have seen greatest success when there is a positive presumption towards pooling.  In this situation the benefits that come from pooling, in both investment outcomes and reduced ongoing governance and advisory costs are considered.

Net of fees investment performance is the most important measure of success.  There may be a presumption that increased scale should lead to better performance, as well as to governance improvements, cost reductions and other benefits.  However, a recent article in the Financial Times[4] referred to a study of US pension plans examining performance over the last ten years, and there is almost no correlation between investment performance and asset pool size.  Studies in Europe and the UK have reached similar conclusions.

**2. Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?**

We support the principle of transferring assets to pools, including having a clear path to transition.  Each funds' Investment Strategy Statement (ISS) should include a transition plan for listed assets to be transferred to the pools, as well as the composition and justification of any assets remaining outside the pool.

Partner Funds have already transferred most of their assets to Border to Coast.  Further transfers are planned over the next few years.  Each transfer event is predicated on the launch of an investment fund, the development of which typically takes six to twelve months including receiving approval by the FCA.  Resources to develop new funds are limited and imposing an arbitrary timescale could lead to hasty fund launches of sub-optimal investment funds.

We would welcome clarity on the position of legacy illiquid assets such as infrastructure and private credit.  Fees were negotiated at the commencement of each investment and there is no ability to subsequently adjust them.  Transferring these assets to the pool would incur unnecessary significant legal and tax costs.

**Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?**

Through Border to Coast we have developed a model of pooling which has successfully allowed us to meet the government's objectives for pooling.  We support the approach set out in the consultation, which reflects how we have sought to pool.  However, we would urge caution on being overly prescriptive in describing any model in guidance as this may stifle innovation and the ability of Partner Funds and pools to respond to changing circumstances.

Administering Authorities are responsible and accountable for their investment strategies.  A pool such as Border to Coast can play a significant role in supporting their development.  However, robust governance arrangements need to be in place to manage potential conflicts, and to ensure proper oversight and scrutiny by Partner Funds can take place.

When drafting guidance, due consideration should be given to investment strategies that meet the needs of a diverse employer group.  This could include employers with differing maturity characteristics which may benefit from different investment approaches to protect their solvency position.

**Question 4. Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?**

The key to a successful approach is ensuring decisions are made by the right people, with the right level of knowledge, at the right time.

It is important that there is local accountability for target returns, risk appetite, and investment beliefs that underpin the investment strategy to deliver cost effective and sustainable pensions.

As outlined in the consultation, and something we support, the role of a Pension Committee is to review and approve the investment strategy, and to provide oversight and scrutiny on how it is being executed.  To be effective in this role, Committees will need to have in place appropriate supportive delegation of functions to officers, who have sufficient experience and knowledge to support the Committees.  In turn, officers and Committees can be supported by the centre of investment expertise that resides in the pool that they own, which is also responsible for the implementation and management of a Funds' investment strategies.

The knowledge and understanding of Pensions Committees may be supported by independent advisors who can act in a role akin to Non-Executive Directors.  With clear objectives, they may play a key role in supporting Committees in their responsibilities for oversight and scrutiny of the implementation of the investment strategy by the pool.

For Pension Committees, a key component to this is an effective training policy, reported against as part of clear delegation of functions between Committees and officers.  This is something the Fund manages in a structured way.

We recognise the difference in the current training requirements between Pension Committees and Pension Boards.  We believe it is appropriate that the requirements for sitting on a Pension Committee should at least match that for membership of a Pension Board.

Given both the significant training requirements, and the responsibilities of membership of a Pension Committee, we believe it is appropriate that Pension Committee members should be appropriately remunerated.

We believe Government proposals in relation to the interaction of pools and funds, and the training of Pension Committee members, should be addressed as part of a holistic response to the Good Governance Project report completed by the SAB to ensure changes take place within a framework focused on delivering the best outcomes for LGPS members.

**Question 5. Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?**

We support the proposal to have standard reporting requirements with clear and consistent definitions.  We would welcome this being progressed as part of the Good Governance

Project.  We would also welcome a complete review of the regulations to simplify and streamline processes.

While supporting reporting net savings, this needs greater consideration, specifically “against what?”.  In calculating our savings, we are comparing our current position with data from 2015/16 which does not reflect the market pricing we see today.  This information has become dated and is arguably irrelevant.  Equally, a focus on cost may also drive unintended consequences, particularly given the desire from Government to increase investment in more expensive asset classes, such as infrastructure.  As the pooling journey continues, it may be appropriate to use other reporting mechanisms.

We have significant concerns on the proposals to produce standard reporting on investment returns.  Each individual fund has its own investment strategy and risk appetite.  Even within a single pool, two funds may superficially have similar investment strategies, but they may be seeking to deliver significantly different outcomes.  There is a danger that returns reported against an inappropriate benchmark are taken out of context and could lead to poor investment decisions being made.

**Question 6. Do you agree with the proposals for the Scheme Annual Report?**

We support clear and consistent reporting by the SAB, provided the Board is sufficiently resourced to undertake the work and it is undertaken in such a way as to minimise the data collection burden on funds.

We also note the broader issue of increased reporting for the LGPS.  The research in “LGPS: Views from inside the scheme” found that over half (54%) of respondents feel that the legislation/regulatory requirements are already too complex to execute, while two in five (43%) continue to feel legislation/ regulatory requirements hinder them from doing their job effectively.

This is not to diminish the fundamental role of transparency and reporting.  This is essential to ensure accountability, and to drive best practice across the LGPS.  However, simplicity is key.  Partly driven by the scale and complexity in current reporting requirements, we understand a recent review by SAB suggested that nearly a third of LGPS funds were not meeting their annual report disclosure requirements.

Simply adding additional reporting requirements not only adds cost, but there is a significant negative impact for the intended audience of the scheme members due to the volume and complexity of information being published.  We believe that the impact assessment of changes in guidance, in terms of cost, transparency, and in the ability of readers to interpret what is shared, should be taken in the context of the ongoing review of LGPS reporting requirements being undertaken by the SAB.

**Question 7. Do you agree with the proposed definition of levelling up investments?**

Although we do not disagree with the definition outlined in the consultation, it should be stressed that levelling up investments should be consistent with the investment strategies of funds.  Through Border to Coast a new private markets strategy, ‘UK Opportunities’[4] is being developed.  Set to launch in April 2024, we believe this will provide the Partner Funds with opportunities to invest in the regions across the UK, including venture and growth capital, and will ultimately support the policy intent outlined in the Levelling Up white paper.

Under current guidance, individual funds have the flexibility to invest up to 5% outside the pool.  The local and specific nature of these investments mean they may be of a small scale and unsuitable to be effectively managed through the pool.  However, pools are well placed to advise and support individual funds in this regard.  Issues including resourcing and managing conflicts of interest will need to be carefully addressed.  We believe the exemption to making these investments outside of the pool should be maintained.

**Question 8. Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?**

Collaboration has been, and should continue to be, a hallmark of strength in the LGPS. If a pool is unable to effectively develop and manage an investment proposition, there may be merit in sourcing this capability through another LGPS pool.  However, there are implications that need to be recognised.  These include issues such as:

- the Border to Coast investment funds are designed with, and for, 11 Partner Funds who are both shareholders and customers.  Care will be required should external pool customers wish to invest in them.  The existing governance structures and processes will need to be reviewed to overcome this challenge

- certain investments may have capacity issues.  For example, the first Climate Opportunities fund launched by Border to Coast was capped at £1.35bn, which reflected the availability of suitable market opportunities.  The demand from Partner Funds was significantly above this figure.  Care will be required in balancing the needs of shareholder customers against those of external pool customers for capacity constrained investments

- as shareholders, existing Partner Funds principally manage risk through Border to Coast's regulatory capital.  Different arrangements would need to be developed for non-shareholder external pool customers

- in owning and building Border to Coast, there has been a structured approach to its growth, building capacity and capability to reflect Partner Funds long term needs.  This is likely to be absent with non-shareholder customers, where there is the added risk of managing inflows and outflows of capital.  This could destabilise the ability to plan the required capacity in various parts of the business.

Management of additional customers would require careful consideration, particularly noting the potential additional layer of due diligence costs that would be required as a regulated asset manager investing into another regulated asset manager's vehicle.

Nonetheless, if these issues are overcome, it could be easier to manage this on a pool-to-pool basis, than an individual fund-to pool basis.

**Question 9. Do you agree with the proposed requirements for the levelling up plan to be published by funds?**

The objective of the Fund is to generate appropriate risk adjusted returns to ensure it can pay pensions and set contribution requirements in an affordable and sustainable manner.  Where ancillary objectives can be co-delivered without impacting these returns or increasing risk, such as those outlined in the Levelling Up White Paper, this is to be welcomed.  We believe that Levelling Up, effectively delivered, has the potential to create growth; including creation of jobs, drive productivity, improve people's quality of life and better health and wellbeing outcomes.

It is for this reason that the Fund is supportive of the launch of the Border to Coast 'UK Opportunities Fund', which is designed to deliver such investment across the regions of the UK.  However, LGPS assets are invested to deliver appropriate risk adjusted returns and should not be used to implement Government policy objectives, no matter how laudable they may be. We welcome the recognition in the consultation that each fund is responsible for setting their investment strategy, designed to deliver the appropriate risk adjusted returns they require.

Any investment strategy and associated reporting on Levelling Up needs to be through the principal asset classes (Real Estate, Infrastructure, Private Credit, etc). This ensures that the risk adjusted returns are considered on the same basis. This can be reported via a Fund's ISS.

**Question 10. Do you agree with the proposed reporting requirements on levelling up investments?**

We are comfortable with the proposals, albeit we note that this again expands the reporting and regulatory requirements on Funds, which will have resource implications.

**Question 11. Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?**

Administering Authorities remain responsible for their investment strategies. As open defined benefit pension schemes, it is essential that we adopt appropriate diverse investment strategies designed to balance risk and return, to ensure the LGPS remains affordable.

As part of this approach, private markets can play an important role. Included in our investment strategy is an allocation to private markets including property of 22.5%. The creation of Border to Coast has significantly contributed to the Fund's ability to access this asset class.

We note the reference to private equity and technology. This is a very narrow part of the market. Early-stage growth, especially that focused on technology, is relatively high risk. For investors who have not made any previous or meaningful commitments to private capital more broadly, this is a challenging entry point and risks volatile returns or losses which would be likely to discourage future investment in private markets.

A broader definition, covering 'private capital' allows investors to build private market risk appetites which suit their own circumstances, rather than pushing everyone to a more narrowly defined and therefore potentially crowded part of the market with volatile returns.

We believe we already substantially meet the aspiration to invest 10% of our assets in these areas. Recognising our current extensive UK investment exposure, the opportunity set should be global in nature.

The most effective way to encourage any investment in the UK is the provision of a stable investing environment through policy certainty. If the LGPS and private capital is being asked to make large, long-term, capital investments the Government needs to offer corresponding long-term guarantees and the necessary policy certainty to protect these potential investors. Examples include policy certainty on renewable energy, transport and climate transition considerations; improvements to the planning regime to accelerate development opportunities, and to enable clearer partnership opportunities with Local Authorities; and the development of structures with the support of organisations such as the British Business Bank (BBB) and the UK Infrastructure Bank (UKIB) to enable risk sharing and return visibility.

While there is understandably a continued focus on costs, we recognise that private markets are more complex and expensive asset classes. Through Border to Coast, the Fund has access to the capability and capacity to access these markets in an effective and efficient manner.

**Question 12. Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?**

There is a range of potential partners that can support the LGPS pools to deliver growth capital in the UK. The BBB and the UKIB are two examples.

Given their state ownership and strategic focus to 'crowd in' other investors, these institutions may be well placed to support the LGPS pools to source and commit to ventures that meet their normal investment criteria.

We note that one of the key objectives of LGPS pooling was to reduce the fee burden paid by pension funds. In a private market context this included reducing the reliance on fund of fund structures which introduce an additional layer of fees. As such, any vehicle should be offered on a cost only basis if the intention is to encourage greater participation in this part of the market. An additional layer of fees would deter potential investors. BBB will be investing balance sheet capital into all investments, so a successful investment policy would deliver profitability for them without this fee income.

**Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?**

The Fund already sets strategic objectives for investment consultants, and we welcome its consistent application across the LGPS.

**Question 14: Do you agree with the proposed amendment to the definition of investments?**

Yes.

**Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.**

No.

Yours faithfully,

Councillor John Weighell
Chair of the North Yorkshire Pension Fund

References

1 Pension Policy Institute: “Defined Benefits: the role of governance”

2 The PLSA research, “LGPS: Views from inside the scheme” states that three-quarters of respondents believe government and regulators should focus on good governance (74%).

3 A case for scale, February 2022

4 Why bigger pension funds are better for the UK

5 https://www.bordertocoast.org.uk/news-insights/border-to-coast-marks-five-years-of-delivery/

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Agenda Item 8

**NORTH YORKSHIRE COUNCIL**

**PENSION FUND COMMITTEE**

**15 September 2023**

**BUDGET AND CASHFLOW**

**Report of the Treasurer**

## 1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

(a) the 2023/24 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 2023/24 BUDGET - THE COST OF RUNNING THE FUND

2.1 The forecast position against the 2023/24 budget as at the end of June 2023 is presented in **Appendix 1**. The budget for Pooling Operational Costs has been reduced by £0.3m to agree to the charges set out in Border to Coast's annual service plan. The budget for Investment Base Fees has been reduced by £0.74m to reflect better quality of data used in forecasting. The Fund is a member of the Scheme Advisory Board's Cost Transparency Initiative which is helping to drive improvements in this area. These changes are considered to be minor corrections to the budget which do not require Committee approval.

2.2 At this early stage in the financial year, no significant variances are expected.

## 3.0 4 YEAR CASHFLOW PROJECTION

3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cash flows of the Fund for the current financial year and 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 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. 6% has been assumed for September 2023 and 2% for each subsequent September. The long-term assumption in the Funding Strategy Statement, for comparison, is 2.3% per annum.

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. Negotiations on the increase have not been concluded so this could change. Future year contributions have been increased in line with the forecast included in the Council's budget.

3.4 The overall cash flow position is expected to be a Scheme deficit in 2023/24. Increasing deficits are projected from 2024/25, where an equivalent amount of income from investments will be required to address this. 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 shows the movements relating to the Fund's investments. The first port of call in covering any deficit 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.

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. One issue remains to be resolved, relating to treatment of the Council's pension liabilities. However, it is hoped that this will be resolved in the next few weeks.

4.3. Once the Fund's audit has been completed, a final version of the Fund Annual Report 2021/22 will replace the published draft version. Adjustments to the Annual Report and Accounts are not expected, but if this does happen the Committee will be informed.

## 5.0 RECOMMENDATIONS

5.1 Members to note the contents of the report.

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

04 September 2023

**Appendix 1**

## North Yorkshire Pension Fund - 2023/24 Budget - Cost of Running the Pension Fund

| | Budget 2023/24 £k | Forecast 2023/24 at Q1 £k | Variance £k |
|---|---|---|---|
| **EXPENDITURE** | | | |
| **Admin Expenses** | | | |
| Finance and Central Services | 470 | 470 | - |
| Provision of Pensioner Payroll (ESS) | 80 | 80 | - |
| Pensions Administration Team | 1,460 | 1,460 | - |
| McCloud | 50 | 50 | - |
| Other Admin Expenses | 620 | 620 | - |
| **Total Admin Expenses** | **2,680** | **2,680** | **-** |
| | | | |
| **Oversight and Governance** | | | |
| Actuarial Fees | 60 | 60 | - |
| Custodian Fees | 70 | 70 | - |
| Consultants Fees | 150 | 150 | - |
| Pooling Operational Charge and Project Costs | 550 | 550 | - |
| Other O & G Expenses | 100 | 100 | - |
| **Total Oversight and Governance** | **930** | **930** | **-** |
| | | | |
| **Investment Fees** | | | |
| Performance Fees | 2,660 | 2,660 | - |
| Investment Base Fees | 29,800 | 29,800 | - |
| **Total Investment Fees** | **32,460** | **32,460** | **-** |
| | | | |
| **TOTAL** | **36,070** | **36,070** | **-** |

**Appendix 2**

# North Yorkshire Pension Fund - Cash Flow

| | 2023/24 £k | 2024/25 £k | 2025/26 £k | 2026/27 £k |
|---|---|---|---|---|
| **SCHEME PAYMENTS** | | | | |
| **Benefits** | | | | |
| Pensions | (120,000) | (131,000) | (138,000) | (145,000) |
| Lump Sums | (30,000) | (31,000) | (32,000) | (33,000) |
| | **(150,000)** | **(162,000)** | **(170,000)** | **(178,000)** |
| Transfers out | (14,800) | (15,100) | (15,400) | (15,700) |
| Refunds to leavers | (800) | (900) | (1,000) | (1,100) |
| | **(15,600)** | **(16,000)** | **(16,400)** | **(16,800)** |
| **Operational Expenses** | | | | |
| Admin Expenses | (2,700) | (2,800) | (2,900) | (3,000) |
| Oversight and Governance | (900) | (900) | (900) | (900) |
| | **(3,600)** | **(3,700)** | **(3,800)** | **(3,900)** |
| **TOTAL PAYMENTS** | **(169,200)** | **(181,700)** | **(190,200)** | **(198,700)** |
| **SCHEME RECEIPTS** | | | | |
| Employer and Employee Contributions | 138,000 | 142,000 | 145,000 | 147,000 |
| Transfers in | 18,900 | 19,200 | 19,500 | 19,800 |
| **TOTAL RECEIPTS** | **156,900** | **161,200** | **164,500** | **166,800** |
| **SCHEME SURPLUS/ (DEFICIT)** | **(12,300)** | **(20,500)** | **(25,700)** | **(31,900)** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | **(1,600)** | **20,500** | **25,700** | **31,900** |
| **SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES** | **(13,900)** | **0** | **0** | **0** |
| **CASH BALANCE B/F** | **38,900** | **25,000** | **25,000** | **25,000** |
| **CASH BALANCE C/F** | **25,000** | **25,000** | **25,000** | **25,000** |

# Quarterly Funding & Investment Report

End June 2023

Prepared for: North Yorkshire Pension Fund
Prepared by: Aon
Date: 5 September 2023

Signatory of: UK STEWARDSHIP CODE | 2021

For professional clients only

AON

Agenda Item 9

# Table of Contents



# 1. At a glance…

A high level summary of your investments and funding

# At a glance…



## Funding*

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, falling 5% to 111%, and the surplus has decreased by £217M.

This has been primarily driven by a reduction in asset values which has been partially offset by an increase in the 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.

A separate paper will be provided to Officers and Committee members, providing an analysis of the Fund's equity allocation, considerations and proposals.



## Performance

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

## Market Background and Investment Outlook

Equity markets continued their rally in Q2 2023 as inflation began to moderate in the majority of economies amidst signs that the global economy continued to be more resilient than previously anticipated. The rally in Information Technology stocks was a major contributor to equity market gains over the quarter as investor excitement over artificial intelligence grew.

Bonds have done badly, especially gilts, and equities have done well, but there are early signs that this divergence is now starting to narrow.

UK inflation has lagged the improvements in its global peers, blame sometimes attaching to high wage inflation. Though headline inflation is falling, concern over lingering high underlying inflation is still with us.

## Key actions

1. Committee members to consider the contents of this report, noting the equity allocation analysis will be discussed separately at the September PFC meeting

*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 – Q2 2023



### Assets

£4,228m

Assets reduced by £407m since 2022 valuation

£4,635m at 2022 valuation

### Funding level

111%

Funding level decreased by 5% since 2022 valuation

116% at 2022 valuation

### Return on Assets since 2022 Valuation

-7.0% pa

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

+6.9%

1.0% increase since 2022 Valuation

5.9 % at 2022 valuation

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

+6.9%

0.8% increase since 2022 Valuation

6.1% at 2022 valuation

### Discount rate

4.6%

Discount rate has increased by 0.4% since 2022 valuation

4.2% at 2022 valuation

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

£911m

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

£812m

### Estimated Total Employer cost

16.2%

Estimated Total Employer cost decreased by 1.2% since 2022 valuation

17.4% at 2022 valuation

Note: This funding update rolls forward the results of the 2022 valuation of the Fund. We have made allowance for actual pension increases since the valuation (up to a 10% loading for short term inflationary impacts that was allowed for at the 2022 valuation)



# 2. Funding

A review of your funding position and contributions

# Funding position

## Funding level

111%

at end 30 June 2023

Down from 116% at 31 March 2022

## Surplus

£423M

at end 30 June 2023

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 £217M.

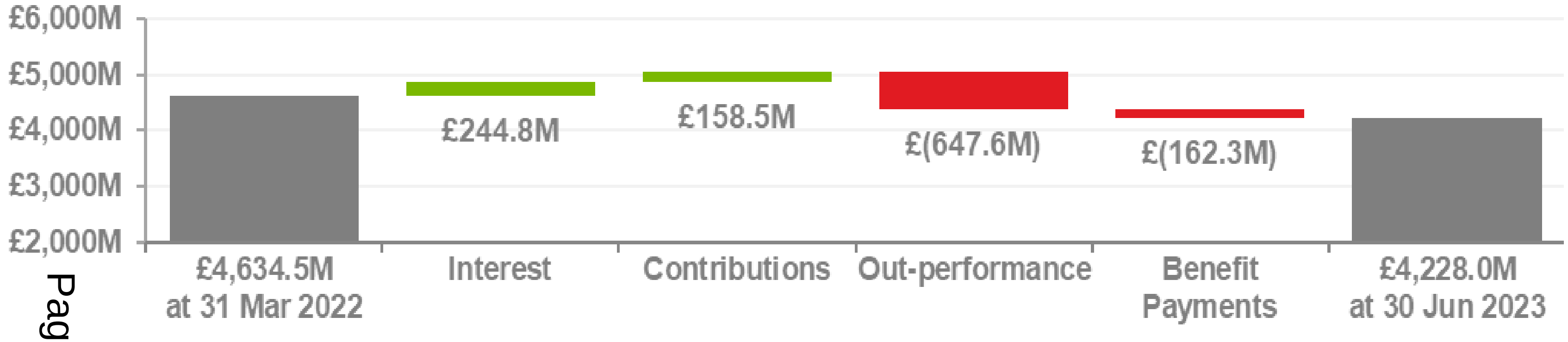
This has been primarily driven by a reduction in asset values although this has been partially offset by an increase in the net discount rate.

## Change to funding level since 31 March 2022



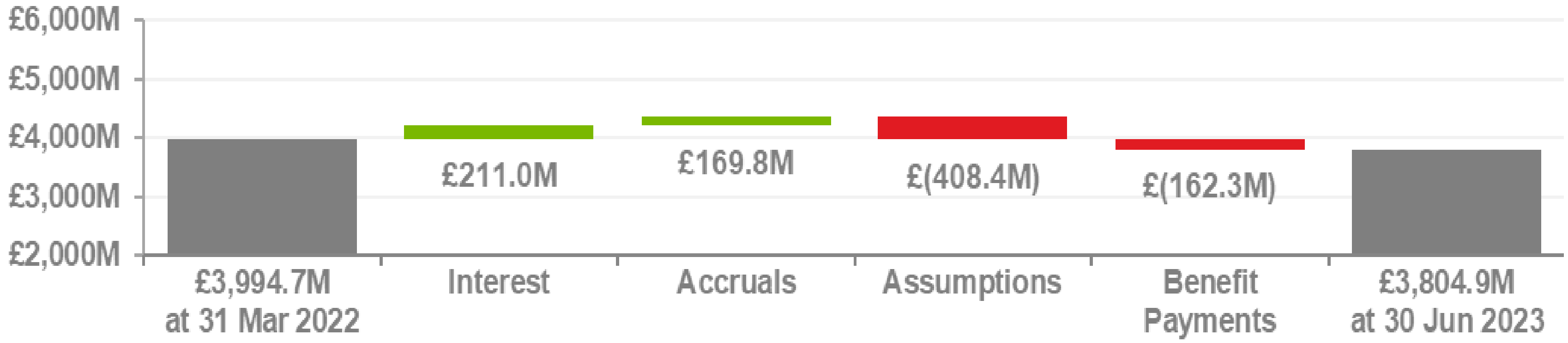
# Analysis – ongoing funding target

## 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 £217M.

# Aggregate Employer contributions – ongoing funding target

## Total employer contribution rate

16.2% ▼

at 30 June 2023

Down from 17.4% at 31 March 2022

## Employer cost of accrual

16.7% ▼

at 30 June 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 – Q2 2023



| Asset Group | Manager | Valuation (£m) | Current allocation | Long-term strategy | 30 June 2023 Difference | Rebalancing Range | Possible action |
|---|---|---|---|---|---|---|---|
| **Equities** | | **2,276.3** | **53.8%** | **50.0%** | **+3.8%** | | |
| | BCPP UK equity | 177.2 | 4.2% | 4.0% | +0.2% | TBC | |
| | BCPP Global Equity | 1,249.7 | 29.6% | 28.0% | +1.6% | +/- 5% | |
| | Baillie Gifford LTGG | 849.3 | 20.1% | 18.0% | +2.1% | +/- 3% | |
| **Absolute Return** | | **7.8** | **0.2%** | **0.0%** | **+0.2%** | | |
| | Leadenhall Remote Risk | 3.0 | 0.1% | | | | |
| | Leadenhall Diversified | 3.0 | 0.1% | | | | |
| | Leadenhall Nat Cat | 1.8 | 0.0% | | | | |
| **Property** | | **278.0** | **6.6%** | **7.5%** | **-0.9%** | **TBC** | |
| | Hermes | 33.9 | 0.8% | | | | |
| | L&G | 44.1 | 1.0% | | | | |
| | Threadneedle | 200.1 | 4.7% | | | | |

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

# Asset allocation – Q2 2023 (cont’d)

| Asset Group | Manager | 30 June 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Valuation (£m) | Current allocation | Long-term strategy | Difference | Rebalancing Range | Possible action |
| **Infrastructure** | | **539.5** | **12.8%** | **10.0%** | **+2.8%** | | |
| | BCPP Infrastructure | 250.7 | 5.9% | | | | |
| | BCPP Listed Alts | 268.7 | 6.4% | | | | |
| | BCPP Climate Opportunities | 20.0 | 0.5% | | | | |
| **Private Credit** | | **157.1** | **3.7%** | **5.0%** | **-1.3%** | | |
| | BCPP Private Credit | 112.6 | 2.7% | | | | |
| | Arcmont | 26.7 | 0.6% | | | | |
| | Permira | 17.7 | 0.4% | | | | |
| **Non-Investment Grade Credit** | | **223.4** | **5.3%** | **5.0%** | **+0.3%** | **TBC** | |
| | BCPP Multi Asset Credit | 223.4 | 5.3% | | | | |
| **Investment Grade Credit** | | **292.6** | **6.9%** | **7.5%** | **-0.6%** | **TBC** | |
| | BCPP Investment Grade Credit | 292.6 | 6.9% | | | | |

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



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# Asset allocation – Q2 2023 (cont'd)

| Asset Group | Manager | 30 June 2023<br>Valuation (£m) | Current allocation | Long-term strategy | Difference | Rebalancing Range | Possible action |
|---|---|---|---|---|---|---|---|
| **Gilts** | | **447.3** | **10.6%** | **15.0%** | **-4.4%** | **TBC** | ⚠ |
| | BCPP Index Linked Bonds | 447.3 | 10.6% | | | | |
| **Cash** | | **6.1** | **0.1%** | **0.0%** | **+0.1%** | **TBC** | ✔ |
| | Internal Cash | 6.1 | 0.1% | | | | |
| **Total** | | **4,228.0** | **100.0%** | **100.0%** | | | |

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

# Investment strategy update

**Equity allocation analysis**

A separate paper will be provided to Officers and Committee members, providing an analysis of the Fund’s equity allocation, considerations and proposals.

# Transitions and cashflows

The following rebalancing activities took place over the quarter:

- £10m was invested into Threadneedle Property Fund.
- £20m was disinvested from Border to Coast Listed Alternative Fund.
- Border to Coast made 26 capital calls and 15 distributions for Infrastructure over the quarter totalling £31m, 17 capital calls and 17 distributions for Private Credit totalling £9m, and 7 capital calls for Climate Opportunities totalling £4m.
- Permira made 2 distributions for Private Credit over the quarter totalling £5m.

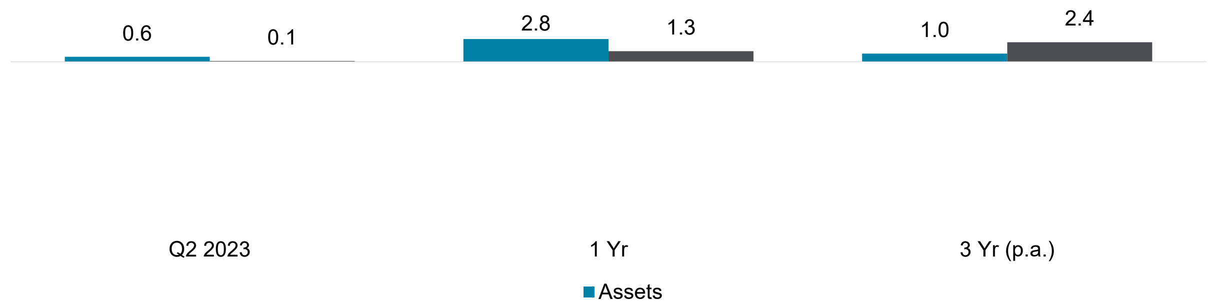


# 4. Fund performance

A review of your investment performance

# Total Fund performance – Snapshot

## Fund performance & benchmark

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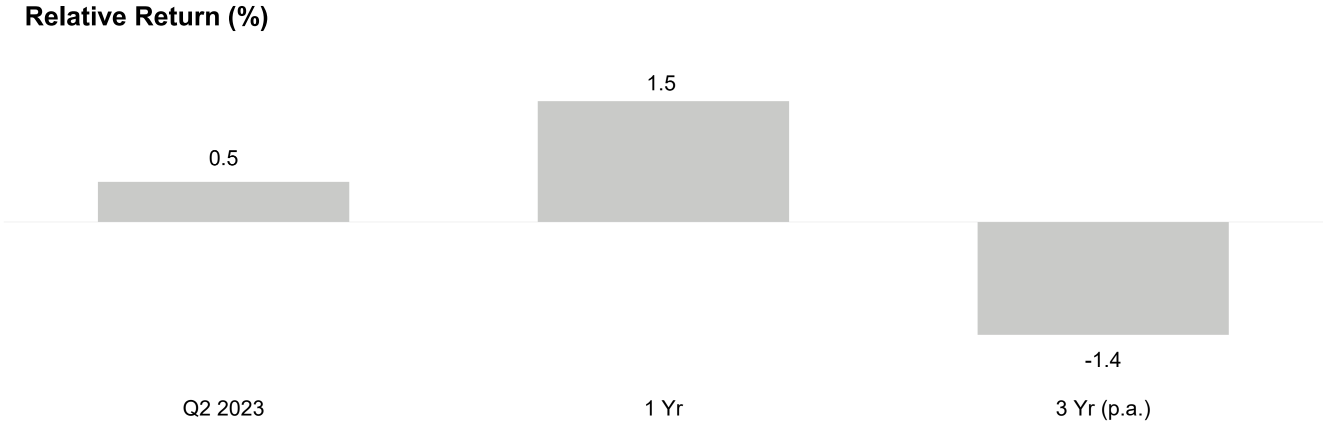
## Relative performance




Source: Northern Trust, Aon

## Quarterly (relative)

0.5%

The Fund outperformed the benchmark returning 0.6% vs 0.1% over the quarter.

## 3 year (relative)

-1.4%

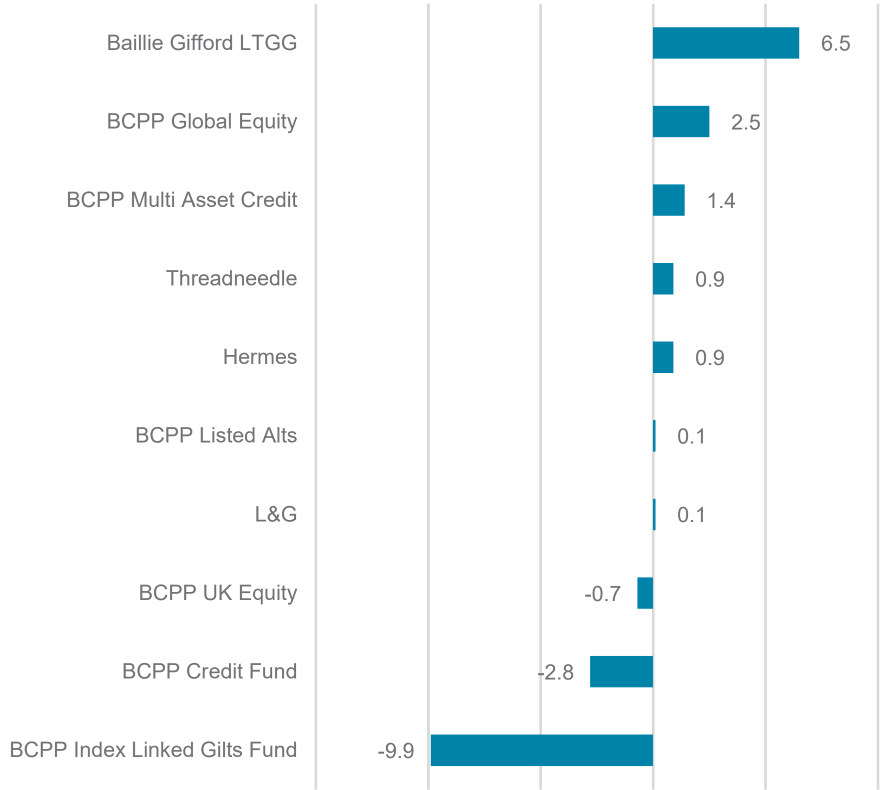
Over 3 years the Fund has underperformed the benchmark returning 1.0% vs 2.4%.

## Comments

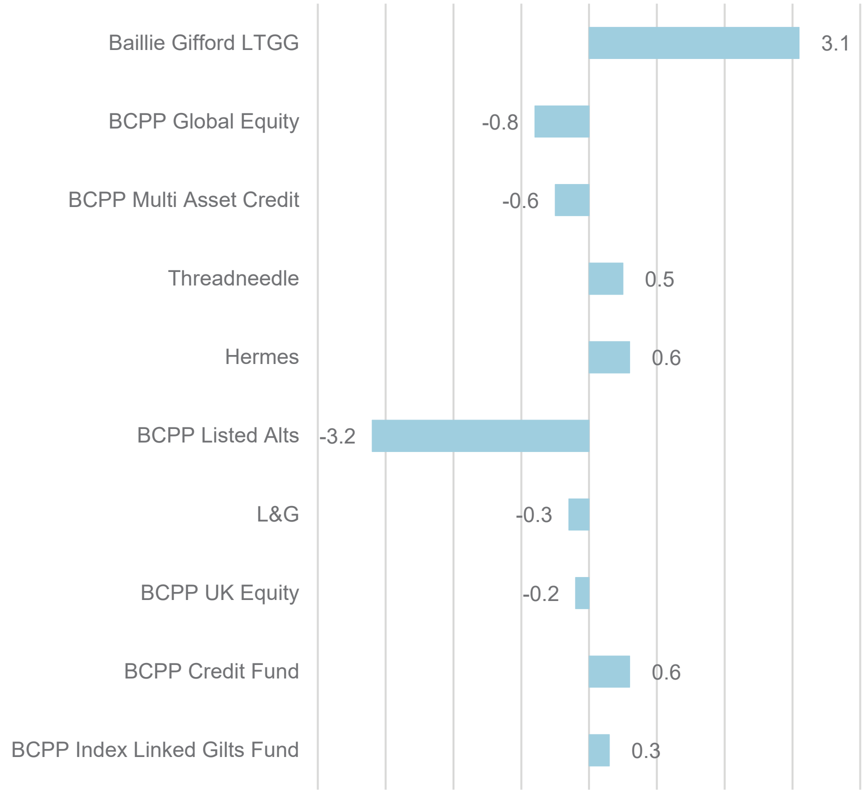
Total Fund performance is behind the composite benchmark over 3 year period but ahead over the quarter and 1 year periods to 30 June 2023.

# Manager performance – Quarter Snapshot

## Absolute performance




## Relative performance




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

| | 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 | 11.4 | 7.9 | +3.5 | 8.9 | 10.0 | -1.1 | 2.7 | 3.7 | -1.0 | Jun-19 |
| Global Equity | | | | | | | | | | |
| BCPP Global Equity | 15.9 | 11.3 | +4.6 | 11.7 | 10.2 | +1.5 | 9.3 | 9.5 | -0.2 | Oct-19 |
| Baillie Gifford LTGG | 18.1 | 11.7 | +6.4 | 0.2 | 10.4 | -10.2 | 14.4 | 9.4 | +5.0 | Sep-06 |
| Property | | | | | | | | | | |
| Hermes | -16.8 | -17.1 | +0.3 | 3.2 | 3.3 | -0.1 | - | - | - | Mar-12 |
| L&G | -17.1 | -17.4 | +0.3 | 3.3 | 3.4 | -0.1 | - | - | - | Dec-12 |
| Threadneedle | -16.9 | -17.4 | +0.5 | 3.8 | 3.4 | +0.4 | - | - | - | Jun-12 |
| Infrastructure | | | | | | | | | | |
| BCPP Listed Alts | -2.3 | 11.3 | -13.6 | - | - | - | -5.6 | 2.3 | -7.9 | Feb-22 |
| Investment grade credit | | | | | | | | | | |
| BCPP Investment Grade Credit | -5.7 | -6.9 | +1.2 | - | - | - | -5.7 | -7.0 | +1.3 | Aug-20 |
| Non-investment grade credit | | | | | | | | | | |
| BCPP Multi-Asset Credit | 6.4 | 6.7 | -0.3 | - | - | - | -4.3 | - | - | Nov-21 |
| Gilts | | | | | | | | | | |
| BCPP Index Linked Bonds | -26.7 | -26.9 | +0.2 | - | - | - | -19.6 | -20.5 | +0.9 | Oct-20 |
| **Total** | **2.8** | **1.3** | **+1.5** | **1.0** | **2.4** | **-1.4** | **6.9** | **7.2** | **-0.3** | **Jan-02** |

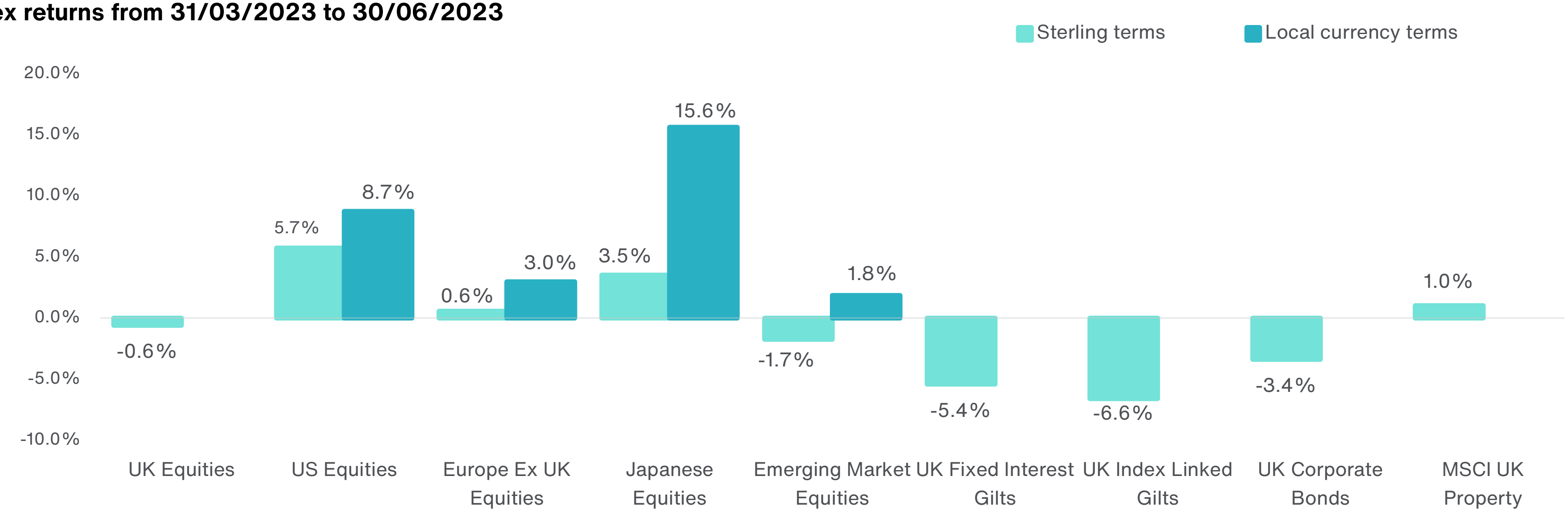
Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding.
Note: Hermes, L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes. BCPP Infrastructure returns and BCPP Private Credit returns not shown during initial investment drawdown phase. Performance for Leadenhall 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 Q2 2023

**Index returns from 31/03/2023 to 30/06/2023**






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

## Equities

The MSCI AC World index posted a 6.7% return in local currency terms. However, sterling appreciation against the US dollar pushed returns in sterling terms down to 3.4%.

UK equities were the only developed market to deliver negative returns in local terms in Q2 2023. Comparatively higher exposure to the Commodities sector and lack of exposure to the Information Technology sector led to the relative underperformance of the UK equities compared to its developed market peers.

## Bonds

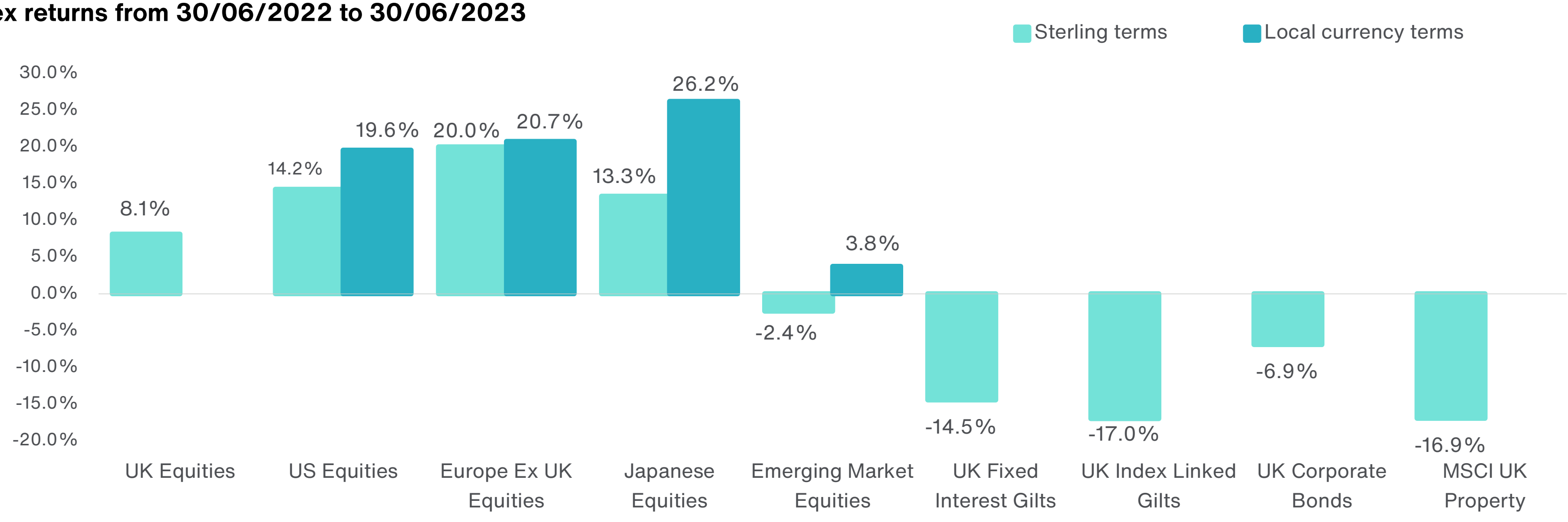
UK investment grade credit spreads fell by 0.11% to 1.55%, based on the IBoxx Sterling Non-Gilts index. Higher-quality bond credit spreads contracted less than their lower-quality counterparts, with AAA-rated non-gilt spreads falling by 0.07% to 0.53% whilst BBB-rated non-gilt spreads fell by 0.14% to 2.24%. The IBoxx Sterling Non-Gilts Index posted a return of -3.4% as rising government bond yields offset contracting spreads and the income yield.

## Gilts

The UK nominal gilt curve rose across all maturities with yields rising more at the short end of the curve relative to longer maturities.

# Market – Background 12 month

**Index returns from 30/06/2022 to 30/06/2023**






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

## Equities

Global equities generated strong positive returns over the last twelve months, recovering after suffering a sharp sell-off in the first half of 2022 due to Russia's ongoing invasion of Ukraine and the start of tighter monetary policy in response to elevated inflationary pressures. Equity markets rebounded particularly over the last nine months as the global economy appeared more resilient than previously anticipated and inflation began to moderate in the majority of economies. The rally in Information Technology stocks was a major contributor to equity market gains in 2023 as investor excitement over artificial intelligence grew.

## 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, narrowed by 0.2% to 1.55% but the index still declined 6.9% on rising gilt yields.

## 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.

# Quarterly Investment Outlook - July 2023

- Bonds have done badly, especially gilts, and equities have done well, but there are early signs that this divergence is now starting to narrow.
- UK inflation has lagged the improvements in its global peers, blame sometimes attaching to high wage inflation. Though headline inflation is falling, concern over lingering high underlying inflation is still with us.
- After a strong sell-off in gilts through Q2, which took implied interest rate paths too high, yields have looked good value for those wanting to take hedging ratios higher or raise duration in sterling bond portfolios.
- We note how rising longer-dated yields in the 2021-3 period have almost entirely been driven by rising real yields. Implied inflation in bond markets has barely risen, even after several years of high inflation.
- We consider the implications if this implied bond market view is correct – good news on inflation, yes, but less good news for economies as these higher real yields would keep after-inflation borrowing costs far higher than in earlier years.
- Higher bond yields also pose challenges across the asset class spectrum since this lower risk investment is now clearly better remunerated than for many years. Relative rewards for risk-taking have fallen – equities and commercial property show bond-relative valuations as not very attractive.
- Credit is still something of a mixed story, with reasonably attractive yields (especially for the UK), but with spreads at best middling.
- We regard sterling's rise this year, supported by higher actual and anticipated interest rates, to have run its course. Portfolio positions now need to limit sterling exposures to strategic hedging needs only.

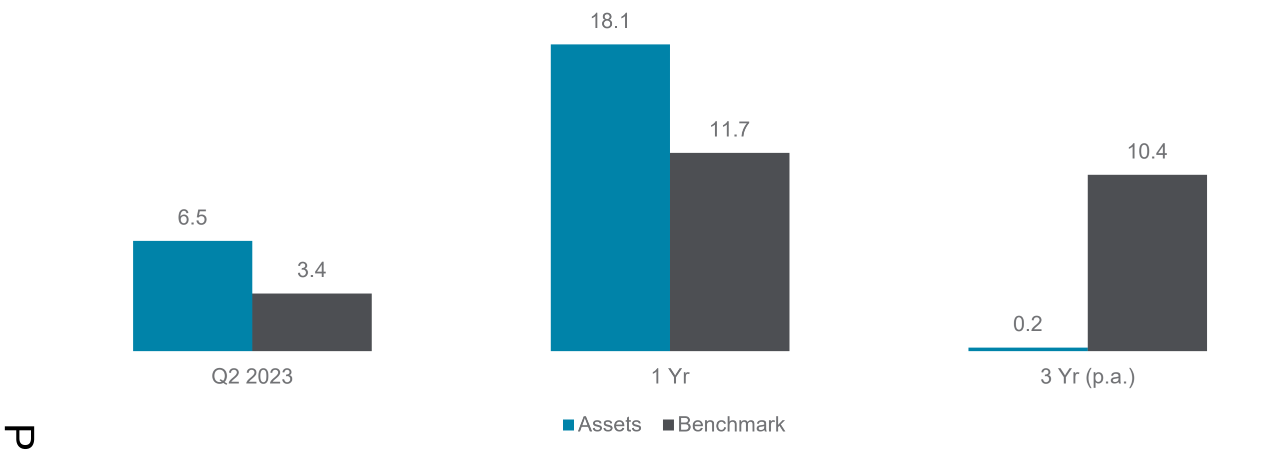
# 6. Manager review

Aon ratings and understanding manager performance

# Baillie Gifford - LTGG



## Fund performance & benchmark




## Performance comments

Whilst the growth investment factor outperformed in the period, this belied a narrower trend of seven US technology / AI related stocks delivering almost all equity returns.

The LTGG portfolio is reasonably well-exposed to this segment of the market, and, as such, enjoyed positive attribution from names such as NVIDIA and Amazon. However, this was partially offset by underperformance in Chinese associated stocks such as Meituan, Alibaba, Kering, Tencent and PDD Holdings, which have stuttered over fears of a slower market recovery.

The Chinese exposure remains under close consideration, though far lower than it has been, at around 15% it still represents a large overweight and is an exception to typical global equity strategy positioning.

## Buy

Reviewed: July 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.

Source: Aon, Northern Trust, data for periods longer than 12 months are annualised.

# Baillie Gifford – LTGG (cont.)

## Positioning and Transactions

Two holdings were purchased in the period: Datadog and Joby Aviation.

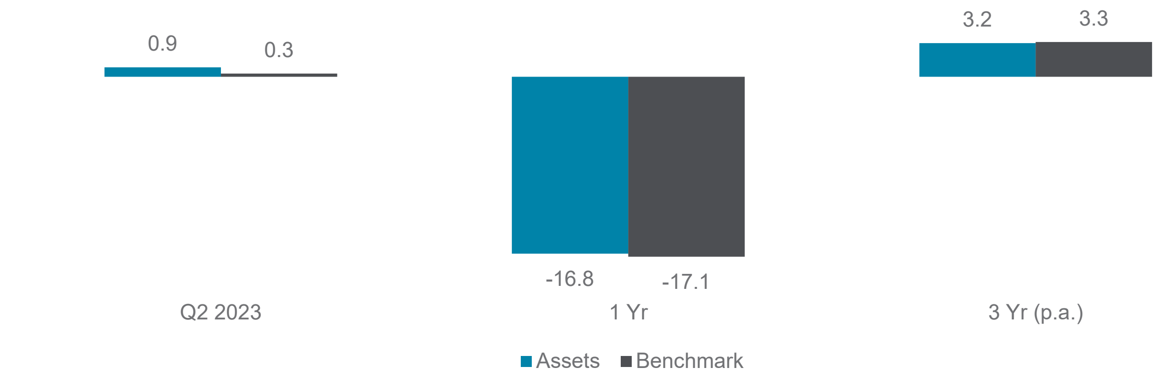
Datadog is a software provider which monitors IT applications to optimise their cost and performance. Joby is developing an electric vertical take off and landing aircraft. This is an early-stage idea, which will be sized commensurately in the portfolio, and is unlikely to be adjusted up in size until its business is more proven.

Carvana and Zoom have been sold. Carvana has been sold as the company struggles to balance profitability against overall growth. Given the lower growth profile, the company has been sold to make way for new ideas.

Zoom has been sold, with the team also viewing high levels of long term growth to be more challenging as the remote working reform has essentially now happened.

# Hermes – Property Unit Trust

## Q2 Fund performance & benchmark




**Buy**

Reviewed: May 2023

## Q1 2023 Monitoring comments

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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.

The Fund's industrial assets continued to underperform in Q1 2023, following the large outward yield expansion in the previous quarter. The Fund's industrial portfolio has seen a 28% price correction since Q2 2022 (on a like for like basis), resulting in -20.5% total return.

The largest detractors to performance over the 12-month period was the Fairway Trading Estate (-33.1%) and the M2 City Link in Rochester (-31%). Overall, the Fund maintains an underweight holding to the industrial sector versus the benchmark at 33.5% vs 37.8%, which was 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 3.8% over the 12-month period with Great George Street London office the main contributor to returns in the office portfolio, returning 10.7%.

The Fund remains focused on rental collection. As at 90 days post quarter end, the Fund has collected 99% of outstanding rent for Q1 and 85% of rent demanded for Q2 after 21 days. This is broadly in line with the previous quarter. Portfolio Vacancy currently stands at 13.4%, up on the previous quarter, with 8.8% being strategic void under refurbishment.

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

### 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.

Source: MSCI data was used for fund performance and benchmarking purposes

# Hermes – Property Unit Trust (cont.)

## Q1 2023 Monitoring comments (cont.)

Great Gorge 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 Funds vacancy rate by 4.4%. The Fund sold two assets over the quarter for a total of £31.3 million. The Fairway Trading Estate, Green Lane, Heathrow sold for a total of £25 million, reflecting a net initial yield of 5%, in line with the most recent valuation. The remaining £6.35 million was generated from the sale of the Cobham & Weybridge Pub portfolio. The purchaser in each was the current undertenant, Brasserie Bar Company, reflecting the focus on converting special purchaser interest on asset sales.



## Q1 2023 Major Developments

There are no major developments to report over the quarter, but the Manager continues to defer redemptions. Outstanding redemptions stand at £186 million.

# LGIM – Managed Property Fund

## Q2 Fund performance & benchmark


**Qualified**

Reviewed: May 2023

## Q1 2023 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 be marginally underweight to retail assets, currently at 17.1% vs the benchmark weighting of 18.8%.

Despite this cautious outlook the Manager remains relatively positive on retail warehousing, which is proving to be resilient following a pick-up in consumer sales. The Manager also has a positive view on leisure assets, especially those located in core locations. LGIM forecasts that this segment will outperform All Property over the next 3 years and offer an attractive yield profile, also presenting opportunities for asset management initiatives.

Leisure assets remain the largest alternatives holding, (c.40%) with an overall alternative weighting of 14.8% vs the benchmark at 12.1%, with the Manager highlighting the compelling relative value case and attractive yield profile.

The Fund is also materially underweight to office vs the benchmark (21.1% vs 24%) which was the largest detractor to performance over the quarter.

The Manager also continues to favour other areas of the alternative 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 recent allocation to LGIM's Build to Rent (BTR) Fund. 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.

## 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.

Source: MSCI data was used for fund performance and benchmarking purposes

# LGIM – Managed Property Fund (cont.)

## Q1 2023 Monitoring comments (cont.)

The Manager also believes that the Fund's current industrial holdings are of good quality and focussed in the South-East with further room for rental growth. The underweight position to industrials now stands at (33.4% versus 37.8%).

The Fund void rate has increased to 11.3%, up from 10.1% last quarter. This increase is largely due to three expected vacancies at the industrial holding in Basingstoke. The Fund's cash level remains considerably above the benchmark at 13.5% (as a % of GAV) vs 7.2%, following large DC pension inflows into the Fund.



## Q1 2023 Transactions

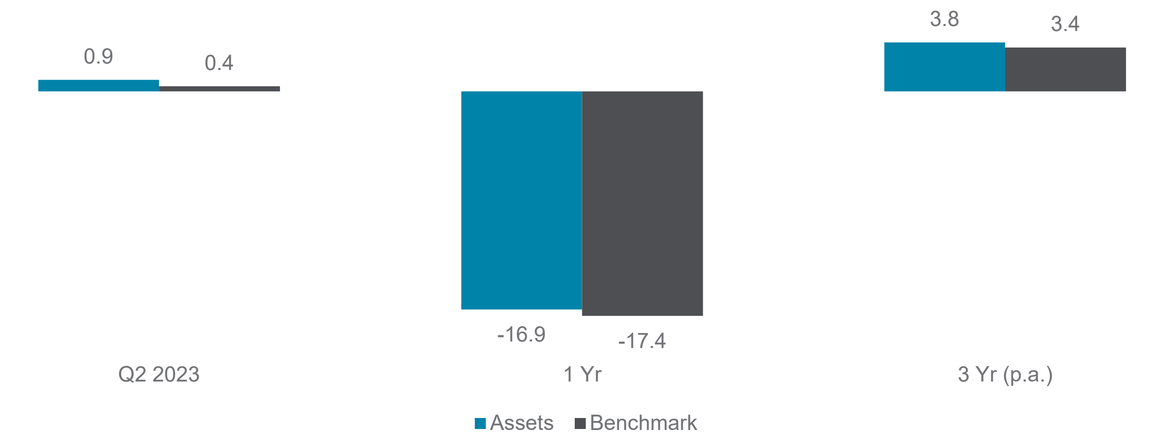
Two transactions occurred over the quarter one residential commitment and one industrial disposal.

The Fund made a £50 million commitment to the L&G BTR Fund, of which £25 million was drawn in Q1, with the remaining £25 million likely to be drawn in Q2, providing the Fund with immediate exposure to the residential sector and a day one stabilised income stream.

The Fund sold Crossflow 180 in Coventry for £17.5 million, reflecting a Net Initial Yield of 5.1% and a capital value of £97 ps ft. Despite the asset outperforming the All-Property Index (8% p.a) delivering 9.6% pa over its lifecycle, the sale was consistent with the Fund's preference for multi-let industrial/ urban logistics over out of town, single-let distribution logistics.

# Threadneedle – TPEN

## Q2 Fund performance & benchmark




**Buy**

Reviewed: June 2023

## Q1 2023 Monitoring comments

Despite the redemptions received and the fall in real estate prices, the NAV of the Fund remains at a level that we are comfortable with. At the end of the quarter the NAV stood at £1.6 billion.

With regards to sector weightings, the Fund remains overweight to industrials (47% versus 41.7%), which should benefit performance over the short and medium terms. The Manager will continue to dispose of industrial assets where capex requirements outweigh the investment upside.

The Fund also maintains a meaningful allocation to the retail warehouse sector, albeit only marginally higher than the benchmark (14% versus 13.5%). The Fund does have a material overweight position to town centre offices at 19% (benchmark, 14.5%), with the Manager actively looking to reduce this overweight position over the remainder of 2023.

The Fund continued to sell assets over Q1 2023 to pay redemptions and build up liquidity.

The Fund disposed of seven sales, totalling £13.7 million which were at an average discount of 2% to their holding value. This compares to average discount of 10% to book value for the assets sold over Q4 2022, reflecting the situation that speed of valuation declines had slowed markedly over the start of 2023. At the end of the quarter the Fund's liquidity position stood at C.£45 million, or 2.9% of net assets.

The majority of the sales (five) over the quarter were smaller old industrial assets which had completed their business plans and were weaker from an ESG perspective and given their lot size were still liquid in the current market.

## 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%.

Source: MSCI data was used for fund performance and benchmarking purposes

# Threadneedle – TPEN (cont.)

## Q1 2023 Monitoring comments (cont.)

The Manager's goal continues to be to dispose of weaker assets, especially weaker retail and office assets. The strategy is to dispose of these assets despite the current market conditions given the expectation that as the year progresses more office assets will put on the market.

No assets were acquired during the quarter.

## Major Developments



During September the Manager took the decision to defer redemptions from October given the elevated level of redemption requests the Fund 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 cleared its outstanding redemption queue. The Manager has not lifted the deferral to build up its cash position.

Source: MSCI data was used for fund performance and benchmarking purposes

# BCPP – Quarterly high level monitoring (Q2 2023)

## Changes to views of External Managers

- BCPP Global Equity Alpha
  - Loomis Sayles: The manager was first placed on the Watchlist in Q1 2023 due to resignations and departures from their dedicated analyst team. BCPP have held several engagements with the CEO, CIO and the investment team at Loomis around their thoughts on challenges in recruitment and retention. BCPP are continuing resourcing of the team and will provide an update to Partner Funds at the next quarterly update.



Source: Aon, BCPP External and Internal Management Quarterly Updates (Equity and Fixed Income Q2 2023), BCPP Quarterly investment Report (NYPF) Q2 2023
Note: BCPP quarterly assurance data will now be released annually and has not been included above.

# Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

## UK Equity Alpha Fund

| Fund | Q2 2023 Position | |
|---|---|---|
| | Weighted Average Carbon Intensity | Weighted ESG Score |
| UK Equity Alpha | **51.9** | **7.8** |
| Benchmark (FTSE All Share) | **112.9** | **7.9** |

## Global Equity Alpha Fund

| Fund | Q2 2023 Position | |
|---|---|---|
| | Weighted Average Carbon Intensity | Weighted ESG Score |
| Global Equity Alpha | **82.4** | **7.1** |
| Benchmark (MSCI ACWI) | **134.4** | **6.8** |



## Sterling Investment Grade Credit Fund

| Fund | Q2 2023 Position | |
|---|---|---|
| | Weighted Average Carbon Intensity | Weighted ESG Score |
| Sterling Investment Grade Credit | **67.6** | **7.2** |
| Benchmark (iBoxx Sterling Non Gilt Index) | **74.8** | **7.6** |

## Listed Alternatives Fund

| Fund | Q2 2023 Position | |
|---|---|---|
| | Weighted Average Carbon Intensity | Weighted ESG Score |
| Listed Alternatives | **183.0** | **7.2** |
| Benchmark (MSCI ACWI) | **134.4** | **6.8** |

Source: BCPP/MSCI[1]

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# 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.



| 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

## ESG Factor

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

| | Key |
|---|---|
| Advanced | The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio. |
| Integrated | The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio. |
| Limited | The fund management team has taken limited steps to address ESG considerations in the portfolio. |

# 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 30 June 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 March 2023 | 4.70% | 3.55% | 2.30% |
| 30 June 2023 | 4.60% | 3.35% | 2.10% |

* Plus an allowance for short term inflationary increases

# Risk/Return Assumptions





- The table to the right sets out the 10-year median returns and volatility assumptions in absolute terms used in the modelling.
- Assumptions are based on Aon's Capital Market Assumptions as at 30 June 2023
- Allocations modelled are those set out in the main body of this presentation. Allocations are assumed to be annually rebalanced.
- Allowance for active management is made in some of the assets classes, in particular where there is no real passive version of the asset, for example private equity funds.
- Unless stated otherwise, all returns are net of underlying manager fees.

| High level asset class | Expected Return | Expected Volatility |
|---|---|---|
| Equities | 6.8% | 18.9% |
| Property | 6.0% | 12.5% |
| Infrastructure | 7.6% | 15.8% |
| Listed alternatives | 6.7% | 19.2% |
| Illiquid credit | 8.4% | 6.0% |
| Investment grade credit | 5.8% | 9.4% |
| Non-investment grade credit | 6.9% | 9.4% |
| Absolute Return | 6.8% | 5.2% |
| Gilts | 3.5% | 9.7% |
| Cash | 4.2% | 1.6% |

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

# Correlation Table

| High level asset class | Equities | Property | Infrastructure | Listed Alternatives | Illiquid credit | IG Credit | Non-IG Credit | Absolute Return | Gilts | Cash |
|---|---|---|---|---|---|---|---|---|---|---|
| Equities | 100% | 38% | 62% | 100% | 27% | 3% | 54% | 21% | -8% | -1% |
| Property | | 100% | 19% | 36% | 28% | 5% | 28% | 9% | -1% | 7% |
| Infrastructure | | | 100% | 63% | 15% | 3% | 22% | 20% | -3% | 3% |
| Listed Alternatives | | | | 100% | 26% | 3% | 54% | 21% | -8% | -1% |
| Illiquid credit | | | | | 100% | 55% | 65% | 18% | 8% | 31% |
| IG Credit | | | | | | 100% | 25% | 18% | 52% | 42% |
| Non-IG Credit | | | | | | | 100% | 17% | 1% | 9% |
| Absolute Return | | | | | | | | 100% | 10% | 35% |
| Gilts | | | | | | | | | 100% | 32% |
| Cash | | | | | | | | | | 100% |

# Data and assumptions



| | |
|---|---|
| Date of calculation | 30 June 2023 |
| Number of simulations | 5000 |
| Time horizon | 10 years |
| Asset value | £ 4,228,035,902 |

- 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% |

# Purpose, key assumptions and judgements of the model

The purpose of this analysis is to consider and monitor the return and risk characteristics of the current and long term investment strategy of the Fund. The key assumptions and judgements of the model are set out below and we believe are reasonable for the intended purpose.

- The calculation considers (5000 stochastic) simulations of annual absolute returns over the period modelled. The simulations are constructed using Aon's Stochastic Asset Model, further details and assumptions are outlined in this appendix.
- A liability proxy is not considered.
- Allocations are assumed to be annually rebalanced, in practice this may not always be possible for illiquid assets.
- The calculations do not take into account any cashflows payable.

# Limitations

## Material risks to the Fund include covenant, longevity, market, inflation, contributions, expenses and liquidity.

- Our stochastic scenarios include market risk only, and this risk is present in the distribution of returns and is reflected in the risk metrics shown. Market risk has been calculated on an asset only basis.
- This modelling does not cover liability basis, inflation, covenant, longevity, contributions, expenses and liquidity risk. When using the modelling analysis, the user should consider how these risks apply and whether they are material to the decisions under consideration.

## There are other factors that could materially affect the Fund's funding and strategy decisions, or the exposure or realisation of the risks above:

- These other factors include external factors such as climate change or political, regulatory and legislative change.
- The general risk factors of economic or technological change are reflected in our economic assumptions and the prevalence of extreme events in our economic model, but not all specific risks can be captured (e.g. disruptions to the financial system, or technological change leading to improvements in longevity).
- There are other risks to which the Fund is exposed that we assume are not material to long-term funding and investment strategy decisions, such as timing of member options or operational risks.

# Limitations (continued)

## There are necessarily some limitations associated with the stochastic scenarios calibrated to Aon's Capital Market Assumptions used for asset-liability modelling.

- **CMAs and asset-liability modelling**. Asset-liability projections rely on views of the future and whilst median projections are our Aon-house views (intended to reflect no bias), we do not know what will materialise in practice (for example it cannot be predicted exactly how the equity market and bond market will develop over the next year). To help build up a more complete picture of possible outcomes, we project assets and liabilities stochastically with the aim of capturing the uncertainty associated with the projections. This approach is designed to be coherent with each asset being calibrated to target a CMA median return, volatility and set of interdependencies (correlations) assumptions. Nevertheless, there remain some limitations, including but not limited to those set out below.
- Whilst Aon's CMA assumptions are supported by historical data, current financial market prices and expert views there are necessary some limitations in the analysis, including, but not limited to, the following:
  - **Long-term versus short-term.** The stochastic scenario calibration primarily seeks to capture a realistic long-term distribution of outcomes but is also mindful of short-term risk behaviours. These, sometimes competing, objectives can lead to some trade-offs within stochastic scenario calibration and the requirement for significant expert judgement. Where significant focus is applied to an individual asset class, particularly for more extreme outcomes, the user should bear this limitation in mind, and/or may wish to consider the use of deterministic scenarios.
  - **Only 5,000 scenarios are produced**. There is necessarily a trade-off between running more scenarios and spurious accuracy. Notably as you approach extreme tails, i.e., 1-200 this is an area of the distributions where there is insufficient market information to apply rigorous statistical analysis to explicitly calibrate models to, as such seeking to define the model outcome with a high degree of confidence is to some extent spurious and will be heavily driven by model selection.
  - **Data used for the CMAs may be limited and/or be subject to interpretation for relevance today**. The issues that arise from a lack of or poor historical data may be compounded by changing context. For example, for part of the last 100 years the UK was either on the gold standard or a quasi-gold standard, which is a very different economic framework than floating currencies. This obviously creates significant issues for the relevance of any cash rate and bond yield data.
  - **Defined randomness rather than chaotic behaviour**. The model, by necessity, assumes an underlying distribution of returns and yields. This presumes the underlying asset returns are random in nature rather than deterministic and chaotic. In a deterministic and/or chaotic framework the concept of a 1-in-X event has no meaning and so is not used in this modelling.
  - **Some extreme events are not modelled.** Our model is built on the premise that the current monetary and political framework will continue and presumes that there will not be a breakdown of civil order, a major natural disaster, UK government default or a significant global armed conflict. We view these risks as being outside the typical use case, however where very extreme scenarios are considered these may be relevant and should be addressed through deterministic scenario analysis.
  - **Unknown unknowns.** The model deals with known risks and therefore does not allow for "black swan events" or "unknown unknowns", while our model does have fat tails, it is not possible to fully allow for these types of unknown risks.
  - **Volatilities and correlations**. Volatility and the correlation of assets are only observable after the fact and can change over time. Within the stochastic scenario calibration, volatility and correlations vary for each of 5,000 scenarios, with the distribution of outcomes largely a function of the chosen economic models and the median long-term volatility and correlation targets. Some correlation behaviour is introduced in the tails e.g., large equity falls with more downward credit transitions.

# Capital Market Assumptions

Aon's Capital Market Assumptions (CMAs) are our asset class return, volatility, and correlation assumptions. The return assumptions are "best estimates" of annualised returns. Below we set out the key features and approach taken in setting these assumptions.

- **Aon's CMAs.** Market risk is the primary risk considered as part of the CMA setting process.
  - The return assumptions are Aon's "best estimate" returns, with the uncertainty around the expected return represented by the volatility (annualised standard deviation of returns over the projection period) assumptions. Correlation assumptions allow for the interconnectedness of the risks facing different asset classes.
  - By 'best estimate' we specifically refer to the median annualised return. That is, there is a 50/50 chance that outcomes will be above or below the assumptions.
  - Assumptions are set by Aon's Global Asset Allocation Team and represent the long-term (10 and 30 year) market outlook.
  - Our long-term assumptions are based on historical results, current market characteristics, our professional judgment, and forward-looking consensus views.
- **Consideration of other approaches.** Alternative approaches include using generalized global models, such as the Capital Asset Pricing Model (CAPM) or a fixed risk premia approach, but we believe these approaches over-simplify the analysis and do not capture as much of the intricacies around each asset class.
- **Climate risks**. We consider the impacts of climate change when setting our assumptions. Making direct adjustments is challenging and subject to a high degree of subjectivity, as climate change effects are extremely 'non-linear'. Aon's capital market assumptions (CMAs) are based on long-term consensus views of what is priced into the market, and therefore indirectly capture the climate risk that is currently captured in current market conditions. **A separate range of deterministic scenarios focusing on climate change scenarios can be used to inform and help aid decisions.**
- **Other risks**. The effects of other internal or external environmental factors, such as technological, economic, political and geopolitical, regulatory and legislative changes, are also indirectly captured, in consensus views on the economic outlook and market pricing, which feed into our return assumptions.

# Aon's Stochastic Scenario Generator (SSG) Model

Aon's Stochastic Scenario Generator (SSG) Model is a set of 5,000 stochastic scenarios, calibrated quarterly to Aon's Capital Market Assumptions. These stochastic scenarios can be used to evaluate the risk and return characteristics of a Fund's assets versus its liabilities.



**Asset-liability modelling**

- **Stochastic scenarios.** Aon's Capital Market Assumptions CMAs are used as targets to calibrate a set (typically 5,000) of stochastic scenarios for each economic variable. This allows us to perform stochastic asset-liability studies i.e. project portfolios of assets and liabilities many times into the future, building up a coherent picture of possible outcomes. Allowing for the interactions of asset and liabilities stochastically impacts median outcomes and enables percentile outcomes and probabilistic metrics to be considered.
- **Consistent framework**. All the major markets and asset classes are modelled within a consistent framework allowing for the interactions between them to be properly taken into account.
- **Model choice**. When setting assumptions, we have opted to use different economic models for different asset classes (listed on this slide), as we believe this would be the best way to capture the specific characteristics associated with each asset class.

**Key economic models used**

- **Nominal yields** are modelled using an extended displaced Black-Karasinski model, which enables us to model full yield curves. Yields are positively skewed, and the model can fit the starting curve. In the current calibration, average nominal yields are assumed to broadly follow the market for the first c.20 years of the projections.
- **Real yields** are modelled using a Hull-White model, this enables us to model unbounded full yield curves. The model can fit the starting curve. In the current calibration, average real yields are assumed to broadly follow the market for the first c.20 years of the projections
- **Inflation** is taken as the difference between nominal and real short rates, and the positive skew of the nominal yield model ensures realised inflation is positively skewed. For realised inflation a 'surprise' element is allowed for making inflation more volatile that purely predicted by the short rates.
- **Investment grade corporate bonds** are modelled using an extended Jarrow-Lando-Turnbull framework which assumes bonds can be modelled based on their credit rating and anticipated cashflows. This ensures positive credit spreads with positive skew and ratings transitions which broadly reflect historically observed transitions.
- **Return-seeking assets** are modelled using exposures to factors, where each factor can contain stochastic volatility and/or jump diffusion process. This gives the flexibility to capture more complex tail behaviour than is typically observed in simpler log-normal models.
- **Other assets** generally use outputs from the models above and exposure to some degree of idiosyncratic element in order to capture desired properties for the asset being considered.

# TAS compliance



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 Solutions UK Limited on the understanding that it is solely for the benefit of the addressee.

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100') (updated July 2023).



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, and is also to be used to assess the expected return and Value at risk of the Funds assets on a quarterly basis. 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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# North Yorkshire Council

# Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 6th July 2023 commencing at 10.00am.

Present: -

Members of the Board

David Portlock (Independent Chairman)

Employer Representatives:

Councillor Mike Jordan (North Yorkshire Council)
David Hawkins (York College)

Scheme Members:

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

Council Officers:

Qingzi Bu, Harriet Clarke, Phillippa Cockerill, Stuart Cutts, Jo Foster-Wade, Tom Morrison and Ian Morton.

In attendance:

Councillor George Jabbour



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**Copies of all documents considered are in the Minute Book**

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**15. Apologies for absence**

Apologies for absence were submitted by Emma Barbery (Askham Bryan College).

**16(a) Minutes**

**Resolved -**

That the Minutes of the meeting held on 6 April 2023, having been printed and circulated, be taken as read, confirmed as a correct record and signed by the Chairman.

**16(b) Progress on Issues Raised by the Board**

The consultation from the Department for Levelling Up, Housing and Communities (DLUHC) was still awaited in relation to the Hymans Good Governance review. The issue was however reported to be progressing and the consultation expected in the near future.

Further to Minute no. 6, following the annual discussion with the Treasurer of the North Yorkshire Pension Fund (NYPF), it was reported that further information from the DLUHC was awaited regarding a second phase of pooling with the possibility of the amalgamation of existing pools. It was noted that these arrangements may affect Border to Coast Pensions Partnership (BCPP). The Chairman raised concerns that a larger pool across a greater geographical area might take away accountability from pension scheme members to the administrating authority. Challenges around governance and decision-making arrangements with significantly more stakeholders involved if another phase of pooling was implemented were also discussed.

The matter of BCPP's Responsible Investment Policies would be covered at a later agenda item.

**Resolved -**

That the report be noted.

**17. Declarations of Interest**

Councillor Mike 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.

**18. Public Questions or Statements**

There were no public questions or statements.

**19. Pension Fund Committee – Draft Minutes of the meeting held on 26 May 2023**

Considered -

The draft minutes of the meeting of the Pension Fund Committee (PFC) held on 26 May 2023.

It was noted that a number of items on the PFC agenda would come up at today's meeting of the Pension Board.

**Resolved –**

That the Minutes be noted.

**20. Draft Pension Board Annual Report**

Members considered the draft Annual Report of the Pension Board for 2022/23 and were requested to suggest any amendments. It was noted that, following approval by Council, the Annual Report would be published on the NYPF website.

The Chairman had identified several accuracy issues within the report, as recorded below. These would need to be taken on board before submission to the PFC, the Council's Executive, and then full Council.

**Membership of the Board**

- David Hawkins was not a co-opted Member and had full voting powers.

**Attendance at meetings**

Attendance at meetings was as follows as former County Councillor Bob Baker's term of office ended in May 2022:

- 7th July 2022 – Face to face meeting. Emma Barbery absent. All other Members in attendance. Pension Fund Committee Member County Councillor George Jabbour attended as an observer.
- 6th October 2022 – Face to face meeting. Councillor Ann Hook absent. All other Members in attendance. Pension Fund Committee Member County Councillor George Jabbour attended as an observer.
- 12th January 2023 – Face to face meeting. All Members in attendance. Pension Fund Committee Member County Councillor George Jabbour attended as an observer.

**Issues Considered**

- External Audit Report on the NYPF for the year ended 31 March 2022 – it was noted that this report had not yet been completed.

**Pension Board Costs for 2022/23 and Budget for 2023/24**

- It was noted that travel costs should not total £0 as several Members had claimed travel expenses throughout the 2022/23 year. It was confirmed that this figure would be updated for the final draft of the report.

It was noted that references to North Yorkshire County Council and scheme members representing district councils had been included as the draft Annual Report reflected the 2022/23 financial year, prior to Local Government Reorganisation (LGR).

**Resolved –**

That the draft Annual Report of the Pension Board 2022/23 be approved, subject to the amendments outlined, and taken through the appropriate process before it is submitted to full Council for approval and publication.

**21. Pension Fund Administration**

Phillippa Cockerill, Head of Pensions Administration, provided Members with an update on key initiatives undertaken by the Administration Team of the NYPF.

The following matters were highlighted:-

**Pension Fund Committee Report**

The PFC administration report and associated appendices which were discussed at their May 2023 meeting were set out at Appendix 1.

**Breaches Log**

There had been two new entries in the breaches log since the previous meeting of the Board, as detailed at Appendix 2. Both breaches related to the accidental disclosure of personal data to another person, one by email and one by post.

Members discussed whether to report the breaches to the Pensions Regulator and noted that the matters had been referred to the Internal Auditor who considered these to be very low risk. It was agreed therefore that given the low risk involved and that the issues had been addressed to prevent these from reoccurring, that no report to the Pensions Regulator should be made.

In response to a question concerning the distribution of paper pension statements, it was clarified that whilst the default method was to distribute statements electronically, individuals were entitled to opt out of this, recognising that not everyone was computer literate or wanted an e-statement.

**Annual Benefits Statements (ABS)**

Work was continuing on processing the year end data in preparation for the production of the ABS for 2023. It was reported that 194 files had been received and the printing of statements yet to be posted would be carried out that week. It was noted that LGR had impacted the receipt of information from the former district councils. In response to a query concerning issues around the distribution of statements within the former Harrogate district, further detail was requested to determine whether the problems were due to user error or a wider issue that needed to be dealt with.

**Major projects**

The roll out of the i-Connect employer portal was continuing but had been slowed by the year end and ABS work. Plans to increase the resource working on this project going forwards were confirmed in order to accelerate progress.

In relation to McCloud, the data load into Test had been completed and the errors and warnings had been reviewed, which had resulted in the approach to the data load into Live being changed. It was explained that the data received now needed to be manually worked through in order to compare it to the data already held. A project team would be established to progress this from 1 August 2023. In response to concerns regarding the increased workload for the service, it was noted that as the work needed to be carried out manually, there was a risk that this would not be completed by October. However, the NYFP were not the only pension fund at risk of missing this deadline given that amendments were still needed to the regulations following the latest McCloud consultation.

**Local Government Pensions Committee (LGPC) Bulletins Log**

Details of recent LGPC bulletins, and the response to those, were set out at Appendix 3 to the report.

**Resolved -**

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

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

**22. Risk Register Review, Governance Documents Review and Draft 2022/23 Statement of Accounts**

Phillippa Cockerill, Head of Pensions Administration, presented a report which provided Pension Board Members with the opportunity to review the Risk Register, the suite of governance documents of the NYPF and details of the NYPF draft 2022/23 Statement of Accounts.

It was noted that at its meeting on 30 June 2023, the PFC had considered the governance documents and had approved alterations, where appropriate. Details of the documents were provided to Board Members, with track-changes in place, providing an opportunity to determine any further changes to the documents. The documents would continue to be reviewed during the year and brought back to the PFC and Pension Board for further consideration.

The draft 2022/23 Statement of Accounts were provided for information and Board Members were asked to feed back any comments.

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

- With reference to the timeline of the external audit on the draft 2022/23 Statement of Accounts, it was confirmed that Deloitte, the Council's external auditors, had agreed to attend onsite visits at County Hall from 31 July 2023, to avoid undertaking all of the external audit work remotely.
- In response to a query surrounding the Charging Policy, it was confirmed that the chasing of outstanding information would continue to incur charges where appropriate and that the removal of text at paragraph 3.0 was to remove the duplication of text within the charging scales table. It was also confirmed that the charges were set by the NYPF, rather than nationally.
- It was noted that the comments of Board Members on the Responsible Investment Policy and Climate Change Statement were previously fed back to BCPP.
- The Board referred to the Responsible Investment Policy around climate change and debated the risks associated with climate change and the extent to which they impacted pension fund investments. The Investment Strategy Review undertaken by the PFC back in March 2023 was discussed and it was noted that the current policy was to engage with companies to lobby them to transition to a low carbon economy. It was highlighted that the PFC kept alert to issues relating to responsible investment and climate change.

Resolved –

That the Risk Register, Governance Documents and draft 2022/23 NYPF Statement of Accounts be noted.

**23. Internal Audit Report**

Ian Morton, the Assistant Director – Audit and Assurance at Veritau, provided the Pension Board with an update on internal audit activity. The report highlighted progress on the Audit Plan for 2022/23, as previously approved by the Pension Board as follows:-

- The Investments, Income and Expenditure Audits were nearing completion and the final reports were due to be completed by the end of July 2023. Progress on the completion of audit work had been delayed due to the impact of LGR combined with NYC staff availability.
- Details of four outstanding actions from the 2021/22 audits were provided at Appendix 1 to the report and the reasons for their non-completion outlined. It was reported that one audit action had since been completed, one had been partly actioned and two audit actions remained, with their completion scheduled to take place in the Summer.

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

- It was noted that some of the delays relating to audit follow up actions concerned IT systems, and a question was raised as to whether this compromised the security of pension fund systems. In response, it was confirmed that the delays were not considered to be a major concern but that it was important to update disaster recovery plans and provide further training courses for staff.
- One Member commented that fixed dates should be included in the follow up of agreed actions. Ian Morton agreed that this would be considered going forwards and clarified that any outstanding actions would be completed by the date of the next Pension Board meeting in October.
- It was noted that the Boxphish learning platform had been suspended due to the impacts of LGR. Board Members requested that they be provided with further information at the following Pension Board meeting in October.
- It was expected that the final internal audit reports would be available for the October meeting of the Board.

The Chairman noted that this would be the last meeting of Ian Morton, who was retiring from Veritau. The Chairman thanked Ian for his continued input, advice, and support over the years. This was echoed by other Members and officers of the Pension Board. Stuart Cutts had attended the meeting and would take on Ian's role going forwards.

**Resolved –**

That the report be noted.

## 24. Dispute Cases and Exercises of Discretion – Annual Review

Members considered details of the cases received via the Internal Dispute Resolution Procedure (IDRP) and any cases referred to the Pensions Ombudsman in the scheme year to 31 March 2023.

The following points were highlighted:-

- There were nine IDRP cases received in the period 1 April 2022 to 31 March 2023. Details were provided at Appendix 1 to the report.
- There were no cases received from the Pensions Ombudsman in the period 1 April 2022 to 31 March 2023.

- Employer discretions were exercised throughout the year such as for flexible retirements, deadlines for transferring in and assessing employee contribution bands.

Members discussed the report and appendix and the following issues were highlighted:-

- It was clarified that the West Yorkshire Pension Fund was used as the independent adjudicator to review the Stage 1 IDRP cases.
- With reference to the Stage 2 appeals that had been received, it was confirmed that these had been responded to.
- Members discussed the NYPF's input and involvement in the exercise of employer discretions. It was noted that the NYPF were often only informed of cases when asked to respond to particular queries but that they had a role in reviewing employer discretions and commenting on how reasonable they were.

**Resolved -**

That the report be noted.

## 25. Training

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

It was noted that the details of training events attended, and activities undertaken by Pension Board Members were no longer circulated with the report papers.

It was confirmed that version 2 of the Hymans Robertson online training package was now in place, which was relatively similar to version 1, but with additional updates.

**Resolved -**

(i) That Members note the availability and details of the Hymans Robertson online training package;

(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.

## 26. 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.

It was noted that LGR had slowed the number of projects picked up through the Work Plan and that an in-depth discussion on this matter would be deferred to a future meeting of the Pension Board.

**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

12th October 2023
11th January 2024
4th April 2024

The meeting concluded at 11.25.