



## Agenda

**Meeting:** Pension Fund Committee

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

**Date:** Friday, 1 March 2024

**Time:** 10.00 am

**Councillors:** Angus Thompson (Chair), John Cattanach, Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Neil Swannick, 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. Exclusion of the Public and Press**

To consider the exclusion of the public and press from the meeting during consideration of item 10 – Asset Allocation review on the grounds that this includes the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation) Order 2006.

**2. Minutes of the Committee Meeting held on 24th November 2023 (Pages 3 - 10)**

**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 27<sup>th</sup> February 2024. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the agenda (subject to an overall time limit of 30 minutes);
- when the relevant agenda item is being considered if they wish to speak on a matter which is on the agenda for this meeting.

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

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|--|--------------------------|
| <b>5. Pensions Administration - Report of the Treasurer</b>  | <b>(Pages 11 - 30)</b>   |
| <b>6. Budget 2023/24 and Cashflow - Report of the Treasurer</b>  | <b>(Pages 31 - 34)</b>   |
| <b>7. Business Plan, Budget and Cashflow Forecast - Report of the Treasurer</b>  | <b>(Pages 35 - 56)</b>   |
| <b>8. Quarterly Funding and Investments Report (Including Investments Update) - Report of AON</b>  | <b>(Pages 57 - 106)</b>  |
| <b>9. Pension Board - Draft Minutes of 11th January 2024 - Report back by Chair</b>  | <b>(Pages 107 - 116)</b> |
| <b>10. Asset Allocation Review - Report of the Treasurer</b>   | <b>(Pages 117 - 222)</b> |
| <b>11. Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency</b> |                          |

For any enquiries relating to this agenda please contact Stephen Loach  
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Website: [www.northyorks.gov.uk](http://www.northyorks.gov.uk)

Barry Khan  
Assistant Chief Executive  
(Legal and Democratic Services)

County Hall  
Northallerton

Thursday, 22 February 2024

## North Yorkshire Council

### Pension Fund Committee

Minutes of the meeting held on 24<sup>th</sup> November 2023 held at County Hall, Northallerton commencing at 10 am.

**Present:-**

Councillors George Jabbour (Vice-Chair in the Chair), Alyson Baker (as substitute for Councillor Mark Crane) John Cattanach, Caroline Dickinson (as substitute for Angus Thompson), Sam Gibbs, Carl Les (as substitute for Councillor Andrew Williams), Cliff Lunn, David Noland, Neil Swannick, and Matt Walker.

Councillor Jonny Crawshaw - City of York Council

David Portlock - Chair of the Pension Board.

Apologies for absence – Councillors Mark Crane, Angus Thompson and Andrew Williams; together with Brian Hazeldine – UNISON retired members.

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

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**27. Exclusion of the Public and Press**

**Resolved –**

That on the grounds that these items involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public and press were excluded from the meeting during consideration of Min. nos. 36 – Excess Equity Proposals and 37 – BCPP Strategic Direction Plan

**28. Minutes**

**Resolved -**

That the Minutes of the meeting held on 15<sup>th</sup> September 2023 were confirmed and were signed by the Chairman as a correct record.

**29. Declarations of Interest**

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

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

It was clarified that under the new interests regime declarations for Members who were in receipt of a pension from the NYPF, although this was not a registerable interest,

therefore those Members could fully take part in the meeting. The following Members declared a non-registerable interest in respect of this:-

Councillors Alyson Baker, John Cattanach, Carl Les and Cliff Lunn.

### **30. Public Questions or Statements**

There were no public questions or statements.

### **31. Pension Administration Report**

Considered -

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

Admission Agreements and New Academies

Administration

Membership Statistics

Throughput Statistics

Performance Statistics

Commendations and Complaints

Annual Benefit Statements 2023

Breaches Policy & Log

Business Plan update

Issues and Initiatives

Ongoing projects

i-Connect Rollout

Website development

McCloud

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- There had been a significant increase in the number of leavers during August, which, in the main, related to school employees, that would leave and re-join the Fund under a different contract in September, when the schools re-opened. There was a slight backlog in processing these, which was being worked through.
- Performance statistics had returned to their usual high levels, benefitting from being able to target resources more effectively following the year end and

Annual Benefits Statements (ABS) turnover, and from an increase in the number of members adopting the self-service facility, on-line.

- Details of complaints received during the quarter were outlined and it was noted that there was no specific emerging pattern.
- The 2023 ABS had now been fully issued, which was a month ahead of the previous year. Work had now commenced on the 2024 ABS.
- There had been three new reported breaches of the regulations over the previous quarter and the details of those, and how they had been subsequently addressed, were set out in the report. Two of breaches had been reported to the October meeting of the Pension Board, where, given the circumstances, it had been recommended that there was no reason to report those breaches to the Regulator.
- An update of the Business Plan was provided including the amendments approved at the March meeting of the Committee.
- i-Connect, for monthly data returns, now had 160 employers on board, with a further 69 to be onboarded, although some of these would be incorporated fairly quickly as they were contractors of NYC.
- The new website was currently going through a test phase and was expected to be fully launched on 4<sup>th</sup> December 2023.
- Work continued to process McCloud data returns with a Project Team now in place and good progress is being made. The communications on this would require extensive work, with all members of the fund having to be contacted. A variety of contact methods will be utilised in an attempt to lessen the burden on the section and to lower costs. Significant additional work was expected in response to those communications.

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

- It was clarified that of the approximately 22k members of the Fund there were around 80k that would fall within the scope of the McCloud judgment. A calculation would be undertaken for those eligible and each member would be awarded either a Final Salary or Career Average Pension, depending on whichever was the higher figure. A priority list was being developed in respect of the implementation of this.
- In response to a Member's question it was noted that the high numbers of preserved benefits related to the schools situation as outlined earlier in the meeting.
- It was clarified that the roll out of i-Connect should be completed relatively quickly as a number of those to be onboarded could be done so fairly quickly as a number were contractors of NYC and also additional resources could be targeted at this following year end and the ABS.
- The Chair of the Pension Board clarified that two of the breaches identified in the log had been discussed at the October meeting of the Board and it had been agreed that there was no need to report these to the Regulator. The third breach had only occurred recently, but he had discussed the matter with officers prior to the meeting, and could also recommend that this should not be reported to the Regulator.
- The acting Chair highlighted the appendix that provided details of training undertaken by Members of the Committee, noting that this would be extremely helpful going forward, as more emphasis would be placed on Committee Members having required knowledge and training. He noted that some amendments to the details provided were required and it was stated that these would be undertaken for when the paper was next published. It was also noted that Councillor Sam Gibbs had been re-appointed to the Committee.
- The draft calendar of meetings for 2023/24, outlined in the report had been agreed by Council, therefore, the dates were now confirmed. A schedule for workshop meetings was currently being developed and would be circulated to Members shortly.

**Resolved –**

- (i) That the contents of the report be noted.
- (ii) that the contents of the breaches log be noted and no report be made to the Pensions' regulator in relation to these.

**32. North Yorkshire Pension Fund Annual Report 2022/23.**

Considered –

The report of the Treasurer requesting Members to:-

- (i) approve the draft Pension Fund Annual Report for 2022/23;
- (ii) provide Members with an update on the status of the Pension Fund Annual Report for 2021/22

It was noted that, at this stage last year, the Annual report was signed off at the equivalent meeting, prior to it being published on the 1<sup>st</sup> December, as per the legislation. The nationwide issue of Councils accounting treatment of infrastructure assets caused significant delays to the auditing process with the issue not having been resolved until after the 2022 Valuation was known. This resulted in adjustments been made to Councils accounts including North Yorkshire Council in respect of pension liabilities. This matter remains ongoing. Inevitably this position had created a knock on effect for the 2022/23 audit and with national audit pressures compounding the situation the 2022/23 audit remains ongoing. Again, in line with legal requirements an Annual Report was required to be published by the 1<sup>st</sup> December. Given the circumstances a draft of the Annual Report would be published on-line, by the deadline, alongside a note explaining the current situation. Once the audit had been completed the accounts would be added to the Annual Report, the note would be removed, and the final version would be published.

A Member requested details of the numbers of employees that were contributing at the various rates linked to pensionable pay, as detailed in section 3.4 of the Annual Report. It was stated that the details would be provided.

**Resolved –**

That the draft Pension Fund Annual Report for 2022/23 be approved.

**33. Budget and Cashflow**

Considered –

The report of the Treasurer outlining the following:-

the 2023/24 budget and the cost of running the Fund;

the 4 year cashflow projection for the Fund.

The main variances in the budget related to lower than expected vacancies in the Administration Team and Consultant Fees being higher than anticipated due to the ongoing review of the allocation to equities.

There had been an alteration to the figure by which pension benefit payments would be raised in April 2024 from 6% to 6.7% in line with the CPI rate of inflation in September 2023.

The cashflow position was set out in the report showing a move towards being cashflow negative in 2023/24 and moving increasingly into deficit in later years. Income generating investments such as property rental income would be utilised and further options to generate receivable income were being explored with BCPP.

It was noted that section 2.1 of the report should have referred to an overspend rather than an underspend.

**Resolved –**

That the contents of the report be noted.

**34. Pension Board – report back by the Chair on the meetings held on 26<sup>th</sup> October 2023**

**Considered -**

A verbal update by the Chair of the Pension Board based on the Minutes of the meeting held on 26<sup>th</sup> October, which had been provided.

He highlighted the following issues that were discussed at the meeting:-

- The public statement, outlined in the minutes of the September meeting of the PFC, was discussed by Members of the Board, as the previous PFC minutes are a standing item on the agenda. A Member of the Board had outlined scheme members support for the statement. The Chair agreed that he would ensure that the view of those Members was passed on to the PFC to be taken account of when the Investment Strategy was reviewed.
- The Board's Annual Report had been submitted to, and approved by, Full Council. A copy had been provided for the information of PFC Members.
- Internal Audit reports in respect of Investments, Expenditure and Income were submitted to the meeting. The Investments and Expenditure audits provided substantial assurance whereas the Income audit was seen as reasonable assurance. Details were sought regarding the reasonable assurance categorisation and it was clarified how this had been established, with the matter now dealt with effectively. It was noted that Income had also come very close to being classed as substantial assurance.
- The Business Continuity and Disaster Plan was discussed and it was noted that although this was in place it required updating and expert help was awaited to assist with this. A further update would be provided at the January 2024 meeting of the Board.

**Resolved –**

The minutes, and highlights provided by the Chair, be noted.

**35. Performance of the Fund**

**Considered –**

Report of the Investment Consultants, AON, providing comprehensive details of performance and asset allocation information for the Fund along with a background to the investment markets during the third quarter of 2023/24. The Fund's Independent Financial Advisor also provided analysis of the details.

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

The following issues were highlighted:-

- The key statistics for Quarter 3 – the Fund remained in surplus with assets above liabilities and was 108% funded at the end of September.
- There had been a strong return from the equity investments held by the Fund over the long term, however, since the 2022 valuation these assets had performed well below their long term expected return target.
- There had been a substantial fall in returns from bonds (index Linked had fallen around 30 – 40%) due to the rise in interest rates however, yields had increased, leading to an expected return of 7% per annum which currently made them good value.
- A table was provided outlining projections for investment returns for the next 10 years. It was noted that equities were expected to have very volatile returns over this period.
- Consideration could be given to whether to continue with the current allocations or to reduce equities in favour of bonds/cash which provided much more certainty in terms of yields, currently, while giving up some upside. There will be a discussion early next year to determine how best to approach this.
- Equity protection was mentioned as an option, which had been utilised by the Fund previously. An explanation was provided in respect of equity protection, which, in essence, was insurance against significant falls in the equity markets. However, the investment arrangements with BCPP would make this challenging to implement. It was noted that when equity protection had been used previously a great deal of the Committee's time had been devoted to monitoring this. It was also acknowledged that inflation was now falling, interest rates were likely to remain stable or fall slowly, which may lead to an upturn in the equity markets and negate the need for equity protection.
- A discussion of the property portfolio was undertaken with particular reference to AONs "down rating" of one of the property investment managers. The circumstances that had led to this were outlined. The matter was to be discussed with BCPP to determine whether this investment could be better placed into their property portfolio, with their fund launch due in late 2024. The investment was considered by the Committee, to assist with an informed decision to be made. It was emphasised that the investment was a small proportion of the overall Fund, therefore, if a change was needed there would be no significant impact from this.
- A further discussion on the current investment position of the Fund would be undertaken in the private section of this meeting, following this item.

#### **Resolved –**

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

**Minute Nos. 36 and 37 were considered as a private items (see Minute No. 27, above) and separate confidential minutes were produced. The Minutes below provide a public record of the consideration of those items.**

#### **36. Equities Allocation Review**

**Considered -**



The report of the Treasurer outlining the review of the Fund's equities and setting out options for changing the allocations.

Members' consideration of this item is outlined in the confidential minutes.

**Resolved -**

- (i) That a reduction in the strategic allocation to Baillie Gifford's LTGG fund from 18%, with 10% being the proposed target be agreed
- (ii) That the removal of the strategic allocation to UK Equities of 4% be agreed
- (iii) That the recent divestments from the LTGG fund to reduce the current allocation to 15%, agree for it to be further reduced to 13%, and for the proceeds to be reinvested in Border to Coast's Investment Grade Corporate bonds fund up to its strategic weight, with the balance retained in cash be noted
- (iv) That further exploration of the impact listed equity market be undertaken, through meetings with additional managers
- (v) That consideration be given to a short-term tactical asset allocation changes through investments in cash and bonds at an appropriate time in the near future in light of decisions on the previous recommendations

**37. BCPP Strategic Direction Plan**

Considered –

A presentation by the CEO of BCPP, Rachel Elwell, on the Strategic Direction Plan for BCPP, including:-

- Development of pooling
- Progress made to date
- Investments of the NYPF
- Inevitable changes of how pooling operates through Government reforms.
- Change impacting partner Funds
- Project Group work towards change
- Implications of change
- Stakeholder engagement
- Consolidation

Members' consideration of this item is outlined in the confidential minutes.

**Resolved –**

That Rachel Elwell be thanked for her presentation the contents of which be noted.

The meeting concluded at 13.10

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## North Yorkshire County Council

### Pension Fund Committee

1 March 2024

### 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 30/09/2023	+/- Change (%)	At 31/12/2023
Active	29,975	+2.19%	30,638
Deferred	39,938	-0.16%	39,873
Pensioner (incl spouse & dependant members)	29,895	+1.56%	30,363
<b>Total</b>	<b>99,808</b>		<b>100,874</b>

##### 3.2. Throughput Statistics

- Period from 1 October 2023 to 31 December 2023

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	6	38	39	5
Transfer Out quotes	15	116	103	28
Employer & employee estimates	48	629	640	37
Retirement quotes	68	386	412	42
Preserved benefits	1,730	5,067	5,229	1,568
Death in payment or in service	117	563	562	118
Refunds	20	352	307	65
Actual retirement procedure	545	945	982	508
Interfund transfers	469	953	946	476
Aggregate member records	86	166	190	62
Others	206	1,626	1,272	560
<b>Total Cases</b>	<b>3,310</b>	<b>10,841</b>	<b>10,682</b>	<b>3,469</b>

- As well as processing the above cases, the Pensions team also handled 6,925 phone calls (average 115 per working day) in the quarter.

### 3.3. Performance Statistics

- The performance figures for the period 1 October 2023 to 31 December 2023 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	96%
Customers surveyed ranking service good or excellent	94%	97%
Increase numbers of registered self-service users by 700 per quarter (total registered users 45,276)	700	1,187

- We continue to focus on completing all of our work within target and encouraging sign up for member self-service.
- High demand as a result of the bulk existence check across deferred and pensioner members coupled with the McCloud disclosure communication has resulted in the dip in our SLA.

### 3.4. Commendations and Complaints

- This quarter the following commendations and complaints were received:

#### Commendations

Date	Number	Summary
Oct	2	One issue which has been completed courteously and efficiently Excellent speedy service
Nov	3	Friendly assistance I have nothing but praise for all the staff that I have spoken to Thank you also for your swift response
Dec	4	Gone above and beyond to make sure I receive my pension quickly Thank you for your efficient processing of my pension claim Excellent service Very supportive and professional in their jobs

#### Complaints

Date	Number	Summary
Oct	1	Admin - Complaint about the wording used in our address confirmation letter, "We understand you may have moved address"
Nov	2	IHER – both appeals against the tier of ill health benefit awarded by the employer
Dec	0	

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

#### Lessons Learned

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

### 3.5. **Annual Benefit Statements 2024**

The 2024 exercise has begun with preparatory work underway with templates being updated and employers notified of their year-end obligations.

### 3.6. **Breaches Policy & Log**

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

## 4. **Issues and Initiatives**

### 4.1. **Ongoing projects**

We continue to make progress with the i-Connect rollout and the new website is now live:

- We continue to push ahead with the onboarding of our remaining employers to i-Connect with 170 now onboarded and only 60 remaining.
- The new website went live on 4 December.

### 4.2. **McCloud**

All the data received to date has been processed and we only had 6 employers who failed to respond by the deadline of 31 January 2024. We will accept the data we hold as being correct for the affected members.

The disclosure communication was issued through December, this went to every member, either by email or post or via employers for active members. Included in this mailing was a blank nomination form, a McCloud public sector service form and details of how to connect to My Pension Online, our online member portal. This mailing resulted in a spike in completed nomination forms and members registering for online access.

We also received a lot of returned mail which we are working through and tracing members where appropriate.

The next stage is to refresh the data on our test database and start running calculations and processes to identify and correct errors before running them in the live database.

### 4.3. **New TPR General Code of Practice**

The new General Code of Practice was finally laid before parliament on 10 January and is expected to be in force from 27 March. This code consolidates and modernises 10 previous codes into a single code and sets out governance standards for pension schemes. For public service pension schemes like the Local Government Pension Scheme (LGPS), the code replaces Code of Practice 14 (Governance and Administration of Public Service Pension Schemes).

There are five sections within the Code:

1. The governing body
2. Funding & Investment
3. Administration
4. Communications and disclosure
5. Reporting to TPR

At 171 pages long with 5 sections comprising of 51 modules it will take some time to work through and interpret. Once we've established which elements apply to the LGPS we will undertake a compliance review and gap analysis to create an action plan to address the areas that need further attention. Further updates will be provided at future meetings.

## 5 Member Training

The Member training record showing the training undertaken up to the end of the relevant quarter is attached as **Appendix 3**.

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

Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 4**.

Please contact Chris Chapman on email [chris.chapman1@northyorks.gov.uk](mailto:chris.chapman1@northyorks.gov.uk) for further information or to reserve a place on an event. Events are currently limited due to the pandemic.

The views of Members will be sought on ideas for training 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 is attached as **Appendix 5**.

## 7 Recommendations

7.1 Members to note the contents of the report.

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

22 February 2024

**Academy Conversions – 21 ‘in progress’**

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
North Stainley CE Primary School	NYC	Leeds Diocesan Learning Trust	1.1.2024	Complete
Christ Church CE Primary School	NYC	Leeds Diocesan Learning Trust	1.1.2024	Complete
Barkston Ash RC Primary School	NYC	Bishop Wheeler Catholic Academy Trust	1.2.2024	Complete
St Wilfrid’s Catholic Primary School, Ripon	NYC	Bishop Wheeler Catholic Academy Trust	1.3.2024	In progress
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	1.4.2024	In progress
Sherburn CE Primary School	NYC	Ebor Academy Trust	1.4.2024	In progress
Leetons Community Primary School	NYC	Ebor Academy Trust	1.4.2024	In progress
Wykeham CE Primary School	NYC	Elevate Multi Academy Trust	1.4.2024	In progress
Hackness CE Primary School	NYC	Elevate Multi Academy Trust	1.4.2024	In progress
Great Smeaton Academy Primary School	-	A single academy joining Dales Academies Trust	1.4.2024	In progress
Ryedale Learning Trust	-	Looking to merge with Areté Learning Trust	1.4.2024	In progress
Threshfield Primary School	NYC	Yorkshire Collaborative Academy Trust	1.5.2024	In progress
Malton (Secondary) School	NYC	Pathfinder Multi Academy Trust	1 1.5.2024	In progress

The Boyle & Petyt Primary School	NYC	Northern Star Academies Trust	1.9.2024	Will be progressed when conversion date is known
Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
St Hilda's Ampleforth CE VC Primary School	NYC	Ryedale Learning Trust	TBC	Will be progressed when conversion date is known
Hertford Vale CE VC Primary School	NYC	Ryedale Learning Trust	TBC	Will be progressed when conversion date is known
Middleham CE VA Primary School	NYC	Possibly with Dales Academies Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Spennithorne CE VC Primary School	NYC	Possibly with Dales Academies Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Sutton in Craven CE Primary School	NYC	Possibly with Leeds Diocesan Learning Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Backwithshaw CP School	NYC	TBC	TBC	Will be progressed when Trust has been confirmed and conversion date known
Kettleing 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
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 - 12 'in progress'

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
<b>South York Multi Academy Trust</b> Bishopthorpe Infant School	Mellors Catering Services Limited	1.1.2022	Complete
<b>Nicholas Postgate Catholic Academy Trust</b> All Saints RC School, York	Hutchison Catering Limited. Transfer from COYC to Nicholas Postgate Catholic Academy Trust.	1.5.2023	Complete
<b>The Rodillian Multi Academy Trust</b> Brayton Academy	RCCN Limited	17.7.2023	Complete
<b>Ebor Academy Trust</b>	Hutchison Catering Limited	1.9.2023	Complete
<b>Yorkshire Causeway Schools Trust</b> St Peter's Church of England School, Harrogate Hampsthwaite Primary School All Saints CE Primary School North Rigton CE Primary School	Aspens Services Limited	1.9.2023	Complete
<b>Northern Star Academies Trust</b> Willow Tree Primary School	Aspens Services Limited	1.9.2023	Complete
<b>Beyond Housing</b>	Ground Control	1.3.2023	In progress
<b>Outwood Grange Academies Trust</b> Outwood Primary Academy Alne	Cater Link Limited	1.9.2023	In progress
<b>The North Yorkshire Council</b>	Align Property Services Limited	1.12.2023	In progress
<b>City of York Council</b> (Young Persons Counselling Services)	York Mind Ltd	1.1.2024	In progress
<b>The North Yorkshire Council and the City of York Council</b>	Mayoral Combined Authority	1.2.2024	In progress
<b>Outwood Grange Academies Trust</b>	Bulloughs Cleaning Services	1.4.2024	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
<b>The North Yorkshire Council</b> Saltergate Primary School (catering service)	Hutchison Catering Limited	1.4.2024	In progress
<b>The North Yorkshire Council</b> Saltergate Primary School (cleaning and caretaking service)	Bulloughs Cleaning Services	1.4.2024	In progress
<b>Ryedale Learning Trust merger with Areté Learning Trust</b> Novation of the admission agreement for the cleaning contract	Independent Cleaning Services Limited	1.4.2024	In progress
<b>South York Multi Academy Trust</b> Bishopthorpe Infant School (cleaning service)	TBC	1.9.2024	In early stages of tender process, will be progressed if/when contractor appointed
<b>Coast and Vale Learning Trust</b> Catering contract at all schools	TBC	1.9.2024	In early stages of tender process, will be progressed if/when contractor appointed
<b>City of York Council</b> Wigginton Primary School	Synergy FM	TBC	In progress

**Exited Employers – 27**

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
Streamline Taxis Limited	28.5.2021

Name of Employer	Date exited the Fund
Ringway Infrastructure Services Limited	31.5.2021
Churchill Security Solutions Limited	31.5.2021
Hexagon Care Services Limited	6.8.2021
Sanctuary Housing Association	20.12.2021
Atalian Servest Food Co Limited	31.12.2021
Elite Cleaning and Environmental Services	31.12.2021
4 Site Security Services Limited	11.4.2022
Welcome to Yorkshire	14.4.2022
Lifeways Community Care Limited	31.7.2022
Absolutely Catering Limited	25.7.2023
Atlas Facilities Management Limited	6.10.2023
Urbaser Limited	31.3.2024
SBFM Limited	31.3.2024

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targeted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identified in real time rather than at year end			14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated			22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N
31/08/2019	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 95.69% of Active members received a statement. (1,342 members did not)	Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 329 as at 9 October, work will continue until end of year to further reduce number unissued. Final position: 329 unissued			22/11/2019	03/10/2019	PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. Following provision of above information both PFC & PB agreed not to report this time.	N
09/04/2020	Administration	A member's leaver statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
11/05/2020	Administration	A member's retirement statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's letter was incorrectly sent to the wrong member along with their own letter.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's calculation print was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
26/05/2020	Administration	A pensioner received a payslip which belonged to another pensioner.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
27/05/2020	Administration	A member received a letter meant for a solicitor dealing with the death of another member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
31/08/2020	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 94.21% of Active members received a statement. (1,784 members did not)	Analysis of the 1,784 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 274 as at 20 October, work will continue until end of year to further reduce number unissued.			27/11/2020	29/10/2020	PB - Oct meeting, noted position, agreed not to report. PFC - Nove meeting, noted position, agreed not to report.	N
30/11/2020	Administration	A member contacted us to advise she had received the starter pack for another member but with her address on it. The member also advised there were 2 other members affected.	Employer submitted starter file and the data has been mixed up for a number of members, address 26 records, date of birth 11 records, payroll no 21 records, date joined 8 records and school name 18 wrong	Data Protection Act 2018	Accidental disclosure of personal data for a number of members to another member. It is highly likely that the recipient knows the person whose information was disclosed. The 3 original members had discussed it.	Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. Data sent back to employer to provide corrected information. Employer advised we have reported the data breach and we've asked for clarification of what process changes they have made to prevent it recurring. Replacement starter packs issued with correct details on and covering letter advising reason for disclosure and contact details for employer.			05/03/2021	14/01/2021	PB - Recognised the issue was an employer one rather than a Fund one. PFC - Recommended no report required	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
05/10/2020	Administration	Failure to issue 3 members with annual Pension Saving Statements (PSS) in the relevant years. One member was missing a PSS for the 18/19 year, one was missing a PSS for 16/17 and one was missing a PSS for 16/17, 17/18, 18/19 & 19/20.	There are two main causes as follows: missing data and staff not realising a statement should have been issued when the record was recalculated.	Finance Act 2004	When the member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. They can elect to either pay the tax charge via a Scheme Pays option or directly to HMRC. Because the PSS haven't been issued members are now late submitting to HMRC.  We are aware of members who have ignored the information we have sent for a number of years, when they do contact HMRC they are advised to just pay what is due. There appear to be no penalties applied.  Because we haven't advised members at the correct time they have been unable to take action to mitigate the impact in subsequent years. Members in this position often switch to the 50/50 section to reduce their pension accrual.  A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years.	We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take.  We have struggled to establish how to report the breach to HMRC but will resubmit the annual HMRC returns for the relevant years. We will then respond to HMRC accordingly.  We have reviewed our internal processes and are taking steps to educate the wider team and address some of the issues at source rather than waiting until year end.  A targeted 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, the impact on affected members and how to update and maintain records correctly.  This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrence before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team.  Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system  Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
19/11/2021	Administration	One Pension Savings Statement (PSS) issued after statutory deadline of 6 October 2021	Record was inhibited from bulk annual allowance run whilst a query on another record was resolved	The Registered Pension Scheme Regulations 2006  Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. The deadline for a paper annual tax return was 31 October 2021 so the member could not use this option. However, the deadline for an online tax return is 31 January 2022.	Senior officer review of annual process	N/A	N/A	04/03/2022	13/01/2022	PB - No report PFC - No report	N
22/02/2022	Administration	5 letters were included in the same envelope to a single recipient who was the next of kin of a deceased member	Staff member on post duty did not follow the agreed process	Data Protection Act 2018	Accidental disclosure of personal data for 4 members to another. It is highly unlikely that the recipient 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.  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 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 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. Has been established the cause of the breach different to previous breach in 2020. Process amended so that future similar cases can be identified earlier in the process.	N/A	N/A	09/09/2022	06/10/2022	PFC - No report 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 201 – have "other" outstanding administration tasks on record 56 – are x'd out, no outstanding task, prohibits statement creation due to error on record 295 – pending further investigations as to why statement not produced	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 97.73% of Active members received a statement. (672 members did not of which only 295 were eligible to receive one)	Of the 672 active members missing a statement only 351 are eligible to receive one. These are being worked through to identify what is required to enable statement to be produced.	N/A	N/A	25/11/2022	06/10/2022	PFC - No report PB - No report	N
04/11/2022	Administration	2 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Human error. One record had a data error which resulted in the PSS being suppressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19 One record had been updated incorrectly following receipt of a transfer from another Fund. Relevant tax year 19/20	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Training for wider administration team is already scheduled so errors like these can be prevented and corrective action taken at the time rather than being left to year end.	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
11/11/2022	Administration	One member's documentation was sent in error, password protected, to another Fund.	Human error. The wrong attachment was added to the email.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another Fund. It is highly unlikely that the recipient knows the person whose information was disclosed.	Other Fund deleted email and attachment. Reported to Veritau. They assessed it as Very Low risk - minimal risk of any detriment to the data subject & sent to a trusted partner organisation	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
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 recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
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 machine was fully cleared before restarting the print and insert process.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient posted payslip on. Made print unit aware of error and received confirmation of refreshed instructions to the print team. Reported to Veritau Veritau have confirmed it has been classed as a print unit breach	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
01/09/2023	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	114 – have outstanding year end tasks 268 – have "other" outstanding administration tasks on record	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 98.71% of Active members received a statement. (382 members did not, of which only 114 were eligible to receive one)	Of the 382 active members missing a statement only 114 are eligible to receive one. These are being worked through to identify what is required to enable a statement to be produced.	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
08/09/2023	Administration	Email was sent to a member with a password protected attachment but the document was for another member.	Human error	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
07/10/2023	Administration	1 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2022	Human error. Error in manual calculation of Annual Allowance at retirement.	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. This member has sufficient carry forward from previous years so we believe there is no tax charge due. The deadline for an online tax return was 31 January 2023 so the affected member will need to contact HMRC.	Refreshers training for retirement team for the specific scenario applicable in this case.	N/A	N/A	24/11/2023	11/01/2024	PFC - No report PB - No report	N

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Date	Title or Nature of Course	*Mulligan P	&Weighell J	Portlock D	A Thompson	>C. Vassie	%C. Les	%M. Crane	“ S. Gibbs	G. Jabbour	C. Lunn	D. Noland	A. Williams	M. Walker	N. Swannick	^J. Cattanach	+J. Crawshaw	Unison (Vacancy)	Unison (Vacancy)
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)		✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓				
14 September 2023	Asset Allocation Workshop (Equities Review)		✓	✓						✓		✓	✓		✓				
28-29 September 2023	BCPP Investment Conference							✓			✓	✓		✓	✓				
26 October 2023	Impact and Factor Equities		✓	✓	✓			✓	✓	✓	✓	✓	✓		✓				
23 November 2023	Impact Equities, including presentation from Baillie Gifford						✓	✓	✓	✓	✓	✓	✓	✓	✓				

\* - Cllr Patrick Mulligan left the Committee on 1<sup>st</sup> April 2023 following LGR.

% - Cllr C.Les left the Committee on 17 May 2023 and was replaced by Cllr. M. Crane

“ – Cllr Sam Gibbs left the Committee on 17<sup>th</sup> July 2023 and was re-appointed from 15 November 2023

^ - Cllr John Cattanach appointed to the Committee on 17<sup>th</sup> 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

**& - Councillor John Weighell OBE left the Committee on 15 November 2023**

## UPCOMING TRAINING AVAILABLE TO MEMBERS

<b>Provider</b>	<b>Course / Conference Title</b>	<b>Date(s)</b>	<b>Location</b>	<b>Themes / Subjects Covered</b>
AON	Buy-in and de-risking for LGPS funds	21 March 2024	Online Webinar  1pm	<p>Provide a general overview of current funding levels in the LGPS, noting there are differences depending on local circumstances, actuarial approach and investment strategy</p> <p>Provide you with our current ideas around using surplus to reduce funding and investment risk i.e. “de-risking”</p> <p>Discuss bulk annuities as an investment opportunity given current pricing (also referred to as a “buy-in”)</p> <p>Help you understand how taking some of these ideas may impact funding levels and future employer contributions</p>
PLSA	LGPS, Pools and the future	30 April 2024	Online webinar 11am	Policy Insight Webinars are a unique opportunity to gain insider knowledge directly from the PLSA Policy and Advocacy team. By joining these popular online events, you will hear about the PLSA dialogue with key figures, from Ministers to Government officials and regulators.
PLSA	Local Authority Conference 2024	11 – 13 June 2024	De Vere Cotswold Waterpark, Gloucestershire	Discover cutting-edge solutions and gain invaluable insights at the PLSA Local Authority Conference, bringing together a powerful network of LGPS professionals. Enhance your role with the latest trends, policies, and innovation tailored for local authority challenges. Full details of these Conferences will be provided to Members as soon as they are available

<b>Provider</b>	<b>Course / Conference Title</b>	<b>Date(s)</b>	<b>Location</b>	<b>Themes / Subjects Covered</b>
PLSA	Annual Conference	15 – 17 October 2024	ACC, Liverpool	Empower yourself with the latest insights at the PLSA Annual Conference, the definitive gathering for the pensions community. Connect, learn, and shape the future of pensions through expert-led sessions, valuable networking, and access to the policy debate and ground-breaking practical solutions.
PLSA	ESG Conference	28 November 2024	London (Details to be confirmed)	Explore the most recent developments in the quickly evolving responsible investment landscape and discover the information you need to deliver the best outcomes for savers.

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.

**PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2024/25**

24 May 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
28 June 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
13 September 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
22 November 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
28 February 2025	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee

**Arrangements for Workshops are currently under consideration and will be published alongside meeting dates, when available**

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## NORTH YORKSHIRE COUNCIL

### PENSION FUND COMMITTEE

01 March 2024

### 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 cashflow projection for the Fund (see section 3)

#### 2.0 2023/24 BUDGET - THE COST OF RUNNING THE FUND

- 2.1 The latest forecast outturn position against the 2023/24 budget is presented in **Appendix 1**. It shows an estimated total running cost of £36.0m for the Fund against a budget of £36.8m. The forecast underspend is therefore £0.8m for the financial year.
- 2.2 The initial fall in asset values we have seen at the outset of this year is expected to result in an associated reduction to investment management costs, as most fee arrangements are scaled to the value of assets under management. The overall estimated impact on fees is an underspend of £0.8m over the year. One area of expected variance is a £70k overspend from additional work undertaken during the year by the investment consultant on the Fund's allocation to equities, Border to Coast fund launches, rebalancing activity and other matters. There will inevitably be a number of variances at the year-end but at this stage they are not expected to be significant.

#### 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. This cash flow includes the contribution income and benefits payable, being the main inflows and outflows of the Fund, which are the two key determining factors for when the Fund will turn cash flow negative.
- 3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflation. CPI in September 2023 was 6.7% and this will be applied to pension benefits. The assumptions including inflation will continue to be reviewed and updated regularly to reflect any new information that becomes available on future inflation and membership numbers.

- 3.3 The forecast for contribution income is based on the employers' current contribution rates and takes into account the employer results from the 2022 Triennial Valuation. The pay increase for 2023/24 is included in the employer and employee contribution figures, which reflects the conclusion of pay negotiations with local authorities. Future year contributions have been increased in line with the Council's forecast included in its budget. Forecasts for inflation could imply an increase in the region of around 4%, but conversely, the possibility of the Government implementing cuts in public finances could result in downwards pressure.
- 3.4 The overall cash flow position is expected to be a series of steadily increasing deficits projected from 2023/24 through 2024/25, 2025/26, and 2026/27. This is to be expected as the Pension Fund continues to mature.
- 3.5 The cash flow forecast also shows movements relating to the Fund's investments. The first port of call in covering any shortfall will be income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. This is already being received to a limited extent. Options available to increase receivable income through Border to Coast will be further explored.

#### 4.0 **RECOMMENDATIONS**

- 4.1 Members to note the contents of the report.

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

21 February 2024



**North Yorkshire Pension Fund - 2023/2024 Budget**  
**Cost of Running The Pension Fund**

	<b>Budget 2023/2024 £k</b>	<b>Forecast 2023/2024 at Q3 £k</b>	<b>Variance £k</b>
<b>EXPENDITURE</b>			
<b><u>Admin Expenses</u></b>			
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	-
<b>Total Admin Expenses</b>	<b>2,680</b>	<b>2,680</b>	<b>-</b>
<b><u>Oversight and Governance</u></b>			
Actuarial Fees	60	60	-
Custodian Fees	70	70	-
Investment Consultant Fees	150	220	70
Pooling: Governance & Projects	550	540	- 10
Other O & G Expenses	100	100	-
<b>Total Oversight and Governance</b>	<b>930</b>	<b>990</b>	<b>60</b>
<b><u>Investment Fees</u></b>			
Performance Fees	2,660	2,572	- 88
Investment Base Fees	30,540	29,800	- 740
<b>Total Investment Fees</b>	<b>33,200</b>	<b>32,372</b>	<b>- 828</b>
<b>TOTAL</b>	<b>36,810</b>	<b>36,042</b>	<b>- 768</b>

## North Yorkshire Pension Fund - Cash Flow

	2023/2024 £k	2024/2025 £k	2025/2026 £k	2026/2027 £k
<b>SCHEME PAYMENTS</b>				
<b>Benefits</b>				
Pensions	(122,000)	(134,000)	(142,000)	(150,000)
Lump Sums	(30,000)	(31,000)	(32,000)	(33,000)
	<b>(152,000)</b>	<b>(165,000)</b>	<b>(174,000)</b>	<b>(183,000)</b>
Transfers out	(19,900)	(20,200)	(20,500)	(20,800)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	<b>(20,700)</b>	<b>(21,100)</b>	<b>(21,500)</b>	<b>(21,900)</b>
<b>Operational Expenses</b>				
Admin Expenses	(2,700)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,100)	(1,100)	(1,100)
	<b>(3,700)</b>	<b>(4,000)</b>	<b>(4,100)</b>	<b>(4,200)</b>
<b>TOTAL PAYMENTS</b>	<b>(176,400)</b>	<b>(190,100)</b>	<b>(199,600)</b>	<b>(209,100)</b>
<b>SCHEME RECEIPTS</b>				
Employer and Employee Contributions	141,000	149,000	153,000	156,000
Transfers in	20,300	20,600	20,900	21,200
<b>TOTAL RECEIPTS</b>	<b>161,300</b>	<b>169,600</b>	<b>173,900</b>	<b>177,200</b>
<b>SCHEME SURPLUS/ (DEFICIT)</b>	<b>(15,100)</b>	<b>(20,500)</b>	<b>(25,700)</b>	<b>(31,900)</b>
<b>TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>15,100</b>	<b>20,500</b>	<b>25,700</b>	<b>31,900</b>
<b>SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NORTH YORKSHIRE COUNCIL

### PENSION FUND COMMITTEE

01 MARCH 2024

## BUSINESS PLAN, BUDGET AND CASHFLOW FORECAST

### Report of the Treasurer

#### 1. Purpose of the Report

- 1.1. To report on the progress made against the key business plan activities identified for 2023/24.
- 1.2. To approve the draft Business Plan for 2024/25 to 2026/27.
- 1.3. To approve the draft 2024/25 Budget.
- 1.4. To report on the cashflow forecast of the Fund.

#### 2. Progress Update

- 2.1. In the 2023/24 Business Plan, key actions for the year were identified and approved by Members at the March 2023 Committee meeting. It was agreed that officers would provide a progress report against these key actions. The latest update is attached as **Appendix 1**.

#### 3. Draft 2024/25 Business Plan

- 3.1. The draft 2024/25 Business Plan is attached at **Appendix 2**. It sets out the purpose and strategy of the Fund with activities for the next three years to support the Committee in managing the Fund. The key initiatives are identified, with delivery dates to enable tracking of progress. The plan has been refreshed to cover the period 2024/25 to 2026/27. Any outstanding actions from 2023/24 have been rolled forward to 2024/25 where appropriate and some new actions have been identified. A summary of the business plan has also been attached as **Appendix 3**. Some of the main areas are described below.
- 3.2. **Online Monthly Employer Returns** – the phased-roll out of the online employer portal for submitting the monthly members data is still ongoing. Progress has been slower than anticipated but the remaining employers are relatively small, and we aim to finally complete this in 2024/25.
- 3.3. **Pooling** – the transition of assets to Border to Coast is continuing. Their UK Property fund is expected to be launched in the second half of 2024, and a Sustainable Bonds fund in 2025. Options to receive dividend and coupon income from investments are being explored, and we are working closely with Border to Coast on the gradual evolution of the approach to responsible investment alongside these fund launches.
- 3.4. **McCloud remedy** – progress has been much slower than anticipated. Data collection had to be redone and the data verified and updated on records manually. The data phase is now finished, and we can now move into the bulk calculation stage to identify and correct processing errors before running this phase in the live database.

#### 4. 2024/25 Budget

- 4.1. The draft 2024/25 budget for the cost of running the Fund is presented in **Appendix 4** and totals £38.8m. It is based on the 2023/24 budget and the actual costs incurred during the year and is on an accruals basis.

- 4.2. The 2024/25 budget has increased by £1.7m compared with the 2023/24 budget. As with previous years, the largest increase relates to investment fees payable (+£1.7m) because of the projected growth in asset values during 2024/25. They are assumed to grow in line with the return assumptions used in the 2022 Valuation, 6.1% per annum. Most of the Fund's investments incur fees proportional to their value.
- 4.3. The budget for McCloud project costs has increased to reflect the additional work required this year. Pooling project costs were temporarily elevated in 2022/23 and 2023/24 to reflect the costs of developing the UK and Global Property funds. Global Property was launched in 2023 and UK Property will be launched in the second half of 2024. The other changes in the budget reflect the impact of inflation and increasing wage costs.
- 4.4. In line with normal practice, the Budget may be revised during the year if there are material changes, subject to approval by the Committee.

## 5. Cashflow Projection

- 5.1. The cash position of the Fund is presented in **Appendix 5**. The table shows the projected cashflows of the Fund in the 2023/24 and over the next 3 years.
- 5.2. The main inflow and outflow of the Fund are the contribution income from employers and active members and benefits payments to retired members respectively. This is to be expected and together they effectively determine when the Fund will turn cashflow negative.
- 5.3. The forecasts of both items are sensitive to the estimate of future inflation, which continues to be a subject of active debate among economists, with the prospect of lower but volatile inflation levels replacing the higher level of inflationary price pressure seen over the last two years. Assumptions for inflation and other key metrics impacting cashflow projection, such as the 2025 Valuation, will be periodically assessed and incorporated into future updates.
- 5.4. The Scheme Surplus or Deficit figures reflect the position in relation to the Fund's non-investment operations and are the relevant figures when assessing whether the Fund is in a cash surplus or deficit position.
- 5.5. The Surplus or Deficit After Investment Activities figures reflect the cash movements to or from investments, required to maintain a stable cash balance. The intention has been to maintain cash for operational purposes around 0.5% of the value of the Fund. Going forward, investment income or occasional divestments may be required to maintain this consistent level of cash. This is quite normal for a maturing pension fund.
- 5.6. The Fund currently has a much higher cash balance, which is not reflected in these figures. This excess of cash is treated as an investment alternative to equities, to reduce the overall risk the Fund is exposed to in a period where markets are expected to be volatile. It is not treated as operational cash.

## 6. Recommendations

- 6.1. Note the progress made against the 2023/24 Business Plan.
- 6.2. Approve the draft 2024/25 Business Plan.
- 6.3. Approve the draft 2024/25 Budget.
- 6.4. Note the 3-year cashflow projection for the Fund.

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

19 February 2024

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# NYPF 2023/2026 Business Plan Update March 2024

# Appendix 1

## RAG rating:

**Green** – completed or not yet due

**Orange** – ongoing, carried forward to 2024/25

**Red** – outstanding, overdue

Key Activity			Resource
<b>Administration</b>			<b>Head of Pensions Administration</b>
<b>Action</b>	<b>Timescale</b>	<b>Progress Update</b>	
McCloud remedy	Q3 2023/24	In progress – all received data updated to records. Bulk calculations to be run on the test database.	
Data quality improvement	Q4 2023/24	Complete – data cleanse issues identified by annual data scoring exercise corrected.	
Key Activity			Resource
<b>Business Improvement</b>			<b>Head of Pensions Administration</b>
<b>Action</b>	<b>Timescale</b>	<b>Progress Update</b>	
Complete roll out of employer portal	Q4 2023/24	In progress – roll out will continue until every employer is onboarded.	
Complete website redevelopment	Q4 2023/24	Complete – new website was launched on 4 December 2023.	
Key Activity			Resource
<b>Governance</b>			<b>Head of Pensions Administration/Head of Investments</b>
<b>Action</b>	<b>Timescale</b>	<b>Progress Update</b>	
SAB Good governance project	Q4 2023/24	Unable to progress – still waiting for DLUHC’s response to SAB’s action plan.	
TPR Single Code of Practice	Q4 2023/24	In progress – new code issued 10 January 2024. Assessment in progress and action plan to be created.	
Key Activity			Resource
<b>Funding</b>			<b>Pension Fund Committee/ Treasurer/ Head of Investments</b>
<b>Action</b>	<b>Timescale</b>	<b>Progress Update</b>	
Income monitoring	Q4 2023/24	In progress – preliminary discussions held with another Fund using the functionality. Business proposal prepared and submitted to T&C.	
Key Activity			Resource
<b>Investment</b>			<b>Pension Fund Committee/ Treasurer/ Head of Investments</b>
<b>Action</b>	<b>Timescale</b>	<b>Progress Update</b>	
Responsible Investment	Q4 2023/24	TCFD reporting on hold, pending the publication of guidance by the Government. Delay to at least 2024/25 expected. Application for signatory status to new Stewardship Code delayed into 2024/25 due to other work pressures.	
Pooling and implementation of investment strategy	Q4 2023/24	In progress – workshops planned Q4 23/24 for UK Opportunities and Climate Opportunities, UK property deferred to Q1 24/25, as part of due diligence work before recommendations on commitments will be put to the Committee. Review of allocation ongoing.	

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# North Yorkshire Pension Fund

## **Business Plan 2024/25 – 2026/27**



Local Government  
Pension Scheme

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

## Contents

1. About the NYPF .....	3
2. How the fund is run.....	3
3. Principal responsibilities.....	4
4. Purpose of the business plan.....	4
5. Overall goal.....	4
6. Objectives.....	5
7. Resources .....	5
8. Key Activities .....	6

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

It enables the Fund to focus on achieving agreed targets and helps staff see how they contribute to its overall success.

## 1. About NYPF

NYPF is one of 86 funds that make up the Local Government Pension Scheme (LGPS).

North Yorkshire Council (NYC) is the statutory administering authority for NYPF; it administers the benefits and manages the investments of the Fund.

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

Scheme membership as of 31 March 2023

Active Members (Contributors)	30,948
Deferred Members	40,160
Pensioners	28,702
<b>Total Membership</b>	<b>99,810</b>

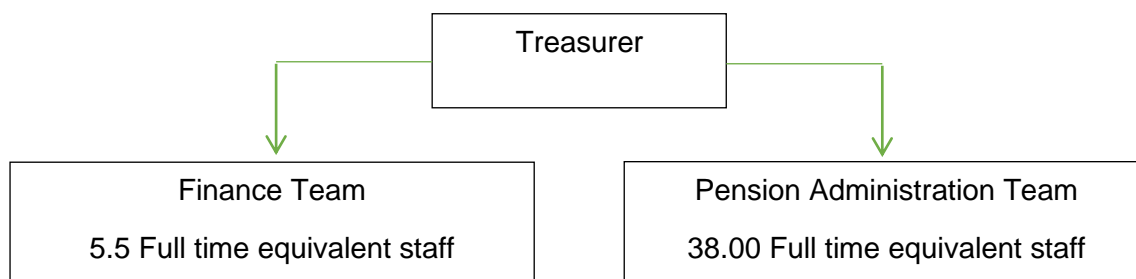
## 2. How the fund is run

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

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

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

Current structure:



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

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

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

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

This business plan should be read in conjunction with the Administration Strategy and the Investment Strategy Statement; these are the key documents that set out the principles of the running of the Fund. These documents can be found on [NYPF's website](#).

### 3. Principal responsibilities

These responsibilities include:

- Meeting all statutory requirements in the running and operation of the Fund
- Pension administration services including calculating and paying benefits
- Ensuring the accuracy of the member database in partnership with all stakeholders
- Providing information and guidance on pension issues to members, employers and others
- Implementation of the funding strategy to ensure the Fund assets are sufficient to meet the pension liabilities as they fall due
- Implementing the investment strategy, overseeing external investment managers and promoting responsible investment
- Efficient management of the Fund's cash investments and cashflow requirements
- Safekeeping and accounting of Fund assets
- Preparing the Fund's annual report and accounts

### 4. Purpose of the business plan

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

This plan will be used to manage the delivery of the key activities that have been identified to deliver continuous service improvement, whilst ensuring due regard is given to the delivery of the day-to-day business as usual activities. Having a business plan helps the PFC to plan ahead and supports compliance with legal requirements.

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

### 5. Overall goal

To continuously develop and improve our services, to put our customers at the heart of everything that we do, and to ensure that sufficient assets and resources are available to pay pension benefits when they fall due.

## 6. Objectives

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

The Fund will aim to:

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

## 7. Resources

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

- Systems and technology which are fit for purpose
- People
  - Focussed on customers' needs
  - Highly skilled and knowledgeable
  - Committed and engaged
- The right information and data
  - Financial
  - Performance
  - Benchmarking
  - Membership
- Third party service providers
  - Actuary
  - Legal Advisers
  - Custodian
  - Fund Managers
  - Investment Consultant and Independent Adviser
  - Software providers
  - Borders to Coast Pensions Partnership (BCPP)

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

## 8. Key Activities

The following key activities have been identified:

			2024/2025				2025/2026				2026/2027			
Key Activity	Responsible Officer	Action Plan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Funding</b>														
2025 Valuation	Head of Investments / Head of Pensions Administration / Senior Accountant	Agree assumptions and approach					●							
		Provide membership, employer & cashflow data						●						
		Respond to actuarial queries						●						
		Distribute results to employers							●	●				
		Organise valuation sessions for PFC and employers						●						
Funding Strategy Statement		Review and update the Funding Strategy Statement alongside the 2025 triennial valuation						●						
Income Monitoring		Expand the use of employer online portal for monthly contribution returns				●								
<b>Investment</b>														
Investment strategy review	Head of Investments	Detailed review alongside the 2025 triennial valuation							●	●				
Responsible Investment		Commence TCFD (Task Force for Climate related Financial Disclosures) reporting							●					
		Obtain FRC approval of the new Stewardship Code				●								
Pooling and implementation of investment strategy		Consider the suitability of opportunities including UK property, green bonds, income generation options	●			●					●			●
Automation of reporting of accounting and other financial information		Develop automated reporting using the custodian's platform tools, to streamline the year end accounts and the quarterly and annual data submission processes			●				●			●		

			2024/2025				2025/2026				2026/2027			
Key Activity	Responsible Officer	Action Plan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Governance</b>														
SAB Good Governance project	Head of Investments / Head of Pensions Administration	Await publication of SAB's action plan Gap analysis of the action plan against existing policies and procedures Update existing or draft new policies and procedures Implement the new requirements				●								
TPR new General Code of Practice		Gap analysis of the draft new code (specific to the LGPS) against existing policies and procedures Create a checklist of policies, practices and procedures required by the new code Draft new policies and procedures Ensure compliance against the new code	●											
Business Continuity		Create and test updated disaster recovery plan Create and test updated business continuity plan Ensure pensions is included in wider NYC planning			●									

			2024/2025				2025/2026				2026/2027			
Key Activity	Responsible Officer	Action Plan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Administration</b>														
McCloud remedy	Head of Pensions Administration	Recalculate benefits for affected members Implement uplifts across all affected members Implement an industry recommended solution where data not obtained Communicate changes to affected members				●								
Pensions Dashboard		Engage with pensions dashboard process Ensure data requirements are met Ensure data ready for on-boarding  Connect to dashboard					●		●					
Data quality monitoring		Develop suite of data validation reports to identify issues Develop program of regular intervention and correction				●								
2025 valuation preparatory work		Pre valuation data extract Pre valuation data cleanse		●	●									

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			2024/2025				2025/2026				2026/2027			
Key Activity	Responsible Officer	Action Plan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Business Improvement</b>														
Business process improvement	Head of Pensions Administration	Deliver process improvements, fully utilising system capabilities					●							
		Deliver employer form submissions via i-Connect							●					
Complete rollout of employer portal		On-board all outstanding employers to portal for monthly returns Improve data controls and validations Implement new functionality as it's released by the supplier Provide training and support to employers				●								
Improve self-service functionality		Migrate to new TME software package Issue targeted communications to promote take up Implement new functionality as it's released by the supplier											●	
Process automation		Develop and roll out refund online functionality Develop and roll out retire online functionality									●		●	

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## Business Plan 2024/25 - 2026/27

### Vision

To continuously develop and improve our services, to put our customers at the heart of everything that we do and to ensure that sufficient resources are available to pay pension benefits when they fall due

### Objectives

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

### Key Activities

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

#### Funding

2025 Valuation  
Funding Strategy  
Statement alongside  
2025 Valuation  
Income monitoring

#### Investment

Investment Strategy  
alongside 2025  
Valuation  
Responsible Investment  
Pooling investment  
opportunities

#### Governance

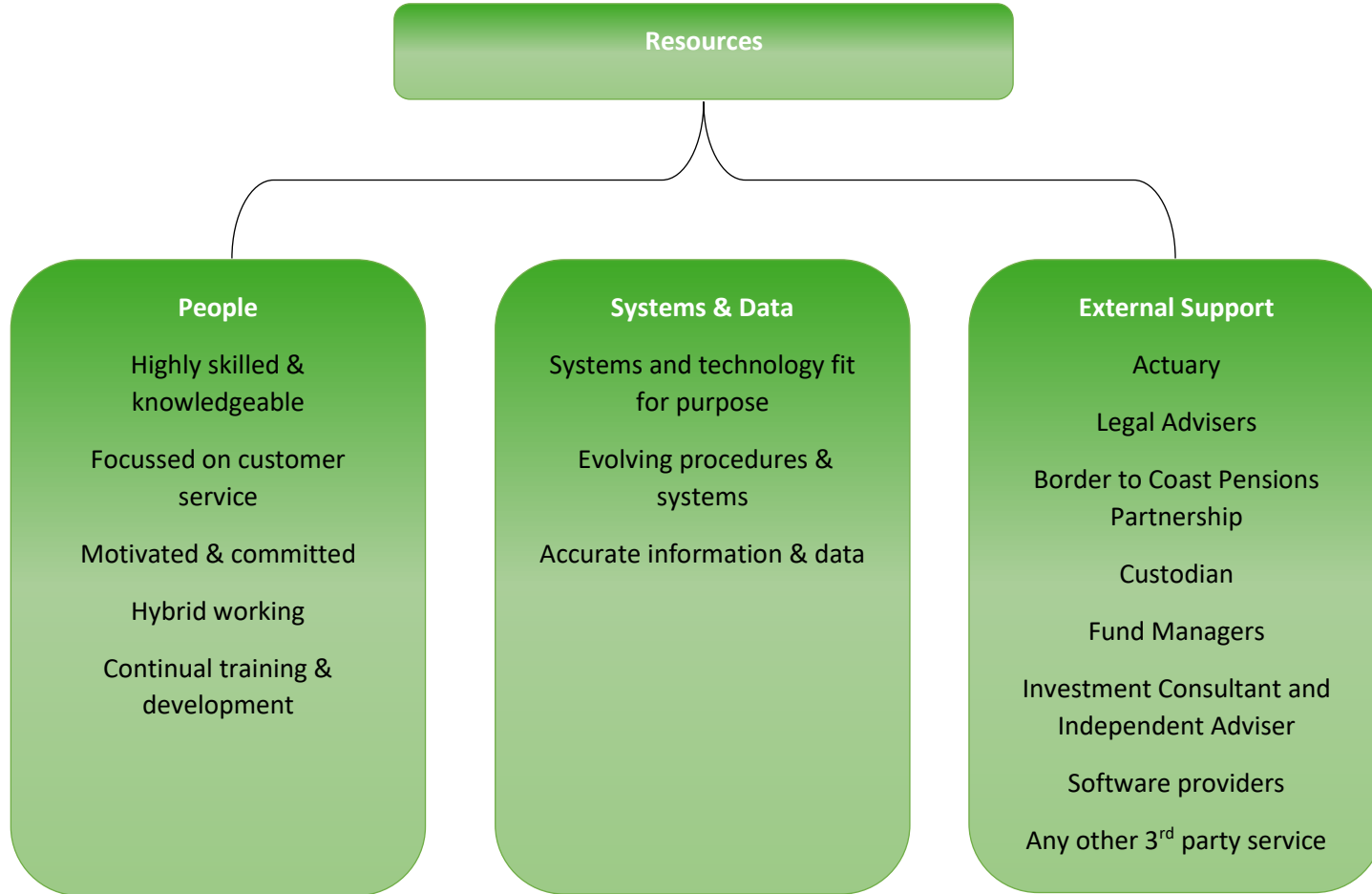
SAB Good Governance  
project  
TPR new General Code  
of Practice  
Business Continuity

#### Administration

McCloud remedy  
Pensions Dashboard  
Data quality monitoring  
2025 Valuation  
preparation

#### Business Improvement

Business process  
improvement  
Complete rollout of  
employer portal  
Improve self-service  
functionality  
Process automation



## APPENDIX 4

### North Yorkshire Pension Fund - Proposed 2024/2025 Budget

		Budget 2023/2024 £k	Proposed Budget 2024/2025 £k
<b>EXPENDITURE</b>			
<b><u>Admin Expenses</u></b>			
	Finance and Central Services	470	490
	Provision of Pensioner Payroll (ESS)	80	76
	Pensions Administration Team	1,460	1,570
	McCloud	50	116
	Other Admin Expenses	620	662
	<b>Total Admin Expenses</b>	<b>2,680</b>	<b>2,913</b>
<b><u>Oversight and Governance</u></b>			
	Actuarial Fees	60	65
	Custodian Fees	70	75
	Investment Consultant Fees	150	160
	Pooling: Governance & Projects	851	540
	Other O & G Expenses	100	110
	<b>Total Oversight and Governance</b>	<b>1,231</b>	<b>950</b>
<b><u>Investment Fees</u></b>			
	Performance Fees	2,660	2,540
	Investment Base Fees	30,540	32,400
	<b>Total Investment Fees</b>	<b>33,200</b>	<b>34,940</b>
<b>TOTAL</b>		<b>37,111</b>	<b>38,804</b>

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## North Yorkshire Pension Fund - Cash Flow

	2023/2024 £k	2024/2025 £k	2025/2026 £k	2026/2027 £k
<b>SCHEME PAYMENTS</b>				
<b>Benefits</b>				
Pensions	(122,000)	(134,000)	(142,000)	(150,000)
Lump Sums	(30,000)	(31,000)	(32,000)	(33,000)
	<b>(152,000)</b>	<b>(165,000)</b>	<b>(174,000)</b>	<b>(183,000)</b>
Transfers out	(19,900)	(20,200)	(20,500)	(20,800)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	<b>(20,700)</b>	<b>(21,100)</b>	<b>(21,500)</b>	<b>(21,900)</b>
<b>Operational Expenses</b>				
Admin Expenses	(2,700)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,100)	(1,100)	(1,100)
	<b>(3,700)</b>	<b>(4,000)</b>	<b>(4,100)</b>	<b>(4,200)</b>
<b>TOTAL PAYMENTS</b>	<b>(176,400)</b>	<b>(190,100)</b>	<b>(199,600)</b>	<b>(209,100)</b>
<b>SCHEME RECEIPTS</b>				
Employer and Employee Contributions	141,000	149,000	153,000	156,000
Transfers in	20,300	20,600	20,900	21,200
<b>TOTAL RECEIPTS</b>	<b>161,300</b>	<b>169,600</b>	<b>173,900</b>	<b>177,200</b>
<b>SCHEME SURPLUS/ (DEFICIT)</b>	<b>(15,100)</b>	<b>(20,500)</b>	<b>(25,700)</b>	<b>(31,900)</b>
<b>TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>15,100</b>	<b>20,500</b>	<b>25,700</b>	<b>31,900</b>
<b>SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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# Quarterly Funding & Investment Report

End December 2023



Prepared for: North Yorkshire Pension Fund

Prepared by: Aon

Date: 21 February 2024



For professional clients only



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# 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 2% to 114%, and the surplus has decreased by £104M.

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

## Asset Allocation and Implementation

The Committee considered a review of the Fund's equities and options for changing the allocations. A number of changes were agreed to, outlined on later in this report (p14).

Further discussions around short-term tactical asset allocation changes and rebalancing opportunities are set to take place in Q1 2024 with Officers and Advisors, prior to the March PFC meeting.

A separate paper will be provided to Committee members, describing the high level due diligence review of the BCPP UK Opportunities strategy.

## Performance

The Fund outperformed the composite benchmark over the quarter, 1 year and 5 year periods but underperformed over the 3 year period.

## Market Background and Investment Outlook

In Q4 2023, global equity markets rose due to a strong rally in November and December as market participants expected a greater chance of interest rate cuts in 2024. Over the quarter, the MSCI ACWI rose 9.5% in local currency terms.

Global bond yields moved lower as major central banks around the world kept their interest rates unchanged.

The 'everything-up' market rally late last year is just starting to be tested. The betting has been heavy on the global economy doing a successful landing trick that allows further falls in inflation and large cuts in interest rates even as growth holds up. This set of market expectations is well ahead of plausibility.

Equity markets remain heavily bifurcated by the handful of seemingly invulnerable US companies that leave the rest of the US and global markets trailing.

Investment grade credit is benefiting from stronger institutional demand, but recent spread moves leave little return upside vis a vis government bonds. Sub-investment grade credit is more expensive on a similar basis.



## Key actions

1. Committee members to consider the contents of this report, noting the UK Opportunities review will be discussed separately at the March PFC meeting
2. Further discussions around short-term tactical asset allocation changes and rebalancing opportunities are set to take place with Officers and Advisors, prior to the March PFC meeting. Any subsequent recommendations will be tabled at the March PFC meeting for consideration.

\*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)

# Key Stats – Q4 2023

## Assets

£4,478m



Assets reduced by £157m since 2022 valuation

£4,635m at 2022 valuation

## Funding level

114%



Funding level decreased by 2% since 2022 valuation

116% at 2022 valuation

## Return on Assets since 2022 Valuation

-1.9% pa



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

+6.7%



0.8% increase since 2022 Valuation

5.9 % at 2022 valuation

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

+6.8%



0.7% increase since 2022 Valuation

6.1% at 2022 valuation

## Discount rate

4.6%



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)

£873m

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

£846m

## Estimated Total Employer cost

14.9%



Estimated Total Employer cost decreased by 2.5% 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

114%

at end 31 December 2023

Down from 116% at 31 March 2022



## Surplus

£536M

at end 31 December 2023

Down from £640m at 31 March 2022



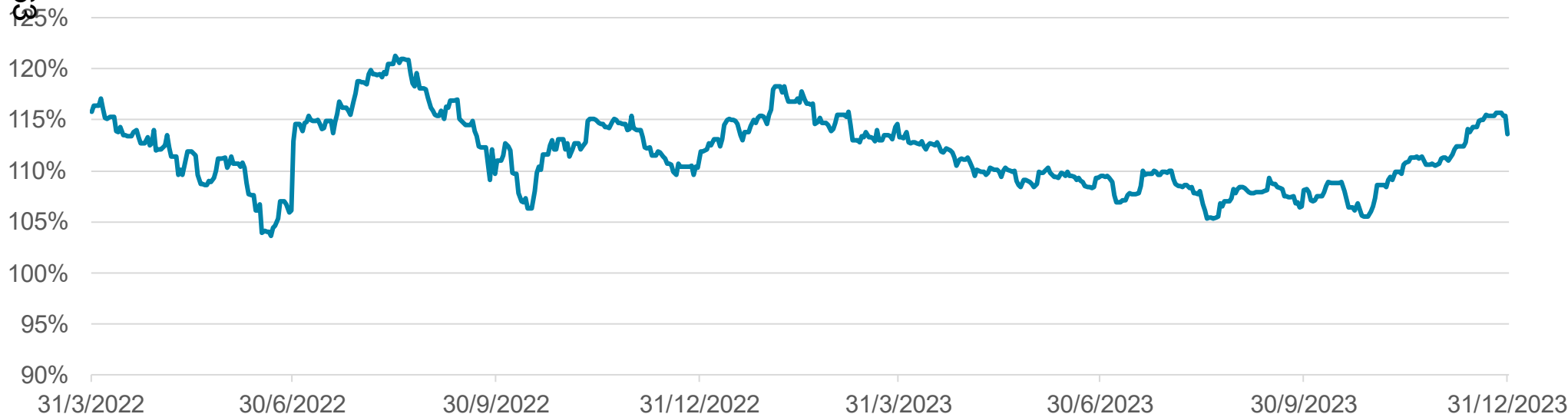
## Comments

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, and the surplus has decreased by £104M.

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.

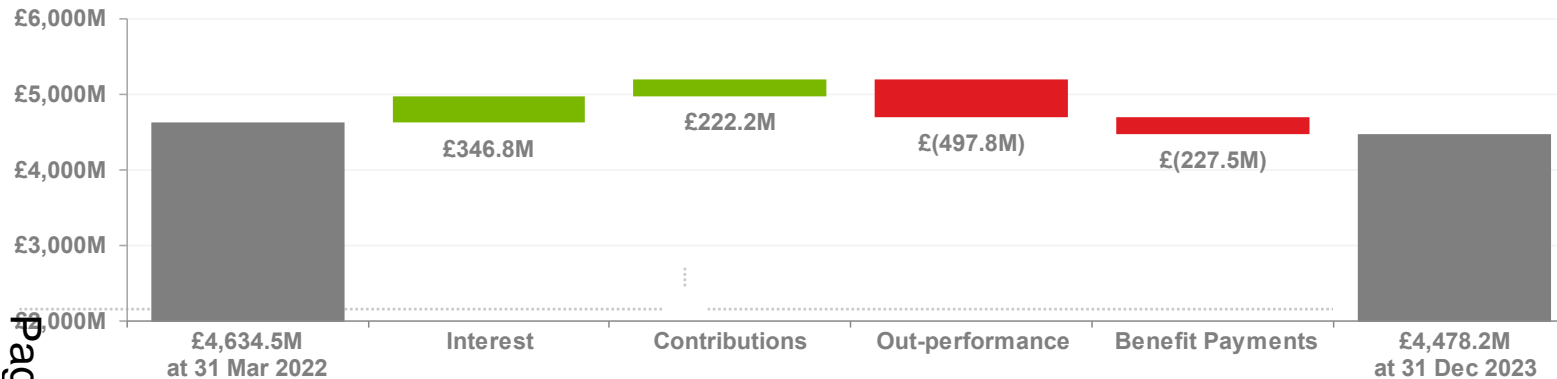
## Change to funding level since 31 March 2022

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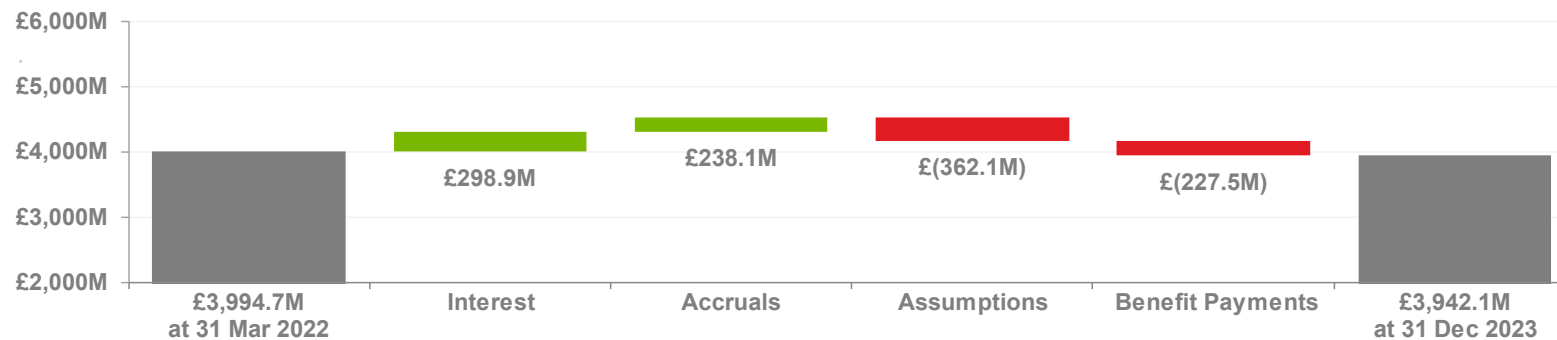
# Analysis – ongoing funding target

## Reason for change since 31 March 2022 – Asset Attribution



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## Reason for change since 31 March 2022 – Liability Attribution



### Comments

Since the 2022 valuation the surplus has decreased by £104M.



# Aggregate Employer contributions – ongoing funding target

## Total employer contribution rate

14.9%



at 31 December 2023

Down from 17.4% at 31 March 2022

## Employer cost of accrual

16.7%



at 31 December 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 reduction in the total employer contribution rate.

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## 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.






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# 3. Asset allocation

A review of your strategic asset allocation

# Asset allocation – Q4 2023

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Asset Group	Manager	31 December 2023					Possible action
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	
<b>Equities</b>		<b>2,186.3</b>	<b>48.8%</b>	<b>50.0%</b>	<b>-1.2%</b>		
	BCPP UK Equity	175.6	3.9%	4.0%	-0.1%	TBC	
	BCPP Global Equity	1,272.2	28.4%	28.0%	+0.4%	+/- 5%	
	Baillie Gifford LTGG	738.4	16.5%	18.0%	-1.5%	+/- 3%	
<b>Absolute Return</b>		<b>7.0</b>	<b>0.2%</b>	<b>0.0%</b>	<b>+0.2%</b>		
Page 67	Leadenhall Remote Risk	2.9	0.1%				
	Leadenhall Diversified	2.7	0.1%				
	Leadenhall Nat Cat	1.5	0.0%				
<b>Property</b>		<b>274.4</b>	<b>6.1%</b>	<b>7.5%</b>	<b>-1.4%</b>	<b>TBC</b>	
	Hermes	31.9	0.7%				
	L&G	44.4	1.0%				
	Threadneedle	198.1	4.4%				





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

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# Asset allocation – Q4 2023 (cont'd)



12

		31 December 2023					
Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
<b>Infrastructure</b>		<b>576.6</b>	<b>12.9%</b>	<b>10.0%</b>	<b>+2.9%</b>		
	BCPP Infrastructure	288.9	6.5%				
	BCPP Listed Alts	264.3	5.9%				
	BCPP Climate Opportunities	23.4	0.5%				
<b>Private Credit</b>		<b>179.2</b>	<b>4.0%</b>	<b>5.0%</b>	<b>-1.0%</b>		
	BCPP Private Credit	138.0	3.1%				
	Arcmont	26.3	0.6%				
	Permira	14.8	0.3%				
<b>Non-Investment Grade Credit</b>		<b>236.8</b>	<b>5.3%</b>	<b>5.0%</b>	<b>+0.3%</b>	<b>TBC</b>	
	BCPP Multi Asset Credit	236.8	5.3%				
<b>Investment Grade Credit</b>		<b>322.0</b>	<b>7.2%</b>	<b>7.5%</b>	<b>-0.3%</b>	<b>TBC</b>	
	BCPP Investment Grade Credit	322.0	7.2%				

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

# Asset allocation – Q4 2023 (cont'd)

13

Asset Group	Manager	31 December 2023					
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
<b>Gilts</b>		<b>595.8</b>	<b>13.3%</b>	<b>15.0%</b>	<b>-1.7%</b>	<b>TBC</b>	
	BCPP Index Linked Bonds	595.8	13.3%				
<b>Cash</b>		<b>100.1</b>	<b>2.2%</b>	<b>0.0%</b>	<b>+2.2%</b>	<b>TBC</b>	
	Internal Cash	100.1	2.2%				
<b>Total</b>		<b>4,478.2</b>	<b>100.0%</b>	<b>100.0%</b>			

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

# Investment strategy update

## Equity allocation options

- At the November PFC meeting, the Committee considered a review of the Fund's equities and options for changing the allocations. It was agreed to:
  - Reduce the strategic allocation to Baillie Gifford's LTGG fund from 18%, with 10% being the proposed target
  - Remove the strategic allocation to UK Equities of 4%
  - Reduce the Baillie Gifford allocation to 13%, use the proceeds to rebalance the BCPP Investment Grade Corporate Bonds allocation to target weight, with the remaining proceeds invested in cash
  - Further exploration of the impact listed equity market be undertaken, through meetings with additional managers
  - Consider a short-term tactical asset allocation changes through investments in cash and bonds at an appropriate time in the near future in light of decisions on the previous recommendations

## Asset allocation and rebalancing opportunities

- Further discussions around short-term tactical asset allocation changes and rebalancing opportunities are set to take place in Q1 2024 with Officers and Advisors, prior to the March PFC meeting.

## UK Opportunities

- A separate paper will be provided to Committee members, describing the high level due diligence review of the BCPP UK Opportunities strategy prior to any commitment.

## The following rebalancing activities took place over the quarter:

- 2 divestments from Baillie Gifford, totalling £80m.
- Border to Coast made:
  - Climate opportunities, 12 calls for £2.2m.
  - Infrastructure, 21 calls, 6 distributions, £14.6m paid net
  - Private Credit, 17 calls, 11 distributions, £8.2m paid net
- 1 distribution from Permira, £0.2m.
- A redemption instruction was submitted to Hermes, to proceed with the disposal of 5,344,757 units held by NYPF in the Federated Hermes Property Unit Trust. Further updates will be provided as this disposal request is actioned in subsequent Quarters.



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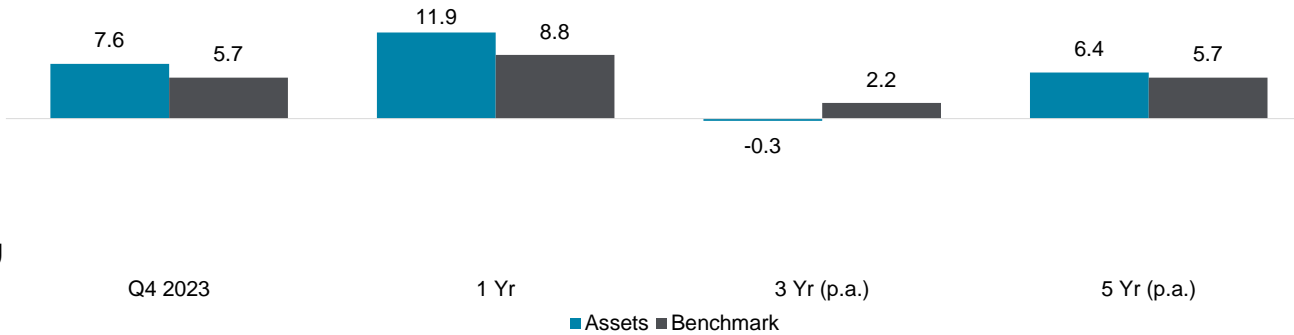
# 4. Fund performance

A review of your investment performance



# Total Fund performance – Snapshot

## Fund performance & benchmark



## Quarterly (relative)

1.9%



The Fund outperformed the benchmark returning 7.6% vs 5.7% over the quarter.

## 3 year (relative)

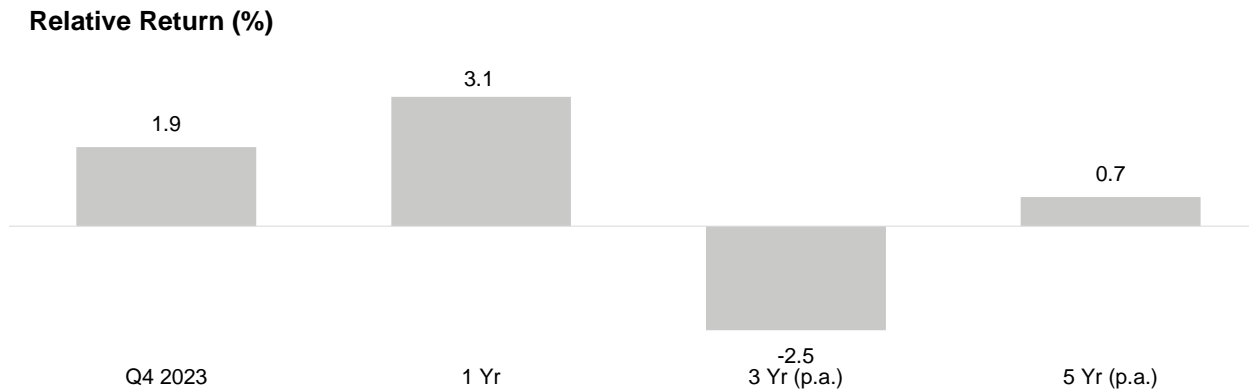
-2.5%



Over 3 years the Fund has underperformed the benchmark returning -0.3% vs 2.2%.

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## Relative performance

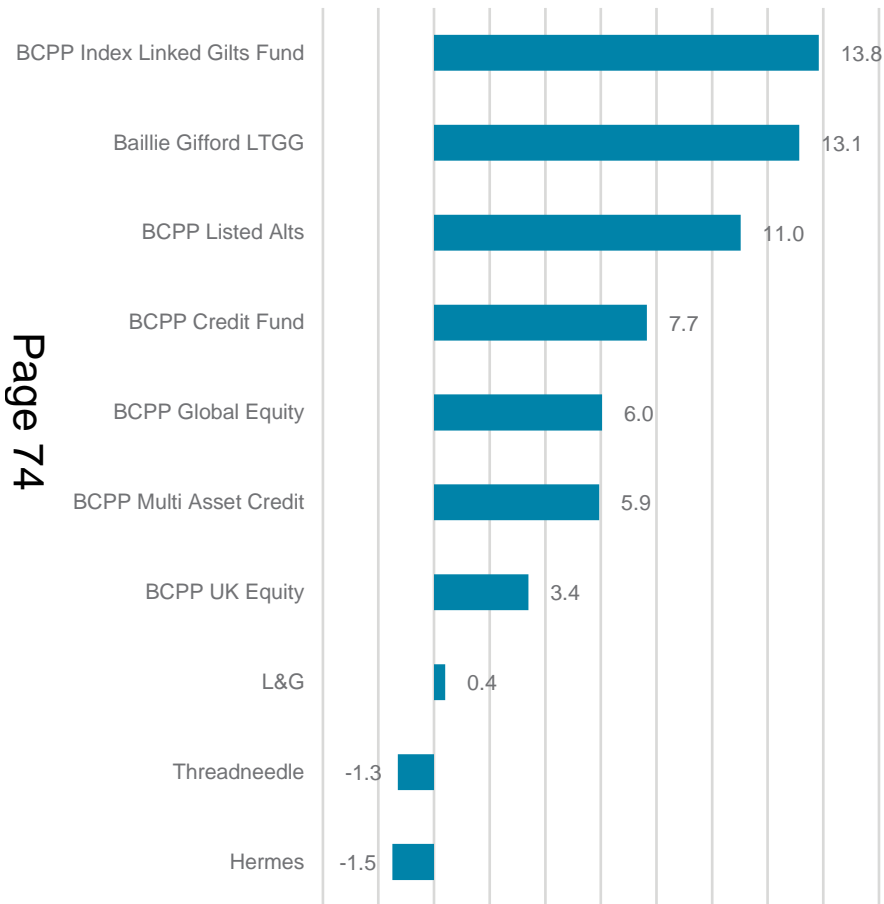


## Comments

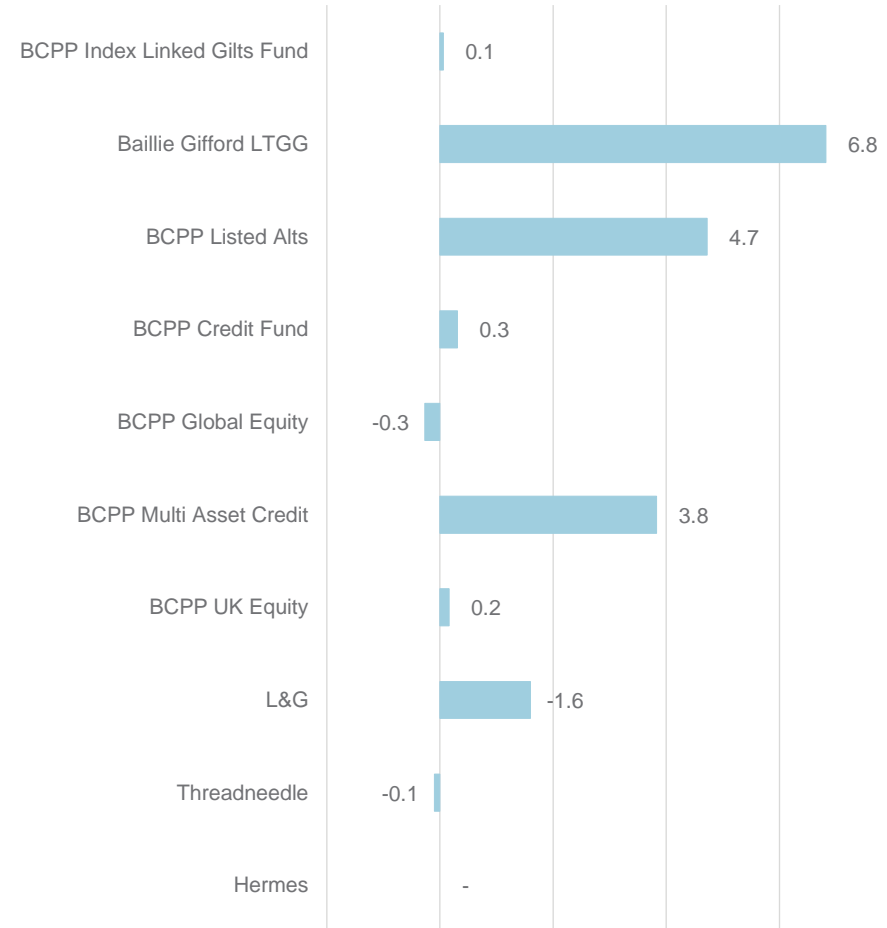
Total Fund performance is ahead of the composite benchmark over the quarter, 1 year and 5 periods but behind over the 3 year period to 31 December 2023.

# Manager performance – Quarter Snapshot

## Absolute performance



## Relative performance



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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.)			5 Years (% p.a.)			Since inception			Inception date
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	
<b>Equity</b>													
<b>UK Equity</b>													
BCPP UK Equity	8.0	7.9	0.1	4.3	8.6	-4.3	-	-	-	3.0	4.5	-1.5	Jun-19
<b>Global Equity</b>													
BCPP Global Equity	16.9	15.3	1.6	9.1	8.4	0.7	-	-	-	9.9	10.1	-0.2	Oct-19
Baillie Gifford LTGG	30.7	15.7	15.0	-6.2	8.8	-15.0	16.1	12.2	3.9	14.5	9.5	5.0	Sep-06
<b>Property</b>													
Hermes	-2.4	-2.0	-0.4	1.5	1.8	-0.3	1.1	1.2	-0.1	-	-	-	Mar-12
L&G	-1.2	-1.4	0.2	2.8	2.1	0.7	2.0	1.3	0.7	-	-	-	Dec-12
Threadneedle	0.2	-1.4	1.6	2.9	2.1	0.8	1.6	1.3	-0.3	-	-	-	Jun-12
<b>Infrastructure</b>													
BCPP Listed Alts	9.7	15.3	-5.6	-	-	-	-	-	-	0.9	5.3	-4.4	Feb-22
<b>Investment grade credit</b>													
BCPP Investment Grade Credit	10.0	8.6	1.4	-3.8	-4.7	0.9	-	-	-	-2.2	-3.4	1.2	Aug-20
<b>Non-investment grade credit</b>													
BCPP Multi-Asset Credit	10.4	8.2	2.2	-	-	-	-	-	-	-0.7	-	-	Nov-21
<b>Gilts</b>													
BCPP Index Linked Bonds	-4.2	-4.3	0.1	-18.9	-19.2	0.3	-	-	-	-16.5	-17.3	0.8	Oct-20
<b>Total</b>	<b>11.9</b>	<b>8.8</b>	<b>3.1</b>	<b>-0.3</b>	<b>2.2</b>	<b>-2.5</b>	<b>6.4</b>	<b>5.7</b>	<b>0.7</b>	<b>7.0</b>	<b>7.3</b>	<b>-0.3</b>	<b>Jan-02</b>

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

Note: Hermes, L&G, Threadneedle; MSCI data was used for 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.



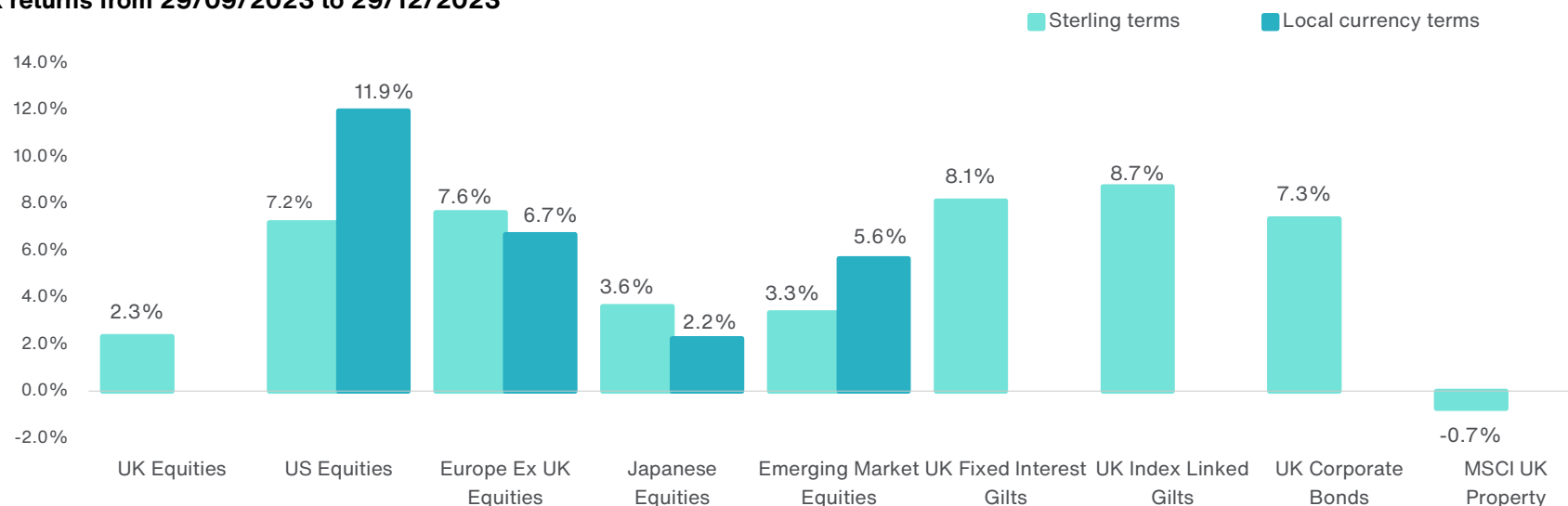
# 5. Market background and investment outlook

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

# Market – Background Q4 2023

Index returns from 29/09/2023 to 29/12/2023



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

## Equities

In Q4 2023, global equity markets rose due to a strong rally in November and December as market participants expected a greater chance of interest rate cuts in 2024. Over the quarter, the MSCI ACWI rose 9.5% in local currency terms. However, sterling appreciation against the US dollar pushed down returns in sterling terms to 6.4%.

## Bonds

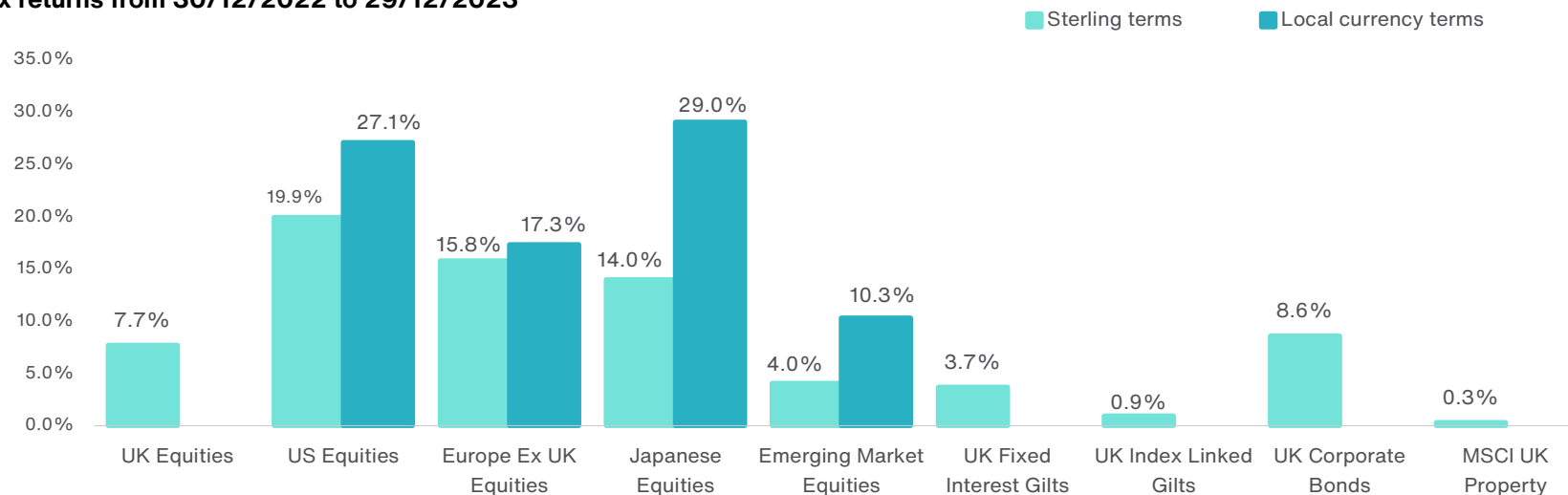
UK investment grade credit spreads fell by 0.22% to 1.21%, based on the IBoxx Sterling Non-Gilts index. Higher-quality bond credit spreads contracted less than their lower-quality counterparts, with AAA-rated non-gilt spreads falling by 0.06% to 0.41% whilst BBB-rated non-gilt spreads fell by 0.30% to 1.76%. The IBoxx Sterling Non-Gilts Index posted a return of 7.3%.

## Gilts

The UK nominal gilt curve shifted downwards over the quarter as yields fell sharply across maturities.

# Market – Background 12 month

Index returns from 30/12/2022 to 29/12/2023



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

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## Equities

Global equities generated positive returns over the last twelve months, rising sharply particularly over the first half (14.4%) and last quarter (9.5%) of 2023. The MSCI ACWI rose 22.2% in local terms in 2023. Inflation began to moderate in most major economies as the global economy proved more resilient than previously anticipated. The rally in Information Technology stocks (MSCI ACWI - IT 51.5%) was a major contributor to equity market gains in 2023, as investor excitement over artificial intelligence grew.

## Bonds

The UK credit market performed positively 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 0.46% to 1.21%. The index rose 8.6% over the year.

## Gilts

The UK gilt curve rose at shorter and longer maturities over the year whilst falling at medium maturities. In Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. In Q2 2023, the UK nominal gilt curve rose back up across all maturities with yields rising more at the short end of the curve relative to longer maturities. In Q3 2023, the UK nominal gilt curve fell at short to medium maturities but rose at the longer end of the curve. In Q4 2023, the UK nominal gilt curve shifted downwards over the quarter as yields fell sharply across maturities. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts rose by 3.7% and index-linked gilts rose by 0.9% over the last twelve months.



# Quarterly Investment Outlook – January 2024

- The ‘everything-up’ market rally late last year is just starting to be tested.
- The betting has been heavy on the global economy doing a successful landing trick that allows further falls in inflation and large cuts in interest rates even as growth holds up. This set of market expectations is well ahead of plausibility.
- 2023’s UK rates’ rollercoaster swings from pessimism to optimism will hopefully not repeat, but there are still troublesome crosscurrents. Gilt yields still have room to ease but this may come later rather than sooner.
- Investment grade credit is benefiting from stronger institutional demand, but recent spread moves leave little return upside vis a vis government bonds. Sub-investment grade credit is more expensive on a similar basis.
- Equity markets remain heavily bifurcated by the handful of seemingly invulnerable US companies that leave the rest of the US and global markets trailing.
- Our weaker than market-consensus confidence in the global economy and the valuation challenges to equities from bonds/cash encourage us to rebalance into recent gains to keep portfolios at no higher than target equity weights.
- The search for diversification is more pressing given the positive relationship between bonds and equities in the past few years. With portfolio liquidity more of a priority today, the more readily transactable alternative asset classes appeal. Insurance-linked securities and some absolute return and hedge-fund strategies appear better suited as diversified return sources in the current market environment.

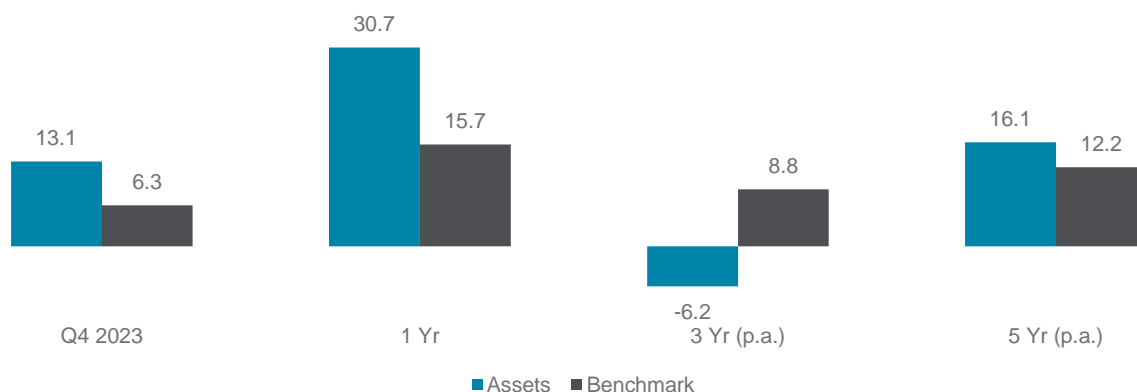


# 6. Manager review

Aon ratings and understanding manager performance



## Fund performance & benchmark



## Performance comments

The strategy outperformed during the period, extending outperformance for the year. Longer-term performance remains attractive, though the three-year number remains weak, highly influenced by the weak calendar years of 2021 and 2022. Moderating expectations of inflation and global interest rates provided a favourable backdrop to relative performance for a strategy such as this.

The largest contributors to performance over the quarter were PDD Holdings, Adyen and Shopify.

PDD Holdings (Chinese e-commerce) has delivered high revenue growth over the past year, taking share from rivals and being one of the few Chinese consumption stocks to outperform.

Adyen posted a favourable trading update, with both volume and profit growing over 20%.

Shopify outperformed as the market rewarded its greater focus on profitability, for example, disposing of its logistics business.

Among the largest detractors from performance over the quarter were Meituan (Chinese internet), The Trade Desk and CATL (EV batteries).

## Buy

Reviewed: January 2024

### Ratings detail

<b>ODD:</b>	A1 pass	<b>Risk:</b>	●●●●●
<b>Business:</b>	●●●●●	<b>Perf:</b>	●●●●●
<b>Staff:</b>	●●●●●	<b>Terms:</b>	●●●●●
<b>Process:</b>	●●●●●	<b>ESG:</b>	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.

# Baillie Gifford – LTGG (cont.)

## Positioning and Transactions

During the quarter, the team made a new purchase in Enphase Energy, which offers renewable generation hardware and software. Illumina was sold after a 10-year holding period, with the team losing confidence in management.

The strategy remains concentrated (c. 40 holdings), with significant exposure to tech-related businesses.

One area of differentiation, and now more overlapping with value-oriented global peers, is the strategy's exposure to China, with around 13% of the portfolio allocated here, of which PDD is c.6.5%.

Despite very negative sentiment towards this market the team remains confident in its holdings, believing they are supported by policy tailwinds, global thematic trends (e.g., EV), and low valuations.

## Major Developments – Team Update

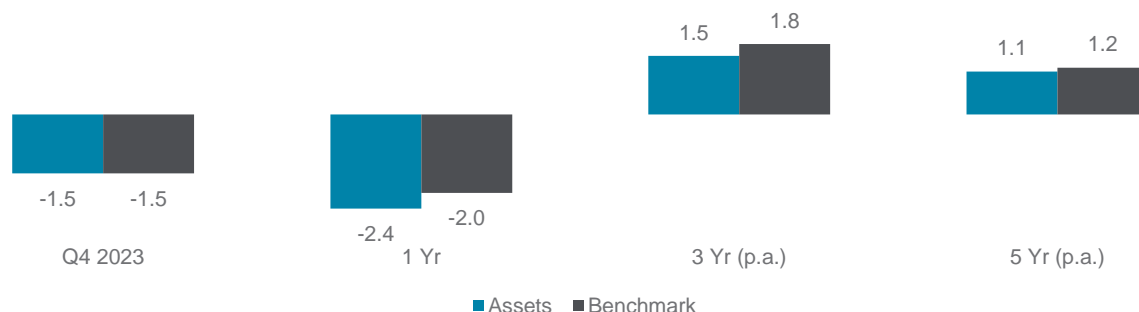
During the quarter it was announced that Robert Wilson will move from LTGG to join the International Growth Team. Other decision makers on LTGG remain in place, including of most note to us, Mark Urquhart (Head of LTGG Team) and John MacDougall.

Kyle McEnergy will join LTGG as an analyst. McEnergy has been at Baillie Gifford for nine years, working on an AI project and within the Global Alpha, Multi Asset and Global Discovery teams.

There is no change to our ratings or views.

# Hermes – Property Unit Trust

## Q4 Fund performance & benchmark



## Qualified

Reviewed: November 2023

## Q3 2023 Monitoring comments

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Performance of the fund has moderated since Dermot Kiernan became portfolio manager in Q3 2020 and medium-term performance is now in line with the benchmark compared to the fund’s historical consistent outperformance. Initial good performance under Mr. Kiernan was mainly generated by assets acquired by the previous team completing their business plans. His appointment in 2020 marked a new chapter for FHPUT, with Russell Black, the then fund manager, leaving to join his fellow former colleagues and Hermes Property Unit Trust (HPUT) portfolio managers Chris Mathews and Mark Beattie at Elwood. Other members of the HPUT team also left for Elwood prior to Mr. Black resigning. Please note that HPUT was rebranded to FHPUT following the acquisition of the Hermes business by Federated.

The new FHPUT team have been unable to match the success of the former HPUT team despite having several years to establish themselves. Aon believes that the independent FHPUT Appointments Committee should have looked externally before appointing Mr. Kiernan following the resignation of Mr. Black and we do not believe the current team and fund manager will be able to deliver consistent outperformance in the future.

Given the fund’s medium-term performance prospects (where we expect it to under-perform its’ peer group), weaker ESG integration and our negative view on the current fund management team we have changed the fund’s rating from Buy to Qualified and will not be putting FHPUT forward for new property mandates.

## Key info

**Appointed:** 27 February 2012

**Vehicle:** Property Unit Trust

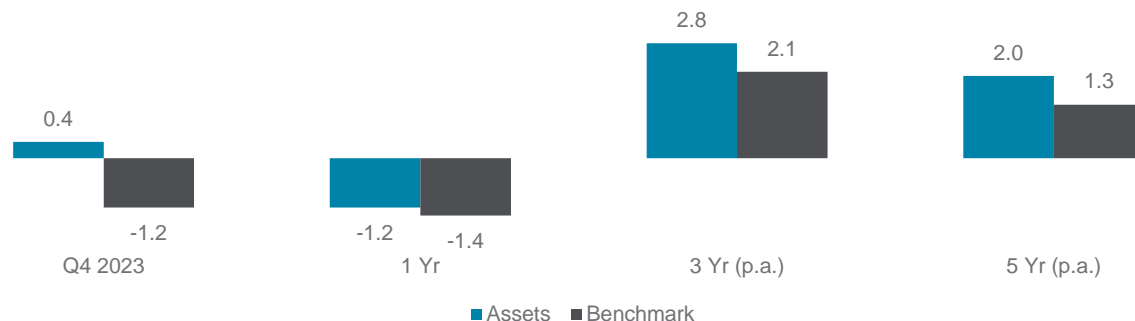
**Mandate:** UK Property Pooled Fund

**Benchmark:** IPD Other Balanced Property Fund Index

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

# LGIM – Managed Property Fund

## Q4 Fund performance & benchmark



## Qualified

Reviewed: November 2023

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## Q3 2023 Monitoring comments

As of Q3 2023, the Fund exhibits a predominant overweight position in the alternatives sector and cash compared to the benchmark. Compared to the benchmark, the Fund is heavily underweight to the industrial sector by 5.3%, 2.7% in the office sector, 2.3% in the retail sector and overweight to the alternatives and cash by 4.4% and 5.7%, respectively. The Fund's sector exposures are as follows: 16.6% to retail, 19.6% to office, 33.3% to industrial, 17.5% to alternatives, and 13.0% to cash (based on GAV %). The current underweight position in the industrial sector is expected to be corrected, moving to 38% with the acquisition of the £300 million Woodside Industrial Estate in Dunstable. Simultaneously, the exposure to the office sector will be further reduced through strategic sales.

The Fund's cash level remains considerably above the benchmark at 13% (as a % of GAV), following large DC pension inflows into the Fund (net inflows of £18 million monthly over the trailing 12 months) and is yielding 5.6% in the Fund's cash account.

## Key info

**Appointed:** 1 November 2012

**Vehicle:** Property Fund

**Mandate:** UK Property Pooled Fund

**Benchmark:** IPD All Balanced Property Fund Index

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

# LGIM – Managed Property Fund (cont.)

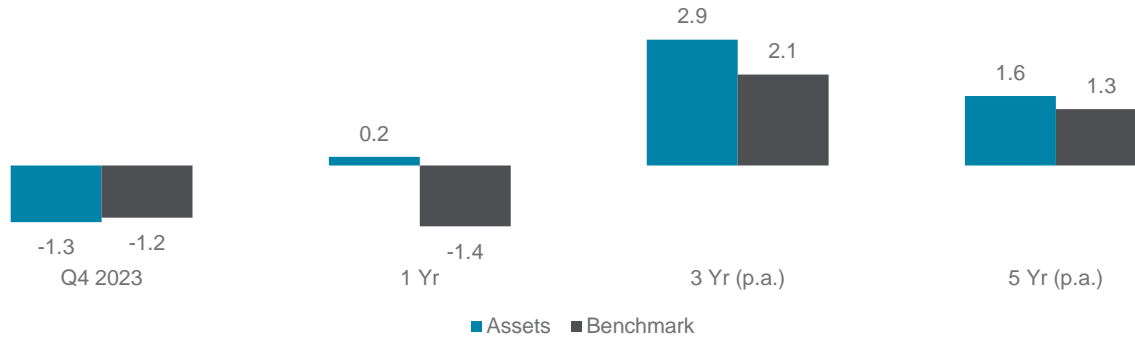
## Q3 2023 Transactions

During the last quarter, the Fund executed the sale of two industrial assets totalling £51 million and acquired one Build to Rent (BtR) unit. The Fund's purchase of Mansbridge House, a purpose-built BtR property consisting of 45 units totaling over 40,000 sqft in Battersea, amounted to £37 million, reflecting a net initial yield of 4.5%. This acquisition aligns with the Fund's strategic objective to increase exposure in the BtR sector, with the asset demonstrating strong reversionary potential, as the current letting is over 10% below the market rent.

Conversely, the Fund divested the Mersey Multimodal Gateway in Widnes for £32 million to ILP UK Propco Limited, yielding 10.8% IRR p.a. over the next ten years. Additionally, the Eastway Industrial Estate in Witham was sold for £19 million to Columbia Threadneedle, generating a return of over 20.5% p.a. over the holding period, which significantly outperformed against the industrial benchmark of 6.4% p.a.. The Manager emphasised that these sales were in line with the Fund's strategy, as the Widnes site has a short remaining lease length of 11 years and ground contamination, while the Eastways Industrial Estate presents potential ESG and Capex risks. Proceeds from these sales will be recycled to acquire the remaining 50% share of Woodside Industrial Estate in Dunstable, thereby enhancing the overall profile of the industrial holdings, and increasing exposure to approximately 38%.

# Threadneedle – TPEN

## Q4 Fund performance & benchmark



**Buy**

Reviewed: September 2023

## Q3 2023 Monitoring comments

Q3 commentary is not available at the time of publishing this report.

## 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%.

# BCPP – Quarterly high level monitoring (Q4 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. The risks associated with recruitment, retention and resourcing have now crystallised – there has been some progress in hiring of replacements, however. There are also questions over the support by the wider business for Equity and more specifically this strategy.
  - BCPP UK Equity Alpha
    - Redwheel: The manager was placed on the Watchlist during December following the UK Value team’s launch of a new Global Value strategy. Whilst the UK Value team will increase from 5 to 8, with three additional analyst resources, who are moving internally to the UK Value team, BCPP are concerned that this may not adequately compensate for the additional time required to manage a global strategy as well as maintaining the current level of focus on the UK strategy.
    - BCPP are due to have an Annual Review meeting with Redwheel in January, at which point the Global strategy will have been live for over a month. As part of the Annual Review BCPP will further discuss the impact on the UK strategy, their expectations for responsibilities and coverage going forward, and will meet with the new team members.
    - BCPP have negotiated a fee saving arrangement, equating to a 10% (c. £100k) saving in year 1.

## Changes to Senior Management at BCPP

- Richard Hawkins joins BCPP’s board, as a non-executive director, who brings in-depth technology and cyber security experience as well as significant experience operating at senior levels within financial services.

# Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

## UK Equity Alpha Fund

Fund	Q4 2023 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
UK Equity Alpha	<b>47.1</b>	<b>7.8</b>
Benchmark (FTSE All Share)	<b>85.8</b>	<b>7.8</b>

## Global Equity Alpha Fund

Fund	Q4 2023 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Global Equity Alpha	<b>66.8</b>	<b>7.1</b>
Benchmark (MSCI ACWI)	<b>124.7</b>	<b>6.9</b>

## Sterling Investment Grade Credit Fund

Fund	Q4 2023 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	<b>63.4</b>	<b>7.2</b>
Benchmark (iBoxx Sterling Non Gilt Index)	<b>66.9</b>	<b>7.5</b>

## Listed Alternatives Fund

Fund	Q4 2023 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Listed Alternatives	<b>163.0</b>	<b>7.3</b>
Benchmark (MSCI ACWI)	<b>125.0</b>	<b>6.9</b>

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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.

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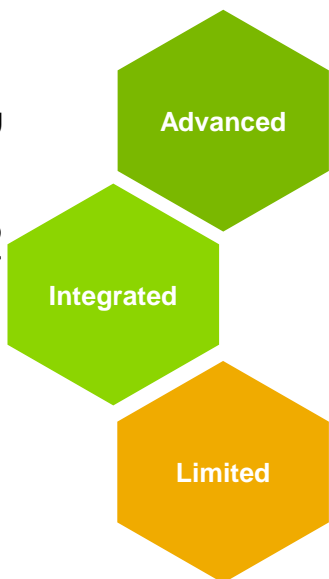
Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed 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:

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### Key

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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.

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The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.

---

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 31 December 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 *	Discount rate – Low risk funding target	CPI inflation – Low risk funding target
31 March 2022	4.20%	3.55%	2.30%	1.7%	3.4%
30 September 2023	4.70%	3.35%	2.10%	4.8%	3.2%
31 December 2023	4.60%	3.35%	2.10%	3.9%	2.9%

\* 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 31 December 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
<b>Equities</b>	6.8%	18.7%
<b>Property</b>	6.5%	12.6%
<b>Infrastructure</b>	7.7%	15.8%
<b>Listed alternatives</b>	6.8%	19.3%
<b>Illiquid credit</b>	7.9%	6.6%
<b>Investment grade credit</b>	4.8%	9.5%
<b>Non-investment grade credit</b>	6.0%	8.9%
<b>Absolute Return</b>	6.1%	5.3%
<b>Gilts</b>	3.2%	9.6%
<b>Cash</b>	3.5%	1.3%

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%	37%	62%	100%	25%	2%	54%	21%	-8%	-2%
Property		100%	19%	36%	24%	4%	28%	9%	-1%	7%
Infrastructure			100%	63%	13%	2%	22%	20%	-3%	1%
Listed Alternatives				100%	24%	2%	53%	21%	-8%	-2%
Illiquid credit					100%	57%	62%	15%	6%	24%
IG Credit						100%	26%	17%	50%	39%
Non-IG Credit							100%	18%	1%	9%
Absolute Return								100%	9%	33%
Gilts									100%	29%
Cash										100%

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# Data and assumptions

Date of calculation	31 December 2023
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,478,170,873



- 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 than 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.

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.

# Third party disclaimer – 1 of 3

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# Third party disclaimer – 2 of 3

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# North Yorkshire Pension Fund

Asset allocation considerations



Prepared for: NYPF  
Prepared by: Aon  
Date: 1 March 2024

# Introduction & Executive summary

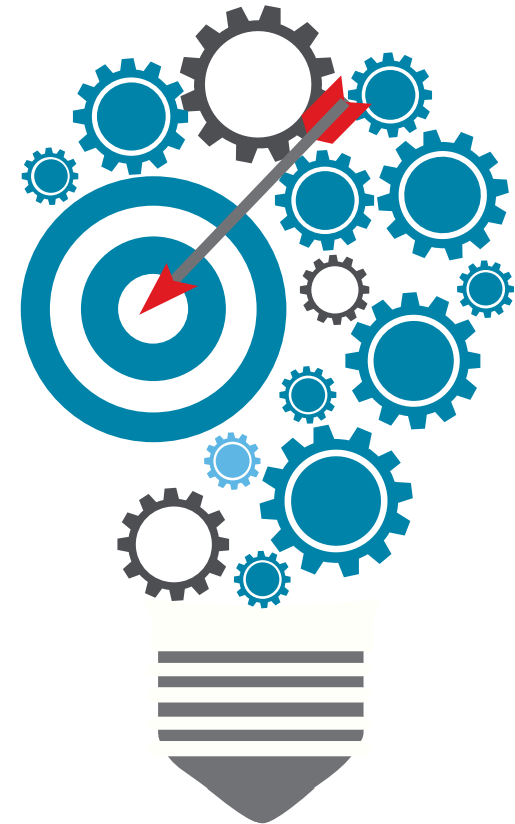
## What is the purpose of today?

- To discuss potential rebalancing and asset allocation considerations, covering;
  - Funding, contributions and investment assumptions (including low risk, index-linked gilts basis)
  - Latest market outlook for main asset classes
  - Introduction to equity protection
  - Current asset allocation considerations

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## Proposed actions

1. Employers may wish to consider funding objectives and possible de-risking
2. Within equities:
  - a) PFC consider impact equity allocation
  - b) Officers/advisors discuss impact equity with BCPP
  - c) Eliminate UK equity allocation
  - d) Reduce BG LTGG allocation
3. Officers/advisors to discuss liquid alternatives with BCPP
4. Officers/advisors meet at least quarterly to discuss cash position and asset allocation



# Change in ongoing funding and estimated contributions

## Change to funding level since 31 March 2022



### Comments

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated slightly, and the surplus has decreased by £104M.

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.

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## Total employer contribution rate

14.9%



at 31 December 2023

Down from 17.4% at 31 March 2022

## Employer cost of accrual

16.7%



at 31 December 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 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.

# Low risk funding target

## Change to funding level since 31 March 2022

### Notes

This chart is provided to give an illustration of the change in the funding level based on the low-risk funding target since the 2022 valuation date. It has been produced based on changes in daily gilt yields and market implied inflation assumptions.



### Comments

The funding level on the low risk basis has increased since the last valuation due to a rise in gilt yields over the period, leading to a decrease in the liabilities.

Employers should consider funding objectives and possibly de-risking

### Deficit

£2,573M

31 Mar 2022

### Deficit

£774M

31 December 2023

▼ £1,799M vs 31 Mar 2022

# Risk/Return Assumptions



- The table below sets out the asset return assumptions over 10 years. These are based on Aon's Capital Market assumptions as at 31 March 2022, 31 December 2022 and 31 December 2023.

	31 March 2022 (valuation)	31 December 2022 (last strategy review)	31 December 2023 (latest assumptions)	
High level asset class	Expected Return	Expected Return	Expected Return	Expected Volatility
<b>Equities</b>	6.9%	7.6%	6.8%	18.7%
<b>Infrastructure</b>	8.4%	7.8%	7.7%	15.8%
<b>Property</b>	5.3%	5.8%	6.5%	12.6%
<b>Private credit</b>	6.3%	8.0%	7.9%	6.6%
<b>Investment Grade (IG) credit</b>	2.7%	5.5%	4.8%	9.5%
<b>Non-investment grade credit</b>	4.3%	6.5%	6.0%	8.9%
<b>Gilts</b>	0.9%	3.5%	3.2%	9.6%
<b>Cash</b>	1.5%	3.6%	3.5%	1.3%
<b>CPI</b>	2.5%	2.5%	2.5%	2.0%

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

2023  
 11

## Comments

Return assumptions are materially different to those at the valuation. Employers should consider funding objectives and possibly de-risking

# Key Issues in Markets Today

1



**Is it plausible for policy rates to be slashed if economic growth can hold up?**

Money markets are pricing the former, but equities and credit are pricing the latter.

2



**Will rollercoaster swings in bond yields continue?**

Yields fell considerably in Q4 but have rebounded so far in Q1. What's next?

3



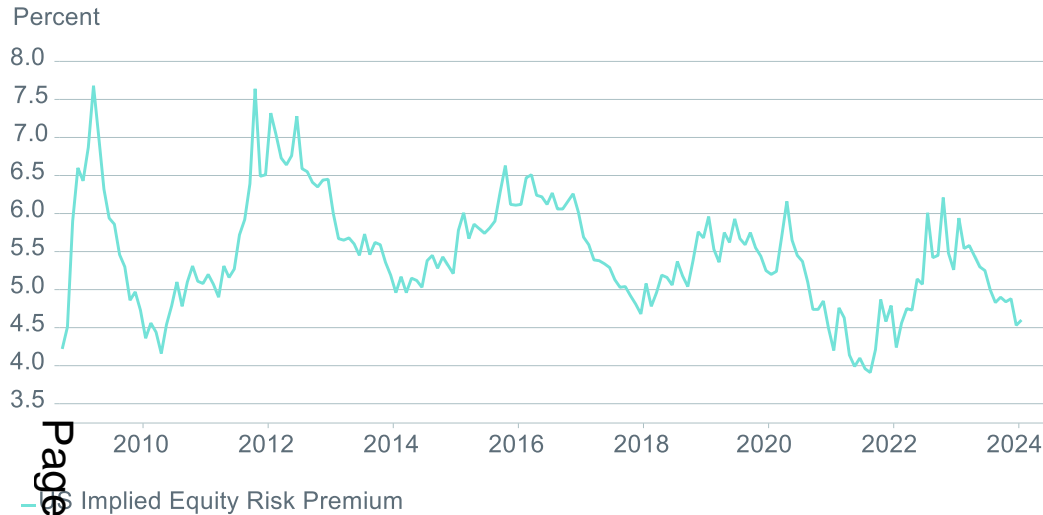
**Can the 'Magnificent Seven' continue to pull up global equity returns?**

These companies are priced to be an ever-dominant part of the global economy - Is this realistic?



# Key Issues in Markets Today

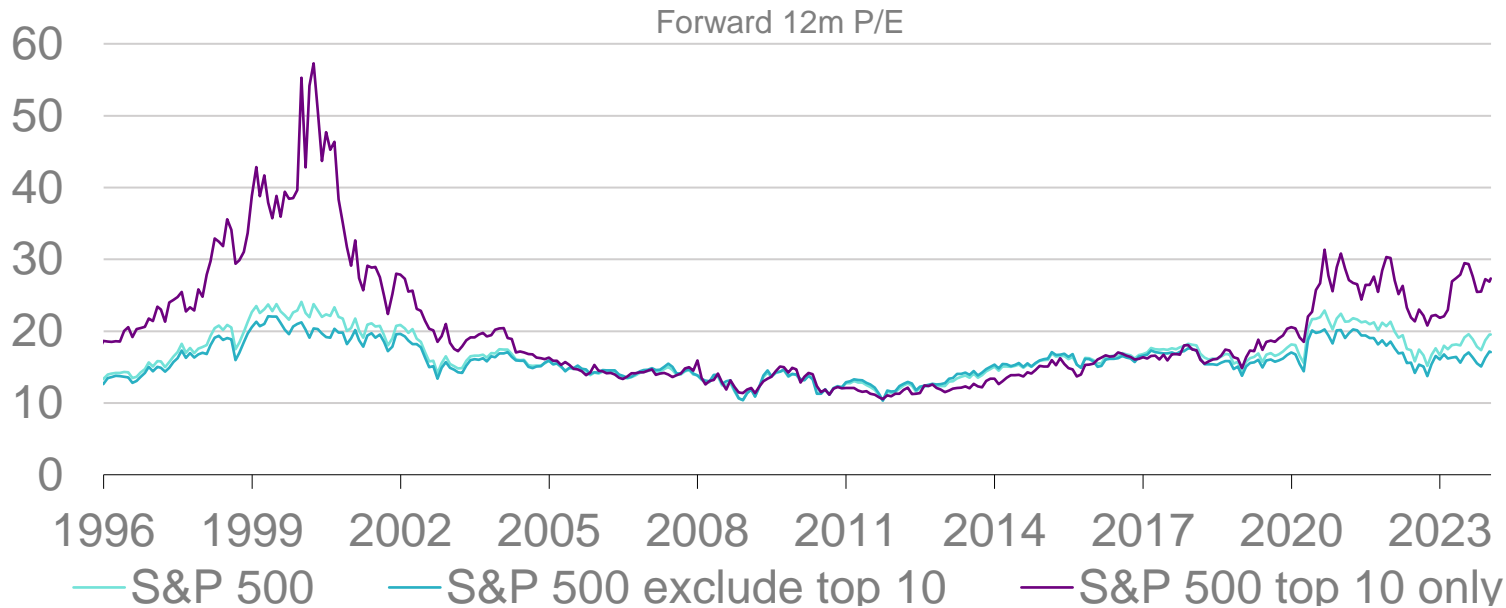
Higher yields will likely persist as an important headwind to equities



Interest rates driving risk asset performance which makes diversification difficult

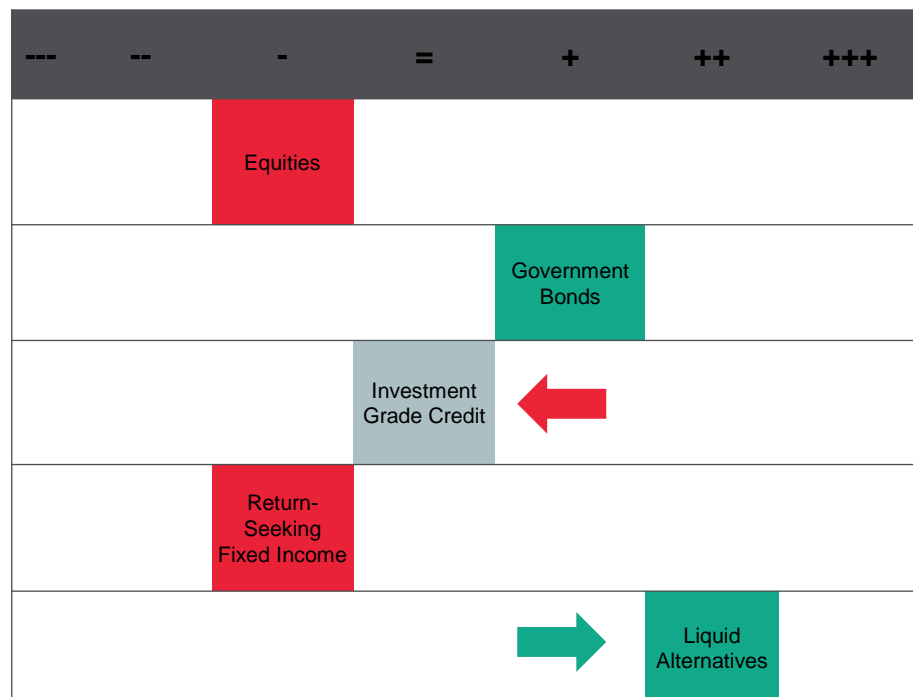


Equities expensive but not bubbly



## Comments

We remain cautious on equities overall, based on our view that higher yields and a weaker economic trend, coupled with unattractive valuations will present headwinds.



- We maintain our preference for government bonds/cash over equity and return-seeking fixed income. However, narrower credit spreads have reduced the attractiveness of investment grade relative to government bonds.
- We have upgraded our liquid alternatives view given the risk that the close correlation between equity and bond market performance could continue against the likelihood of increasing geopolitical risk.
- We continue to think that equities will face important headwinds this year, keeping us cautious. The key reasons are the big increase in policy interest rates that have yet to be fully felt by companies and the threat to earnings from weaker economic activity and sticky wages.



## Comment

- NYPF consider tactical underweight equities (and MAC) and overweight government bonds (gilts) or cash.
- Or consider equity protection – but complexities and implementation issues are barriers.
- NYPF consider liquid alternatives (e.g. diversifying hedge funds, commodities and insurance linked securities) - but outside of the pool.

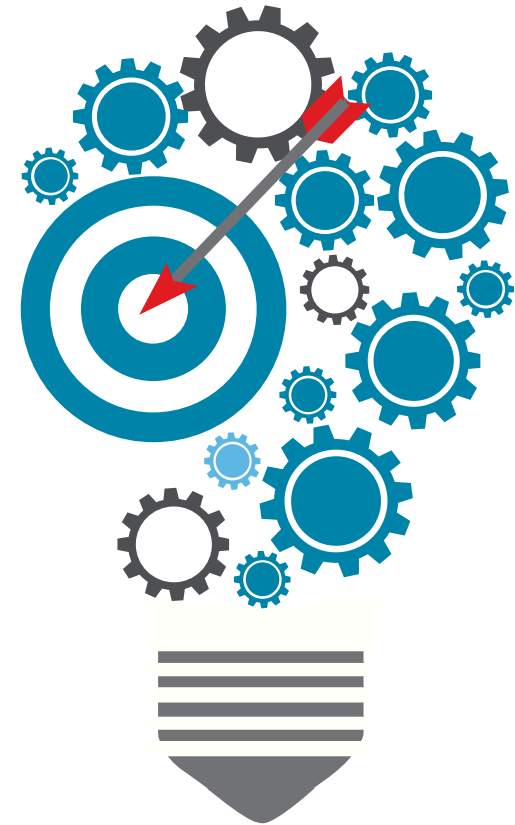
# Asset allocation – Q4 2023 and potential future allocation

9

Asset class / manager	Current allocation	Long-term strategy	Q1/Q2 trades	Adjusted allocation for Q1/Q2 trades	Example long-term strategy	Diff. vs adjusted current	Action
<b>Equities</b>	<b>48.8%</b>	<b>50.0%</b>	-3.5%	<b>45.3%</b>	<b>45.0%</b>	<b>+0.3%</b>	<b>Reduce strategic allocation (to 45%) &amp; consider further reduction if aligns with funding strategy</b>
<i>BCPP UK equity</i>	3.9%	4.0%		3.9%		3.9%	Eliminate UK equities given strategic preference for global
<i>BCPP Global Equity</i>	28.4%	28.0%		28.4%	28.0%	0.4%	
<i>Baillie Gifford LTGG</i>	16.5%	18.0%	-3.5%	13.0%	10.0%	3.0%	Reduce given strategic preference to reduce growth and single manager risk
<i>Impact equity (TBC)</i>					7.0%	-7.0%	PFC to decide whether to pursue; if so discuss with BCPP
<b>Liquid Alternatives</b>	<b>0.2%</b>	<b>0.0%</b>		<b>0.2%</b>	<b>0.0%</b>	<b>+0.2%</b>	Discuss with BCPP
<b>Bonds &amp; Cash</b>	<b>28.0%</b>	<b>27.5%</b>	<b>+4.2%</b>	<b>32.2%</b>	<b>27.5%</b>	<b>+4.7%</b>	<b>Temporary increase allocation &amp; consider further increase if aligns with funding strategy</b>
<i>Non-Investment Grade Credit</i>	5.3%	5.0%		5.3%	5.0%	+0.3%	
<i>Investment Grade Credit</i>	7.2%	7.5%	+0.4%	7.6%	7.5%	+0.1%	
<i>Index-Linked Gilts</i>	13.3%	15.0%		13.3%	15.0%	-1.7%	
<i>Cash (inc in transit*)</i>	2.2%	0.0%	+3.8%	6.0%	0.0%	6.0%	Comfortable with short-term overweight given yields, funding position and market outlook. Review at least quarterly.
<b>Private markets</b>	<b>23.0%</b>	<b>22.5%</b>	<b>-0.7%</b>	<b>22.3%</b>	<b>27.5%</b>	<b>-5.2%</b>	<b>Increase strategic allocation</b>
<i>BCPP Listed Alts</i>	5.9%			5.9%		+5.9%	
<i>BCPP Infrastructure</i>	6.5%	10.0%		6.5%	10.0%	-3.5%	
<i>BCPP Climate Opps</i>	0.5%			0.5%	4.0%	-3.5%	New strategic allocation
<i>BCPP UK Opps</i>					1.0%	-1.0%	New strategic allocation
<i>Property</i>	6.1%	7.5%	-0.7%	5.4%	7.5%	-2.1%	Await BCPP funds
<i>Private Credit</i>	4.0%	5.0%		4.0%	5.0%	-1.0%	Consider over allocating or strategic increase

# Proposed actions

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# Relative Asset Class Views\*

\*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

## Equity Regions

	---	--	-	=	+	++	+++
USA							
Europe ex UK							
UK							
Japan							
Emerging							

## UK Gilts

	---	--	-	=	+	++	+++
Long-dated Gilts (20Y)							
Short-dated Gilts (5Y)							
Long-dated ILG (20Y)							
Short-dated ILG (5Y)							

## Liquid Alternatives

	---	--	-	=	+	++	+++
Active commodities							
Alternative Risk Premia							
Insurance-linked securities							
Diversifying hedge funds							
Return-seeking hedge funds							

## Factors

	---	--	-	=	+	++	+++
Low Vol.							
Quality							
Value							
Growth							

## Return-Seeking Fixed Income

	---	--	-	=	+	++	+++
USD EMD							
Local EMD							
Bank Loans							
Selected ABS							
US High Yield							

## Currency views vs GBP

	---	--	-	=	+	++	+++
USD							
EUR							
JPY							
EM							

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## Comment

- NYPF consider reducing UK equities for global now and consider further reducing growth (Baillie Gifford LTGG) “overweight”
- NYPF consider flexibility around current long-dated ILG holding and options to use short-duration ILGs or fixed gilts or annuities.
- NYPF consider liquid alternatives – noting outside of pool therefore likely low priority

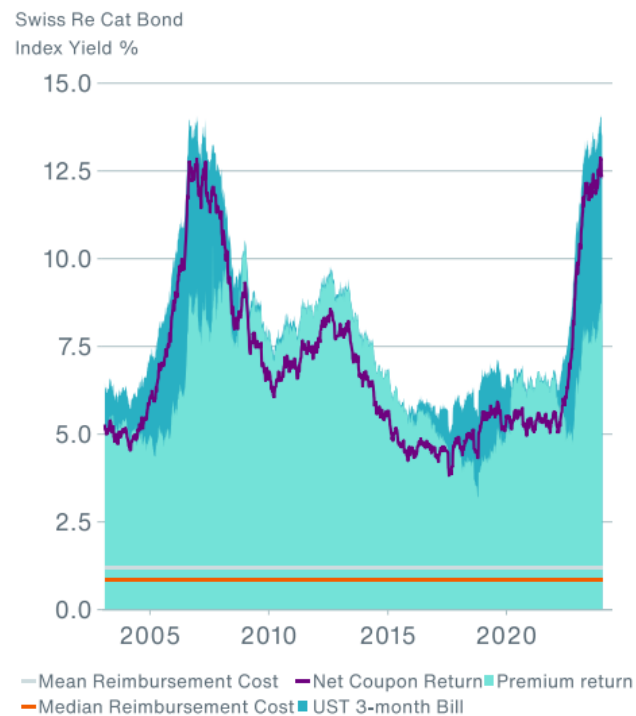
## Catastrophe bonds have had a fantastic 2023 but we still expect them to deliver low double digits in 2024

ILS had a great 2023 with a rebound in cat-bond prices from 2022. These had fallen in 2022 (following Hurricane Ian) but losses were less severe than first feared, and interest in ILS made prices rebound. This additional windfall for 2023 is unlikely to be repeated but we still think that low double-digit returns this year are achievable. Spreads at issuance in January 2024 look to be very similar to January 2023, which means that coupon yields are around 13% (c. 8% premium + c. 5% on collateral). We think this is very attractive in a world where spreads on other investments are very compressed.

Climate change has already increased the losses from catastrophes across the world. Aon estimates there were \$389bn in losses in 2023, although insurers only covered \$118bn of those losses. Climate change and ever bigger insurer losses might make the case for investing in ILS sound counterintuitive. However, although losses are growing, the cost of insuring those losses has grown even faster.

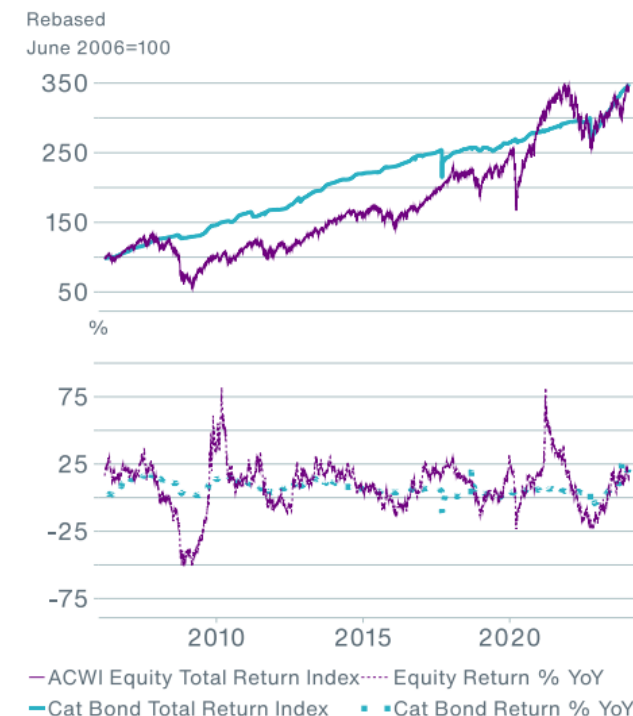
From the end of 2022 we saw the reinsurance markets start to price these risks in a way that investors are now rewarded again for buying cat-bonds and other forms of ILS. Reinsurance contracts are now specified so that insurer losses have to be even higher before reinsurance kicks-in, which means that the effective cost of reinsurance has risen even more than some price indices suggest.

### Coupon returns from ILS remain elevated



Source: SwissRe, Bloomberg, Aon. NB series are estimates backed out from data provided by SwissRe. "Reimbursement costs" are an estimate of the long-term headwind to returns coming from reimbursements made to the counterparty/sponsor, calculated by deducting the long-term total return on cat bonds from the long-term coupon return.

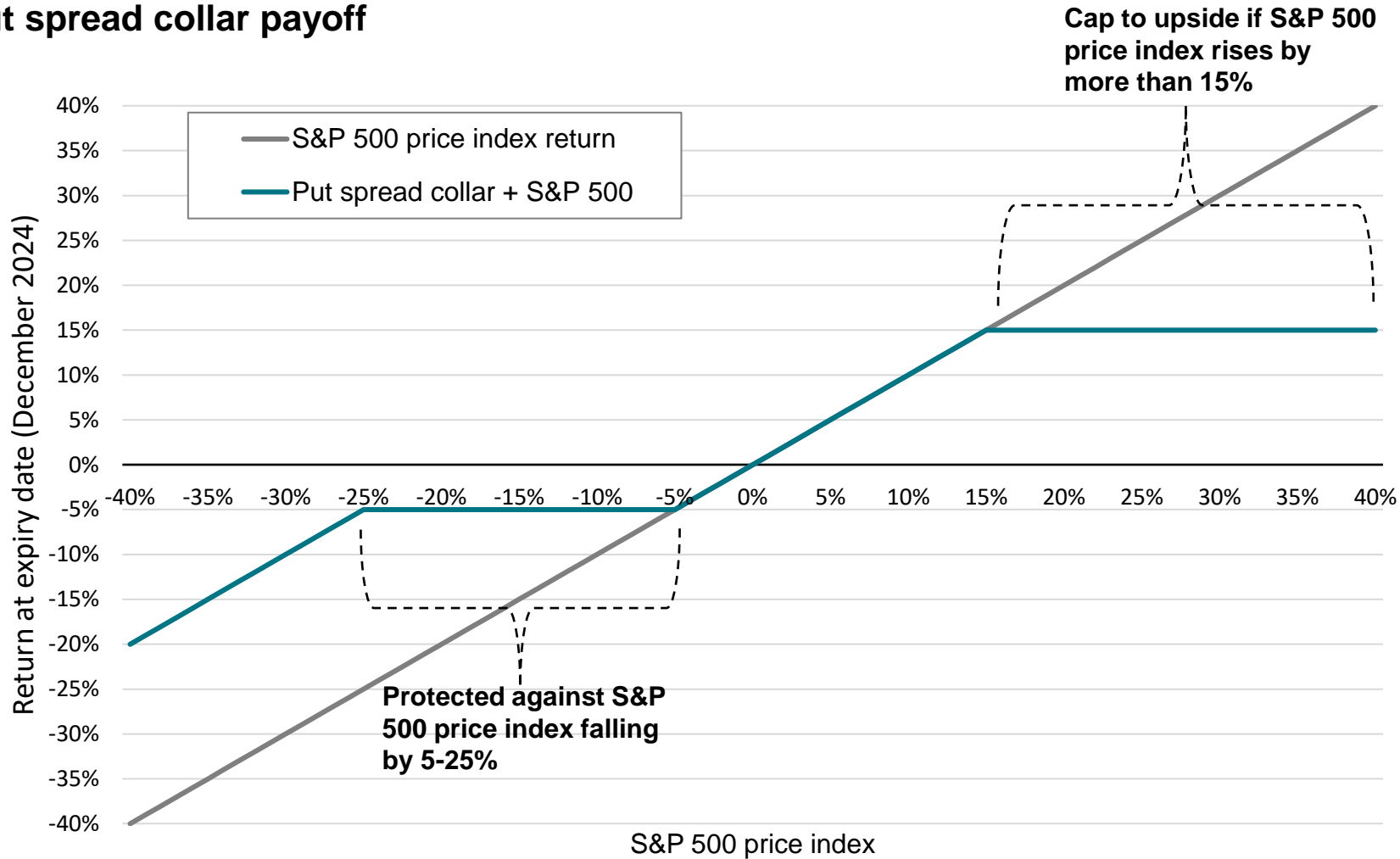
### Insurance-Linked Securities: equity like returns but lower volatility



Source: Bloomberg, Macrobond

# Introducing options-based equity protection

## Put spread collar payoff



Source: Aon.

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### Comment

- Further training required and relatively complex to implement





# Page 121 Further information

For full detail of methodology, TAS compliance, limitation and disclaimers see report sent to officers dated 22 February

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## North Yorkshire Council

### Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 11<sup>th</sup> January 2024 commencing at 10.00am.

Present: -

Members of the Board

David Portlock (Independent Chairman)

Employer Representatives:

Emma Barbery (Askham Bryan College)  
Councillor Martin Rowley, BEM (City of York Council)

Scheme Members:

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

Council Officers:

Chris Chapman, Phillippa Cockerill, Stuart Cutts, Jo Foster-Wade, Steve Loach, and Tom Morrison.

In attendance:

Councillor George Jabbour

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

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#### **38. Welcome and apologies for absence**

Apologies for absence were submitted by Councillor Steve Watson (North Yorkshire Council) and David Hawkins (York College).

#### **39. Exclusion of Public and Press**

That on the grounds that this item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public and press were excluded from the meeting during consideration of Min. no. 43(b) – Confidential Minutes of the Pension Fund Committee.

#### **40(a). Minutes**

##### **Resolved -**

That the Minutes of the meeting held on 26 October 2023, having been printed and circulated, be taken as read, confirmed as a correct record and signed by the Chairman.

#### **40(b) Progress on Issues Raised by the Board**

There had been no further development in relation to the Hymans Good Governance review since the previous meeting. The issue was reported to be progressing last Autumn and would be reported to the Board as soon as details were available. World events and subsequent priorities may have affected the final signing off of the review.

In relation to the Government's call for the next steps of pooling arrangements it was stated that nothing further had been heard in respect of further developments. It was considered unlikely that there would be any action undertaken prior to the forthcoming General Election, and even then it was unlikely that there would be any significant impact on the North Yorkshire Pension Fund, as it already held a significant proportion of investments in the Border to Coast Pensions Partnership (BCPP) pool. The aim of the Government extending the scope of pooling was to encourage those Pension Funds that were not currently sufficiently participating to do so and to ensure that the pooling benefits were fully maximised.

The Business Continuity matter would be addressed later in the meeting.

##### **Resolved -**

That the report be noted.

#### **41. Declarations of Interest**

There were no declarations of interest.

#### **42. Public Questions or Statements**

It was noted that a member of the public had suggested that they would like to present a question/statement to a subsequent meeting in relation to addressing climate change through the investments made by the Pension Fund. It had been explained that the Board had no involvement in investments for the Fund, but she was welcome to attend and address the Board if she wished. An e-mail from the person, inviting Members of the Board to a climate event, had been circulated prior to the meeting.

#### **43. Review of the Terms of Reference**

The Terms of Reference were provided to Members as part of the Annual Review. It was noted that the Terms of Reference still contained reference to the County Council which had changed to North Yorkshire Council and there was a typographical error. There were no material changes and the minor changes did not need to be referred to Council for approval.

**Resolved –**

That the minor alterations be undertaken accordingly and the report be noted.

**44(a). Pension Fund Committee – Draft Minutes of the meeting held on 24 November 2023**

Considered -

The draft minutes of the meeting of the Pension Fund Committee (PFC) held on 24 November 2023.

The Chair highlighted the following main issues that were considered at the meeting and noted that the issues of interest for the Board were the subject of reports to this meeting.

**Resolved –**

That the Minutes be noted.

**44(b). Pension Fund Committee – Draft Confidential Minutes of the meeting held on 24 November 2023**

Considered -

The draft confidential minutes of the meeting of the Pension Fund Committee (PFC) held on 24 November 2023.

**Resolved –**

That the Minutes be noted.

**45. Pension Fund Administration**

The 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 November 2023 meeting were set out in an Appendix to the report.

**Breaches Log**

There had been one new entry in the breaches log since the previous meeting of the Board, as detailed in the report. This related to the late issuing of a 2022 Pension Savings Statement, following the discovery of discrepancies whilst working on the 2023 Statement. This had resulted in a £100 penalty from HMRC.

**Annual Benefits Statements (ABS)**

All of the statements for 2023 had now been issued and the process for 2024 was underway. The monthly returns from those now on i-Connect were improving the ABS process through the provision of up-to-date and timely data.

## Major projects

The roll out of the i-Connect employer portal was progressing well with only 62 employers left to onboard; the final push to complete this process was now underway.

The new website for the NYPF was now live, with up to date and relevant content available, and will be monitored to ensure that this remains up to date.

The data returned from employers for the McCloud project had been completed and the disclosure requirement to inform all relevant scheme members about the McCloud remedy had been met. This included a form for members to advise the Fund of any other Public Service Pension Scheme (PSPS) membership they had before 1 April 2012 (needed for the remedy).

In relation to the updating of the Disaster Recovery Plan, feedback was awaited from the relevant team that were currently working on the NYC Recovery Plan. It was expected that the Plan for the NYPF would link into that. Members were reassured that the existing Plan could be utilised should there be an immediate need.

## Local Government Pensions Committee (LGPC) Bulletins Log

Details of recent LGPC bulletins, and the response to those, were set out in an appendix to the report. It was stated that every effort was made to ensure that the issues raised were assimilated into the work of the team.

## Other issues

The Pensions Regulator (TPR) had submitted its new General Code of Practice before Parliament the day before this meeting, and this would be introduced from 27 March 2024. However, it was expected that Pension Funds should already be complying with much of the new code. It was stated that AON were providing guidance and were providing a webinar on 29 January 2024 in relation to this. It was requested that a link to the webinar be shared with Members of the Board. It was also requested that, if possible, a recording of the webinar be made to share with Members unable to attend. In response it was stated that it was usual practice for this to take place. The Chair considered this to be an important development for the work of the Pension Board

Members raised the following issues in relation to the report:-

- It was asked whether there would be access to details on the website for pension members to determine whether they were eligible for benefits from the McCloud judgement. It was also asked what the default position would be should a member not return their circulated form in relation to McCloud. In response it was noted that all relevant details would be available through the NYPF and LGPS websites. In terms of the default position, any member who returned their PSPS form would have an identifier added to their pension record. Any member who did not return their form would be asked again to confirm any PSPS membership when the NYPF carried out a benefit calculation.
- It was asked whether there was a timescale in respect of the updating of the Disaster Recovery Plan. In response it was stated that the Head of Pensions Administration remained in contact with the NYC Disaster Recovery Team with the a view to addressing this matter as soon as possible. It was suggested, should there be further delays to this, that the concerns of the Pension Board regarding the lack of progress on this matter be raised with the Team.

- A Member noted that when the unitary Authority was formed a twelve months opportunity was provided for staff leaving the former District and Borough Councils to amalgamate their pensions. It was asked whether a reminder had been issued to remind staff that the period of time offered for this was to end shortly. In response it was stated that a reminder had been provided on internal communication networks. It was suggested that Managers should be approached to advise staff as not all of them had access to the internal networks. It was stated that this would be addressed accordingly. It was asked whether there had been a large response to this opportunity and it was stated that the majority of people were satisfied with their current pension arrangements, therefore did not feel it necessary to respond, however, it was important that the choice was provided. The Chair suggested that it would be good practice to issue a reminder to avoid later complaints. It was noted that some members had requested additional time, beyond the twelve months offered, to make this decision. It was emphasised that this was an employer discretion within the Local Government Pension Scheme Regulations and Full Council (for NYC) would need to decide how to exercise its discretion (not the NYPF).
- The Chair asked Board Members to consider the latest breach, as outlined earlier in the meeting, and whether this should be reported to the Pensions Regulator. He stated that he had discussed the issue with officers prior to the meeting, as it arisen prior to the November PFC Meeting, and had recommended that given the nature of the breach there was no need to report this, which had been accepted by the PFC. Members of the Board agreed that the breach should not be referred to the Pensions Regulator.

**Resolved -**

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted and no further action be taken in respect of the breach highlighted at this meeting.

**46. Pension Fund Annual Report 2022/23**

It was explained that, due to external accounting issues, the Final Accounts could not yet be signed off, despite the NYPF accounts having been completed some time ago, as these could not be published until the Council's accounts were signed off. It was expected that the accounts would be signed off shortly.

In line with legislation, the Annual Report had been published on the NYPF website by the 1 December, with an explanatory note in respect of the non-inclusion of the Final Accounts.

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

- Members expressed their concerns and hoped that the accounts had been completed by the next meeting of the Board.
- It was noted that due to delays in the previous year's accounts there were now two draft Annual Reports on the website and it was asked whether this would have further consequences for the coming year. In response it was stated that the accounts had to be completed in order, therefore, it was possible that further delays could occur. The issues relating to the current External Audit situation was nationwide, and not just a North Yorkshire matter. However, there was some comfort for the Pension Fund in that the bulk of the audit of the

accounts had been undertaken and there were no major concerns with the Fund's accounts, the issue was with the publication of the NYC accounts, unfortunately both had to be done together. There were a number of issues arising from the accounts of some of the former District/Borough Council accounts that were having a knock-on effect for the NYC accounts, following the amalgamation. It was asked whether, going forward, the two sets of accounts could be published separately. A Member suggested that the possibility of having the accounts published separately should be investigated and it was noted that the forthcoming Good Governance Review could contain directions related to that, going forward.

**Resolved –**

- (i) that the draft Annual Report 2022/23 be noted.
- (ii) that the status update of the draft Annual Report 2021/22 be noted.

**47. Pension Fund Risk Register**

Members considered the latest update of the Pension Fund's Risk Register. The following highlights from the report were outlined:-

- None of the risks had been categorised higher since the previous update
- The risks had lowered in relation to key personnel, resources and benefit payments. The Local Government Re-organisation had now been completed.

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

- It was considered surprising that pooling remained a high risk now that 75% of the Fund's investments were in the pool. This was acknowledged, but it was noted that some important transfers of investments were about to take place therefore the risk remained unchanged. The next review may see an alteration to that position.
- It was asked whether there was a risk going forward from the employers that were yet to be onboarded onto i-Connect. In response it was explained that employers who were already onboarded submitted monthly data to the NYPF and the data was checked in real time rather than at year end. This meant that errors were dealt with periodically rather than in bulk at year end. It was expected that the remaining employers would be onboarded onto i-Connect shortly, and there was no significant risk relating to this. It was noted, however, that data still had to be provided in a timely manner for the process to be effective, therefore there was still a risk in respect of this.
- Details of how the various risks were calculated and categorised would be circulated to Members.

**Resolved -**

That the contents of the report be noted

**48. Internal Audit Report**

Members considered a report from the Internal Auditors, Veritau, that provided a more detailed programme of work for 2023/24, highlighting the issues that would be focussed upon in the various categories, to ensure that new topics within those areas, were the subject of scrutiny over the coming year. The details were set out in the report.



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

- The change of focus under the continuing headings was provided in the report.
- The timescales for the audits were discussed and it was stated that these would be completed over the next six months period, with some details to be reported back to the July meeting of the Board and the remainder being presented to the October meeting.
- It was stated that meetings between external and internal audit providers did take place and that there had been discussions in relation to the 2023/24 audit of final accounts. It was noted that there was frequent liaison between the two on numerous issues with care taken so as not to duplicate the details under consideration.
- The Chair noted that the report referred to this meeting as a Committee and suggested that this should be replaced with Board in future so as not to create confusion with the Pension Fund Committee. He stated that any issues of concern raised by Internal Audit at the Board would be reported to the Pension Fund Committee meetings by him.

#### **Resolved -**

That the contents of the report be noted

#### **49. Budget and Cashflow**

Members considered a report providing an update on:-

- (a) 2023-24 budget and costs of running the Fund
- (b) four-year cash flow forecast

The main variations to the budget related to recruitment to fill vacancies in the Admin Team and additional consultancy fees related to the ongoing review of equities.

The cashflow position for Quarter 1 indicated that there had been minor changes to the position reported to the previous meeting. The overall cash flow position was expected to be a Scheme deficit in 2023/24. Increasing deficits were projected from 2024/25, where an equivalent amount of income from investments would be required to address this. As previously reported this was a natural development for a pension fund to become cashflow negative, due to factors such as increasing life expectancy.

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

- The Chair stated that the NYPF was a maturing Fund facing an inevitable position of becoming cashflow negative and had done well to remain in a positive position for so long as many in the LGPS had been negative for a number of years. It was noted that some income from investments, which would have previously been re-invested, would now be utilised to balance the cashflow position.
- A Member asked how many LGPS schemes, particularly those in the BCPP, were cashflow negative. In response it was stated that anecdotal information indicated that the majority were in that position. It was stated that details of those within BCPP that were in cashflow deficit would be obtained and circulated following a request by a Board Member. It was believed that more than half of the Funds in the LGPS were now cashflow negative and it was

emphasised that the NYPF was in a strong position as it remained more than 100% funded.

**Resolved –**

That the report and issues raised be noted.

**50. Training**

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

The Chair highlighted the forthcoming training event by AON on the new TPR General Code of Practice and a number of conferences/training events organised by the PLSA. He noted that details of training, webinars and conferences continued to be circulated and encouraged Board Members to attend when time allowed them to. He noted that the Good Governance Review was likely to place emphasis on skills and knowledge, and whilst these were statutorily required for Board Members, there were likely to be implications for Pension Fund Committee Members.

**Resolved -**

- (i) That Members note the availability and details of the Hymans Robertson online training package, together the numerous other training events, webinars and conferences that were frequently advertised;
- (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.

**51. 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 the final meeting date for the Pension Board for 2023/24 and the dates for 2024/25.

The Chair stated that for 2024/25, the Board would consider a return to some detailed project work and asked for Members to provide their views on this. If in favour, he suggested that Members liaise with officers to determine which issues would be appropriate, within the scope of the Board, for that type of work, and what resources and time commitment would be required.

A Member asked whether the Board would be required to operate differently following the implementation of TPR's new General Code of Practice. In response it was stated that details of any implications would be provided to the April meeting of the Board.

**Resolved -**

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

- (ii) Members advise the Chair of their views on recommencing focussed project work during 2024/25
- (iii) That the final date of ordinary meetings for 2023/24 being 4th April 2024 be noted.
- (iv) That the dates of ordinary meetings for 2024/25, as detailed in the report be noted as follows:-

All Thursdays at 10am

4<sup>th</sup> July 2024  
24<sup>th</sup> October 2024  
9<sup>th</sup> January 2025  
3<sup>rd</sup> April 2025

The meeting concluded at 11.40am.

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