Agenda

Meeting: **Pension Fund Committee**

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

Date: **Friday, 24 May 2024**

Time: **10.00 am**

Councillors: **Angus Thompson (Chair), John Cattanach, Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Dan Sladden, Neil Swannick and Peter Wilkinson**

Councillor Jonny Crawshaw, City of York Council

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

Brian Hazeldine, UNISON

Business

1. Exclusion of Public and Press

To consider the exclusion of the public and press from the meeting during consideration of item 2(b) – Confidential Minutes of 1st March 2024 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(a) Minutes of the Committee of the meeting held on 1st March 2024 **(Pages 3 - 14)**

2(b) Confidential Minutes of the meeting held on 1st March 2024 **(Pages 15 - 18)**

3. Declarations of Interest

Enquiries relating to this agenda please contact David Smith or Vicky Davies
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Website: www.northyorks.gov.uk

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 David Smith or Vicky Davies of Democratic Services (contact details at the foot of page 1 of the agenda sheet) by midday on Tuesday 21st May 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.

For any enquiries relating to this agenda please contact David Smith or Vicky Davies on e-mail david.smith1@northyorks.gov.uk or vicky.davies@northyorks.gov.uk
Website: www.northyorks.gov.uk

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

Thursday, 16 May 2024

North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on 1st March 2024 held at County Hall, Northallerton commencing at 10 am.

Present:-

Councillors George Jabbour (Vice-Chair in the Chair), John Cattanach, Sam Gibbs, Paul Haslam (as substitute for Councillor Mark Crane), Cliff Lunn, Heather Moorhouse (as substitute for Angus Thompson), David Noland, Neil Swannick, Matt Walker and Andrew Williams.

David Portlock - Chair of the Pension Board.

Apologies for absence – Councillors Mark Crane and Angus Thompson;
Councillor Jonny Crawshaw - City of York Council; together with Brian Hazeldine – UNISON retired members.

Two members of the public and a representative of the press were present.

Copies of all documents considered are in the Minute Book

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38. 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. 39 – Confidential Minutes and –

39. Minutes and Confidential Minutes

Resolved -

That the Minutes and Confidential Minutes of the meeting held on 24th November 2023 were confirmed and were signed by the Chairman as a correct record, subject to the alteration detailed below:-

Minute No. 31 – Pensions Administration report – Under "Members discussed the report and the following issues were raised:-" replace the first bullet point with the following:-

It was clarified that whilst we have approximately 22k members of the Fund that are known to be in scope there were possibly another 80k members who might fall within the scope of the McCloud judgment when we receive details of any previous public sector pension scheme membership. A calculation would be undertaken for those eligible and each member would be awarded either a Final Salary or Career Average Pension for the McCloud underpin period, depending on whichever was the higher figure. A priority list for rectification was being developed in respect of the implementation of this.

40. 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.

The following Members declared a non-registerable interest in respect of them being in receipt of a pension from the NYPF:-

Councillors John Cattanach and Cliff Lunn.

41. Public Questions or Statements

Mr Richard Tassell of Fossil Free North Yorkshire provided the following questions/statements to the Committee:-

Since we last asked a question of the North Yorkshire Pension Committee in September there have been several significant developments related to continued investment in fossil fuel companies.
Barclays Bank have issued a statement on their future holdings in new fossil fuel exploration and development (February2024) saying they will no longer make such investments.

This comes in the same month (February 2024) where it was confirmed that the world during 2023 had reached the 1.5 degrees in warming (the 'target' established at the Paris Conference in 2015) beyond which global warming and climate breakdown would reach dangerous levels.

I would like to bring to the committee's attention recent research[4,5] that demonstrates that pension funds may be risking retirement savings by relying on economic research that ignores the science. It shows that climate modelling available to pension funds is flawed and grossly underestimates the true financial implications of a warming climate on pension returns. Real-world impacts of climate change, such as the impact of tipping points, sea-level rise and involuntary mass migration, are largely excluded from these economic models. Some models even implausibly show the hot-house world to be economically positive!

Many pension funds use investment models that predict that global warming of 2 to 4.3°C will have only a minimal impact on member portfolios, and even at 5 to 7°C of warming, these models predict that economic growth will continue (reducing future GDP by less than 10%, compared to a world with no climate change). Such predictions cannot be reconciled with the science. Global warming on this scale would be "an existential threat to human civilisation," "beyond catastrophic".

It is clear that there has been an element of "group think" here and that different professional groups have been working in silos.

I believe that North Yorkshire Pension fund has a fiduciary duty to review the climate modelling that you are using and ensure that it is fit for purpose.

These reports are referenced in this briefing document as is a recording of the webinar addressing this very issue that took place on Feb 5th. I am aware that there was representation from this committee at that webinar to which, all councillors received an invitation.

Our group would like to know, in the light of incontrovertible evidence which demonstrate the rapid, destructive and catastrophic nature of global warming why the North Yorkshire fund continues to invest in fossil fuels and why is the pension fund continuing to expose the fund to the ever-growing risk of stranded assets by investment in fossil fuel companies?

Mrs Margaret Jackson also of Fossil Free North Yorkshire provided the following questions/statements to the Committee:-

I would like to bring you some updates regarding pension funds and fossil fuel investing and then to alert you to new guidance on fiduciary duty.
I want to remind you that East Riding of Yorkshire Council recently voted unanimously, in Full Council, in favour of a motion to halt all new fossil fuel investments and fully divest from existing fossil fuel funds within five years. Cllr Andy Walker, of the Yorkshire Party, who proposed the motion, said: “It is crazy that our pensions are investing in fossil fuels when they are the very things that are jeopardising what we are saving for”.2
West Yorkshire Pension Fund has just two weeks ago revealed its plans to increase investments in sustainable projects, stop all new investments in fossil fuels, and review the impact of its approach to engagement.3
Conservative-run Wiltshire Pension Fund has recently committed to divestment; and the world's 10th largest pension fund, PFZW has divested 2.8 billion euros out of almost all oil and gas companies (incl. bp, Shell and TotalEnergies) because they missed the fund's deadline to bring in a "convincing and verifiable" climate strategy.
According to the most recent UK Divest data1, on the 31.3.22, 1.8% of the North Yorkshire Pension Fund (£75.9 million) was invested in fossil fuels. This represents a reduction in your exposure to fossil fuels, and we commend you for this. But North Yorkshire has not reduced as fast as over 20% of other local councils that now invest less than 1% of their total fund in fossil fuels. North Yorkshire appears to be lagging behind.
On fiduciary duty: The Financial Markets and Law Committee (FMLC) has issued guidance for pension funds.
As you know, these duties exist to ensure that those who manage other people’s money consider the long-term risks to, and consequences of, investment decisions. However, they do tend to cause confusion about the way in which system-level risks such as the climate and nature crises should be considered. During the passage of the Financial Services and Markets Act last year, cross-party peers called for new measures to clarify fiduciary duties in the context of climate risks and the transition to net zero.
The guidance is summarised in my notes submitted to this meeting and references are there too. Suffice it to say that the guidance makes clear that climate risk must be considered and that fiduciary duties need to be applied looking through a wide lens. I would ask that you spend some time reading the new guidance and considering this issue.
I have a question to the committee:
Does the Pension Fund have more up to date figures for its fossil fuel investment than the UK Divest figures above? And if so, please can you detail how these figures are derived?

The following response, delivered by the North Yorkshire Pension Fund’s Head of investments, was provided in relation to the issues raised:-

We thank you for your questions and agree that climate change is an extremely serious issue. We are aware that a few organisations have made statements over recent months on changing their approach to financing or investing in oil and gas companies. However, our approach is to engage with companies to influence the pace of transition to a low carbon economy, rather than divest, as we believe this is the best way to effect real world change.

The reports you mentioned, Loading the Dice Against Pensions and The Emperors New Climate Scenarios, raised some interesting questions on economic projections. These reports were raised in a public question and responded to at our meeting in September last year. We said that we know there are flaws in all projections but we are comfortable with the climate scenario analysis we undertook as part of the last investment strategy review. The science behind projections is evolving, and we will be making use of the latest developments when we next review the strategy.

The resolution at the East Riding of Yorkshire Council was for the Pensions Committee to review the investment strategy, with particular divestment goals in mind. We understand this review has been completed, and their Pensions Committee has decided to work more closely with Border to Coast on the evolution of the approach to responsible investment, rather than pursue divestment. This was reported to their Full Council on 21 February.

In answer to your specific question, the figure is approximately 1.3%, and this is fossil fuel companies in the energy sector.

The Chair of the Pension Board stated that he and the Investments Manager had met with the two representatives from Fossil Free North Yorkshire earlier in the week, with similar issues discussed. He noted that, overall, there had been a great deal of common ground within the discussion, but, understandably, there had been a difference of opinion in relation to how quickly divestments from fossil fuels should take place.

Councillor Haslam stated that he had also met with these representatives as part of his role as the Council's Climate Change Champion, and had been liaising with them for some time, with good progress made. He noted the assets of the NYPF and the current position of trying to influence a climate change response from fossil fuel providers, in relation to the low level of investments held. He emphasised the need to ensure that Climate Change was at the forefront of considerations by the Committee, in terms of investments, going forward, and that the issue should be addressed with the managers of these investments to ensure that they are also taking this issue seriously.

The Chair stated that the Committee recognised the importance of these issues noting that there had been previous engagement with FFNY. He stated that a recent newsletter from BCPP highlighted climate change risk, the monitoring of investments taking place and its importance, and that BCPP is a signatory to the UK Stewardship Code.

Mr Tassell asked if the risk details for investments related to fossil fuels could be shared but was informed that the documents contained confidential information and therefore could not be shared.

42. **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 2024

Breaches Policy & Log

Business Plan update

Issues and Initiatives

Ongoing projects

i-Connect Rollout

Website development

McCloud

New tPR General Code of Practice

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- The Administration service had seen a particularly busy period at the end of 2023 with a number of issues requiring additional focus. Despite this, extensive hard work had seen the back log reduced to one week at the start of January. This has since returned to the two week work in progress position.
- There had been 9 compliments and 3 complaints during the quarter.
- The 2023 Annual Benefit Statement (ABS) exercise had now been completed and work had started on 2024.
- There had been no new breaches of the Regulations during the quarter.
- i-Connect was continuing to be rolled out with 183 employers now onboard with 51 remaining to be included, with the full project expected to be finally concluded this year.
- The new website was launched on 4th December 2023.
- Data for the McCloud project had now all been received. Where there had been no response the existing data would be utilised. The updating of records from the data received had been completed.
- The tPR General Code of Practice would be effective from the end of March 2024. Both AON and Hymans have developed a compliance checker which had been demonstrated to Fund Officers. The decision has been made to utilise AON's platform and work is progressing on that basis. Further details will be brought to future meetings including the current compliance position, an action plan to get the Fund to full compliance and progress against the action plan.

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

- The Chair referred to the training events undertaken within the report and noted some anomalies to the details provided. He also re-emphasised the webinar events organised by AON and Hymans that were taking place and encouraged Members to join these.

- It was asked whether the new tPR Code was to be the subject of an agenda item at a subsequent meeting of the Committee. It was stated, in response, that the webinars organised by AON and Hymans, together with the Hymans online training platform, adequately provided the relevant information for Members in relation to the new Code It was stated, in relation to the new Code that a report would be developed from the compliance check to provide a RAG rating and action plan which would then be presented to both the Board and the Committee.
- A Member referred to the Hymans training platform and noted that version 2 had now superseded the original, and he asked whether he should repeat the whole training package. The Chair of the Pension Board also noted that whilst it was a requirement for Members of the Board to have a level of training and knowledge, this requirement was not currently the same for PFC Members, although this was likely to change in the near future, with governance regulations due to be renewed, and the online training platform was likely to be a valuable tool in meeting those requirements. The Chair noted that the "New Issues" module within the training package was always useful to revisit, as this was continually updated with new information on issues pertinent to the LGPS. It was considered appropriate that Members should refresh their knowledge via the online training platform every 2-3 years and should identify any specific training issues that would be beneficial to their service to the Committee.
- The Chair of the Pension Board welcomed that there had been no new breaches identified during the quarter. He noted the volume of work identified within the throughput statistics and asked whether there were any common themes in relation to these. In response it was stated that the only common aspect was the annual processing of data which could have had a knock-on effect.
- A Member who had attended a recent meeting of the Pension Board and had noted a fall in recent performance statistics asked whether resources available to the Administration Team were affecting the performance targets and the delivery of projects. In response it was emphasised that any issues of significant concern raised at the Pension Board would be raised directly with the Treasurer and acted upon accordingly. The Administration Team were working well and were endeavouring to meet the appropriate targets with no major concerns regarding their current performance. The Treasurer stated that the Team's resources were regularly checked to determine whether additional capacity was required and if identified this would be fixed accordingly.
- A Member highlighted the significant impact that cyber-crime was having on organisations and asked whether including details of how this was being addressed within the risk register would assist in targeting resources. In response the Treasurer stated that cyber security was administered by North Yorkshire Council for the NYPF, and information governance was recognised as the overriding corporate risk for the whole Authority, with the issue regularly considered at Audit Committee meetings. The Pension Fund benefitted from the Council being the Administering Authority in terms of the resources available to address this.
- It was suggested that, consideration should be given to providing a training allowance for Members, with the heightened emphasis of the necessity for this, going forward.

Resolved –

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

(ii) that the contents of the breaches log be noted

43. Budget and Cashflow

Considered –

The report of the Treasurer outlining the following:-

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

the cashflow projection for the Fund.

The main variances were outlined in the report with an estimated total running cost of £36m against a budget of £36.8m, giving a forecast underspend of £0.8m. This related to lower than expected investment management costs resulting from the fall in asset values at the beginning of the year. Further variances were to be expected before the end of the year.

The cashflow position was set out in the report. The overall position was expected to be a series of steadily increasing deficits projected from 2023/24 through 2024/25, 2025/26, and 2026/27. This was to be expected as the Pension Fund continued to mature.

The cash flow forecast also showed movements relating to the Fund's investments. Initially any shortfall would be covered by income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. This was already received to a limited extent. Options available to increase receivable income through Border to Coast would be further explored.

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

- It was noted that there had been some costs contained within the 2023/24 budget relating to the development of the BCPP UK and Global Property Funds.
- A Member highlighted an anomaly in the figures detailed within the report. The Treasurer stated that, although this made little difference to the overall outcome, the figures should be correct and would, therefore, corroborate the figures and recirculate.

Resolved –

That the contents of the report be noted.

44. Business Plan, budget and cashflow forecast

Considered -

The report of the Treasurer

Reporting on the progress made against the key business plan activities identified for 2023/24;

Requesting Members to approve the draft Business Plan for 2024/25 to 2026/27;

Requesting Members to approve the draft 2024/25 Budget; and

Reporting on the cashflow forecast of the Fund.

The report highlighted the progress made on the key targets within the 2023/24 business plan and provided a draft of the business plan through to 2027, rolling over some of the unfinished targets from the current year, alongside additional targets. Members would be provided with opportunities to monitor progress on the business plan at regular intervals.

It was highlighted that the governance review being undertaken by the Scheme Advisory Board was yet to emerge and a close watch would be kept on this to determine what implications this would have for the NYPF.

The Draft Business Plan for the following three years provided details of targets for that period and a plan of working towards those would be produced over the next quarter. An example was given of the work that would be carried out with AON and others to consider compliance with the new Code of Practice (as outlined earlier in the meeting) and to determine what work was required to comply.

The 2024/25 budget was outlined as £38.8m, a £1.7m increase on the previous year due in the main to investment fees payable because of the projected growth in asset values during 2024/25.

The cashflow position was detailed in the report and as described in the previous item (Minute No.43).

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

- BCPP would be launching its UK Property Fund in September 2024 and documents would be provided to Members at a forthcoming workshop and PFC Meeting.
- It was noted that arrangements for Strategy Workshops would not necessarily take place on the day before PFC meetings as was the usual practice but arrangements would be made based upon Members' availability.
- Details of the Charging Policy for non-compliance by employers on issues relating to the administration of the Fund were highlighted.
- Reference was made to the featured points of the Business Plan going forward, and the risk assessments outlined in the report, and it was suggested that a further risk should be added in relation to compliance with the new tPR Code of Practice. In response it was stated that an additional risk assessment in relation to this was not required as an appropriate tool would be utilised to assess the implications for the Fund, resulting in an assessment, RAG rating and action plan.
- A Member noted that the Business Plan outlined the commencement of TCFD (Task Force for Climate related Financial Disclosures) reporting but this was not taking place until at least 2025 and he asked why this would not be taking place sooner. In response it was stated that this matter had been subject to a consultation by the Government in 2022 with guidance expected, following this, however, the guidance has still not been published, hence the target date has been pushed back by at least a year. It was expected that NYPF would respond to the requirements when the guidance was issued.
- A Member queried whether the vision for the Fund was outlined strongly enough in the Business Plan and whether this was set out clearly enough in terms of maximising pension returns for scheme members. In response it was emphasised that as a defined benefits scheme payments to scheme members were regulated by legislation.
- Referring to the issues raised earlier in the meeting the Treasurer stated that the budget would be recirculated if this proved to be incorrect when the figures were checked.

Resolved:-

(i) that the progress made against the key business plan activities identified for 2023/24 be noted;

(ii) that the draft Business Plan for 2024/25 to 2026/27 be approved;

(iii) that the draft 2024/25 Budget be approved subject to clarification of the figures by the Treasurer; and

(iv) that the cashflow forecast of the Fund be noted.

45. Pension Board – report back by the Chair on the meetings held on 11th January 2024

Considered -

A verbal update by the Chair of the Pension Board based on the Minutes of the meeting held on 11th January 2024, which had been provided.

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

- The results of the External Audit were yet to be published despite reassurances that these details were imminent.
- The Risk Register for the Fund was examined at the meeting as part of the regular updates undertaken by the Board. Should any concerns arise these would be communicated to the Treasurer and the Committee.
- Internal Audit reports are provide to each meeting of the Board, the latest providing details of the internal audits to be carried out in 2024. Again any significant issues arising from the reports would be communicated to the Treasurer and the Committee.
- Training featured at all meetings of the Board as it is a statutory requirement that all Members had to have an appropriate, updated level of skills and knowledge to serve on the Board.

A Member highlighted the following in relation to the Board Chair's update:-

- The Chair of the Committee considered it strange that there was currently no statutory requirement relating to PFC Members levels of skills and knowledge, particularly when this body was responsible for the Fund's investments, however, he emphasised that the forthcoming review of governance was likely to change that position.
- It was noted that the update to the Disaster Recovery Plan had not taken place at the time of the Board meeting and it was asked whether this had now been resolved. In response it was stated that an initial meeting had been scheduled with the Emergency and Resilience Team on 26th March 2024 to progress the development of both the disaster recovery and business continuity plans.

Resolved –

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

46. 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 to the end of December 2023. The Fund's Independent

Financial Advisor and the NYPF Investments Manager 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.

A discussion of the report with Members resulted in the following issues been highlighted:-

- The Fund remained in surplus with assets above liabilities and was around 114% funded at the end of December.
- This had been a strong period for the equity investments held by the Fund but volatility in the markets remained.
- Further consideration would be given to the disinvested equities, around 5% of the Fund, which was currently held in cash. Discussions would be held with BCPP on options including impact equities.
- A table was provided outlining projections for investment returns for the next 10 years. It was noted that equities could be expected to have very volatile returns over short-term periods over this time frame.
- Issues relating to contribution rates for employers were discussed and it was emphasised that it would be 15 months before the next valuation of the Fund and changes to contribution rates would not be considered until then.
- Consideration continued to be given to de-risking the Fund's investments. The role of index linked gilts in de-risking and their recent performance in relation to liabilities were highlighted. Details of the investment risks were set out in the report. It was noted that it was highly unusual for both Gilts and Equities to perform well at the same time and the circumstances that had created this were outlined.
- Equities remained the main risk to the Fund's funding position due to the volatility of the markets. Bonds and Gilts were less risky investments and were currently showing good returns.
- Consideration would be given to changes to the Investment Strategy in due course, and there were considered to be no obvious reasons to take more urgent action.
- A Member suggested that there appeared to be a focus on the valuation and emphasised the need to ensure that the investments maintained a reasonable rate of return for the Fund over the long term, rather than adopting a short-term view for the purposes of the valuation. It was agreed that whilst consideration should be given to the valuation and its implications for the Fund including the contribution rates for its employers, the main focus would be the performance, long term, of investments to ensure the long term health of the Fund.
- It was stated that the issue of the current holding of cash should be of a temporary nature and would need to be addressed, which was one of the reasons for the consideration of more immediate measures at this meeting. Opportunities to invest, in line with earlier discussions, would be explored.
- The overall proposal for the Fund was to continue to develop a suitable long term strategy for the investments, adjust the weightings on asset classes as required, continue to de-risk where appropriate and develop the strategic allocation to private markets.
- Issues around the L&G property portfolio were discussed and it was noted that the Investment Consultants, maintained a "buy" rating on this.

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 No. 47 was considered as a private item (see Minute No. 38, above) and separate confidential minutes were produced. The Minutes below provide a public record of the consideration of that item.

47. Asset Allocation Review

Considered -

The report of the Treasurer outlining the following:-

The Fund's current asset allocations, including changes that have been made since the December 2023 quarter end.

The review of the market outlook and return prospects for the Fund's investments, undertaken by officers and advisers.

Consideration of commitments to Border to Coast's infrastructure, private credit and climate opportunities programmes, and set out the option to invest in the UK opportunities programme.

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

Resolved -

(i) that the current asset allocation position including changes that had been made since the December 2023 quarter end be noted.

(ii) that a commitment to Border to Coast's private credit programme of £70 millions be agreed

(iii) that a commitment to Border to Coast's infrastructure programme of £120 millions be agreed.

(iv) that a target of 4% allocation to Border to Coast's climate opportunities programme, and the associated commitment needed to achieve it be agreed.

(v) that a target of 1% allocation to Border to Coast's UK opportunities programme, and the associated commitment needed to achieve it be agreed.

The meeting concluded at 12.25pm

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North Yorkshire County Council

Pension Fund Committee

24 May 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 31/12/2023	+/- Change (%)	At 31/03/2024
Active	30,638	-0.45%	30,499
Deferred	39,873	-0.02%	39,865
Pensioner (incl spouse & dependant members)	30,363	+1.34%	30,776
Total	**100,874**		**101,140**

3.2. **Throughput Statistics**

- Period from 1 January 2024 to 31 March 2024

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	5	40	34	11
Transfer Out quotes	28	162	157	33
Employer & employee estimates	37	1,155	1,121	71
Retirement quotes	42	486	443	85
Preserved benefits	1,568	1,284	1,775	1,077
Death in payment or in service	118	217	205	130
Refunds	65	402	309	158
Actual retirement procedure	508	810	570	748
Interfund transfers	476	568	540	504
Aggregate member records	62	143	153	52
Others	560	1,678	1,833	405
Total Cases	**3,469**	**6,945**	**7,140**	**3,274**

- As well as processing the above cases, the Pensions team also handled 3,744 phone calls (average 75 per working day) in the quarter.

3.3. **Performance Statistics**

- The performance figures for the period 1 January 2024 to 31 March 2024 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	97%
Customers surveyed ranking service good or excellent	94%	98%
Increase numbers of registered self-service users by 700 per quarter (total registered users 46,888)	700	1,612

- We continue to focus on completing all of our work within target and encouraging sign up for member self-service.

3.4. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Jan	6	I found all staff that I contacted to be very friendly and helpful Dealt with my calls with sensitivity, empathy and clarity of information
Feb	1	Been excellent and so professional throughout, has gone above and beyond to help me
Mar	4	Excellent customer care All was very good

Complaints

Date	Number	Summary
Jan	1	Regs - Complaint about only having a refund or transfer option as not met 2 year vesting period
Feb	1	Admin – Complaint against Prudential's mis-management of AVC funds
Mar	0	

- The complaint categories are:

  a) Admin - these can relate to errors in calculations, delays in processing and making payment of benefits.

  b) Regs - these relate to a complaint where regulations prevent the member being able to do what they want to.

  c) IHER - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

Lessons Learned

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

3.5. **Annual Benefit Statements 2024**
Benefit statements for Deferred members were published online on 3 May with paper copies sent to the print unit the same day.

Benefit statements for Active members are in progress. All templates have been updated and we have received 143 of 174 year end data files, the majority via i-Connect. We have also checked 66 of these submissions and are working through the errors and queries.

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 to 31 March 2024.

4. Issues and Initiatives

4.1. **Ongoing projects**
Progress with the i-Connect rollout has paused again as the team deals with year end processing and annual benefit statement production. The latest position is 190 employers onboarded with 53 left who are mainly small contractors with multiple contracts of one or two members. We are on target to complete this project by 31 March 2025.

4.2. **McCloud**
The bulk process was run through in our Test environment and errors were corrected on Live records.

The bulk process has been run in Live and McCloud functionality is switched on. All future calculations will now take account of any underpin that may be applicable. The administration teams has been trained on the changes and guides, a decision tree and excel calculators have been created to assist them when processing member benefits.

The next stage is to resolve the errors from the Live bulk calculation run and then address those members who have already received benefits but an underpin has been identified as being due. This is another significant piece of work and will run through the summer.

4.3. **New TPR General Code of Practice**
An initial meeting was held with Aon on 18 April to provide guidance on how to complete their compliance checker spreadsheet.

Our first half day workshop was on 15 May and good progress was made. A first progress update will be brought to the June meeting where we anticipate that a number of existing governance documents will have been updated to include the required changes.

4.4. **Incident Management & Business Continuity**
Meeting held with the resilience & emergencies team which was very productive and we are now working on further developing the plans.

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 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 the team on email pensionfund@northyorks.gov.uk for further information or to reserve a place on an event.

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

16 May 2024

Academy Conversions – 30 'in progress'

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
St Wilfrid's Catholic Primary School, Ripon	NYC	Bishop Wheeler Catholic Academy Trust	1.3.2024	Completed
Great Smeaton Academy Primary School	-	A single academy joined Dales Academies Trust	1.3.2024	Completed
Ryedale Learning Trust	-	Merged with Areté Learning Trust	1.4.2024	Completed
Malton (Secondary) School	NYC	Pathfinder Multi Academy Trust	1 .5.2024	Completed
Threshfield Primary School	NYC	Yorkshire Collaborative Academy Trust	1.6.2024	In progress
Luttons Community Primary School	NYC	Ebor Academy Trust	1.6.2024	In progress
Sherburn CE Primary School	NYC	Ebor Academy Trust	1.6.2024	In progress
Hackness CE Primary School	NYC	Elevate Multi Academy Trust	1.6.2024	In progress
Wykeham CE Primary School	NYC	Elevate Multi Academy Trust	1.6.2024	In progress
Sutton in Craven CE Primary School	NYC	Leeds Diocesan Learning Trust	1.7.2024	In progress
Saltergate Infants School and Saltergate Junior School	NYC	Red Kite Learning Trust	1.7.2024	In progress
Cliffe VC Primary School	NYC	Selby Educational Trust	1.8.2024	Will be progressed nearer the time
Sessay CE VC Primary School	NYC	Elevate Multi Academy Trust	1.8.2024	Will be progressed nearer the time

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Husthwaite CE VC Primary School	NYC	Elevate Multi Academy Trust	1.8.2024	Will be progressed nearer the time
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	1.9.2024	Will be progressed nearer the time
The Boyle & Petyt Primary School	NYC	Northern Star Academies Trust	1.9.2024	Will be progressed nearer the time
Barlow CE VC Primary School	NYC	Pathfinder Multi Academy Trust	1.10.2024	Will be progressed nearer the time
Burton Salmon CP School	NYC	Pathfinder Multi Academy Trust	1.10.2024	Will be progressed nearer the time
Chapel Haddlesey	NYC	Pathfinder Multi Academy Trust	1.10.2024	Will be progressed nearer the time
Welburn Community Primary School	NYC	Pathfinder Multi Academy Trust	1.10.2024	Will be progressed nearer the time
Hertford Vale CE VC Primary School	NYC	Areté Learning Trust	TBC	Will be progressed when conversion date is known
St Hilda's Ampleforth CE VC Primary School	NYC	Areté 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
Mowbray School	NYC	Possibly with Ascent Academies Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Springwater School	NYC	Possibly with Ascent Academies Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Saltergate Infant School	NYC	Possibly with Red Kite Learning Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Saltergate Junior School	NYC	Possibly with Red Kite Learning Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Osmotherley Primary School	NYC	Possibly with Yorkshire Collaborative Academy Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Beckwithshaw CP School	NYC	TBC	TBC	Will be progressed when Trust has been confirmed and conversion date known
East Ayton Primary School	NYC	TBC	TBC	Will be progressed when Trust has been confirmed and conversion date known
Masham CE VA 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
Kettlesing Felliscliffe Primary School	NYC	TBC	TBC	Will be progressed when Trust has been confirmed and conversion date known

Admission Bodies – 19 ‘in progress’

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Outwood Grange Academies Trust Outwood Primary Academy Alne	Cater Link Limited	1.9.2023	Complete
City of York Council (Young Persons Counselling Services)	York Mind Limited	1.1.2024	Complete
The York North Yorkshire Council Combined Authority	N/A	1.2.2024 & 7.5.2024	Complete
The North Yorkshire Council	Align Property Services Limited	1.12.2023	In progress
Dales Academies Trust	Aspens Services Ltd	26.2.2024	In progress
Outwood Grange Academies Trust	Bulloughs Cleaning Services	1.4.2024	In progress
The North Yorkshire Council Saltergate Primary School (catering service)	Hutchison Catering Limited	1.4.2024	In progress
The North Yorkshire Council Saltergate Primary School (cleaning and caretaking service)	Bulloughs Cleaning Services	1.4.2024	In progress
Ryedale Learning Trust merger with Areté Learning Trust Novation of the admission agreement for the cleaning contract	Independent Cleaning Services Limited	1.4.2024	In progress
David Ross Education Trust David Ross Education Trust Thomas Hinderwell Primary Academy (cleaning service)	Easy Clean Limited	1.4.2024	In progress
Leeds Diocesan Learning Trust All schools	Premier Support Services	1.4.2024	In progress
City of York Council Wigginton Primary School	Synergy FM	1.4.2024	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
The North Yorkshire Council Sutton in Craven CP School	Carroll Cleaning Company Limited	1.4.2024	Complete
Elevate Multi Academy Trust Schools TBC	Atlas Facilities Management	1.4.2024	In progress
Elevate Multi Academy Trust Schools TBC	Lark Cleaning Services (T/A Betterclean)	1.4.2024	In progress
The North Yorkshire Council Holy Trinity Ripon	Premier Support Services	1.4.2024	In progress
Northern Star Academies Trust New Park Primary Academy, Harrogate	Bulloughs Cleaning Services Limited	29.4.2024	In progress
Craven College	Bulloughs Cleaning Services Limited	1.5.2024	In progress
The North Yorkshire Council Health and Adult Services - Extra Care Contract	Housing 21	1.9.2024	In progress
South York Multi Academy Trust Bishopthorpe Infant School (cleaning service)	TBC	1.9.2024	In early stages of tender process, will be progressed if/when contractor appointed
Coast and Vale Learning Trust Catering contract at all schools	TBC	1.9.2024	In early stages of tender process, will be progressed if/when contractor appointed
The North Yorkshire Council Grove Road Community Primary School	TBC	1.9.2024	In early stages of tender process, will be progressed if/when contractor appointed

Exited Employers – 33

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
York Archaeological Trust	31.1.2024
Urbaser Limited	31.3.2024
SBFM Limited	31.3.2024
University of Hull	31.3.2024
Northallerton and Romanby Burial Board	31.3.2024

Name of Employer	Date exited the Fund
University of Hull	31.5.2024
Inspiring Healthy Lifestyles (Wigan Leisure & Culture Trust)	31.8.2024

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

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 targetted working group will be established in the summer to address the backlog of changes we get each year. This will involve training a small number of staff on the whole Annual Allowance process, what it is, why it's important, teh impact on affected members and how to update and maintain records correctly. This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team. Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
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 receipient knows the person whose information was disclosed.	Recipient confirmed destruction of 4 letters received in error. Staff reminded again of correct process to follow. Staff involved spoken to directly. Alternative printing and posting arrangements being investigated. 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 identfied 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 supressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19 One record had been updated incorrectly following receipt of a transfer from another Fund. Relevant tax year 19/20	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Training for wider administration team is already scheduled so errors like these can be prevented and corrective action taken at the time rather than being left to year end.	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
11/11/2022	Administration	One member's documentation was sent in error, password protected, to another Fund.	Human error. The wrong attachment was added to the email.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another Fund. It is highly unlikely that the recipient knows the person whose information was disclosed.	Other Fund deleted email and attachment. Reported to Veritau. They assessed is as Very Low risk - minimal risk of any detriment to the data subject & sent to a trusted partner organisation	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
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 or 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	&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)
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					✓	✓	✓	✓	✓	✓	✓	✓	✓				
22 February 2024	UK Opportunities and Climate Opportunities workshop		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓			

% - Cllr C.Les left the Committee on 17 May 2023 and was replaced by Cllr. M. Crane
“ – Cllr Sam Gibbs left the Committee on 17th July 2023 and was re-appointed from 15 November 2023
^ - Cllr John Cattanach appointed to the Committee on 17th July 2023
+ - Cllr Jonny Crawshaw appointed to the Committee May 2023 following City of York Council elections
➢ - Cllr Christian Vassie left the Committee May 2023 following City of York Council elections
& - Councillor John Weighell OBE left the Committee on 15 November 2023

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APPENDIX 4

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
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
LAPFF	Mid-Year Conference	10 July 2024	Church House, Westminster, SW1	LAPFF will be hosting a conference on 10 July 2024 at Church House in London, with panels covering a range of current topics.
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.

Provider	Course / Conference Title	Date(s)	Location	Themes / Subjects Covered
PLSA	Local Authority Forum	November 2024 (tbc)	London (Details to be confirmed)	Dive into the heart of pensions policy and innovation with PLSA Forums, the place to steer the direction of pensions in your sector. Discover thought leadership, hear expert speakers, and add your voice to open discussion. We're bringing together a community of top-tier pension professionals from your sector to connect with peers, share invaluable insights, and tackle current challenges and emerging trends.

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

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 COUNTY COUNCIL

PENSION FUND COMMITTEE

24 MAY 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 3 year cashflow projection for the Fund (see section **3**)

(c) the position on the audit of the 2021/22 and 2022/23 audits (see section **4**)

2.0 2023/24 BUDGET AND THE COST OF RUNNING THE FUND

2.1 The draft outturn position against the 2023/24 budget is presented in **Appendix 1**. It shows total running costs of £35.1 million against a budget of £36.8 million. The draft underspend is therefore £1.7 million for the financial year. The final position will be established on completion of the 2023/24 Accounts, but no material changes are expected.

2.2 As is often the case, the largest variance is on investment manager fees. In 2023/24 the main reason for this was rebalancing activity, where divestments were either reallocated to lower cost investments or were held as cash. For example, in the December 2023 quarter there were divestments from externally managed equity funds, with part of the proceeds reinvested in Border to Coast's internally managed government bonds fund and part retained in cash in anticipation of private markets capital calls.

2.3 Other than on investment fees, variances were relatively minor. The largest was an overspend on the Pensions Administration Team because of project work undertaken throughout the year, which is difficult to predict.

3.0 3 YEAR CASHFLOW PROJECTION

3.1 The cash position of the Fund operations is presented in **Appendix 2**. It does not include cashflows from investment activity. 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 used to uplift benefit payments in April 2024, and this was 6.7%. Inflation is expected to continue to fall but there is a risk that it stabilises at a level significantly above the Bank of England's long-term target of 2%. This will be given detailed consideration next year as part of the 2025 Valuation, as inflation is one of the key assumptions impacting on liability values. In the meantime, this and other assumptions will continue to be reviewed and updated regularly to reflect any new information that becomes available.

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. Future year contributions have been increased in line with the Council's forecast for pay included in its budget. The Council is the largest employer in the Fund by far, and its arrangements are a reasonable proxy for all the Fund's employers. Aon's Quarterly Funding and Investments Report notes that future employer contribution requirements could be lower than forecast at the 2022 Valuation date. However, this is based on 2022 assumptions rolled forward. Revised assumptions will be used in the 2025 Valuation, and other matters such as the level of prudence in aiming for a fully funded position will be considered. At this stage, it is too early to predict changes to employer contribution rates and what this might mean for the Fund's cashflow.

3.4 The Fund's overall cash flow forecast is for steadily increasing operational deficits in each year from 2023/24. In the years up to 2022/23 there was a steadily decreasing surplus. This reflects the typical journey of a pension fund as it matures. For the Fund as a whole and each employer in the Fund, the balance of pension fund members gradually tilts towards pensioner members, due to factors such as increasing life expectancy.

3.5 The cashflow shortfall will be met by the Fund's investments. The first port of call is the income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. Historically most of this income has been automatically reinvested, but options to withdraw it are being explored with all the Fund's investment managers, Border to Coast in particular. Income currently reinvested is significantly more than the forecast cashflow shortfalls over the next three years. While these options are being explored, some of the cash from recent divestments from Baillie Gifford is being used to meet the small shortfall.

4.0 2021/22 AND 2022/23 AUDITS

4.1 The 2021/22 audit of the Accounts was completed several months ago, as was the audit work on the 2021/22 Annual Report. However, Deloitte has still not issued the Independent Auditors Statement on the Annual Report.

4.2 The audit of the 2022/23 Accounts is still ongoing. Most of the audit work has been completed, but there are a small number of issues outstanding. It should not be very long before the audit work is finished, when the Accounts will be ready to be completed as part of the Council's Accounts. This will be followed by audit work on the Fund's 2022/23 Annual Report and ultimately Deloitte issuing their Independent Auditors Statement.

5.0 **RECOMMENDATIONS**

5.1 Members to note the contents of the report.

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

15 May 2024

Appendix 1

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

		Budget 2023/2024 £k	Provisional Outurn 2023/2024 £k	Variance £k
EXPENDITURE				
Admin Expenses				
	Finance and Central Services	470	453	- 17
	Provision of Pensioner Payroll (ESS)	80	78	- 2
	Pensions Administration Team	1,460	1,537	77
	McCloud	50	50	-
	Other Admin Expenses	620	621	1
	Total Admin Expenses	**2,680**	**2,739**	**59**
Oversight and Governance				-
	Actuarial Fees	60	64	4
	Custodian Fees	70	60	- 10
	Investment Consultant Fees	150	180	30
	Pooling: Governance & Projects	550	542	- 8
	Other O & G Expenses	100	104	4
	Total Oversight and Governance	**930**	**950**	**20**
Investment Fees				
	Performance Fees	2,660	2,542	- 118
	Investment Base Fees	30,540	28,902	- 1,638
	Total Investment Fees	**33,200**	**31,444**	**- 1,756**
TOTAL		**36,810**	**35,133**	**- 1,677**

Appendix 2

North Yorkshire Pension Fund - Cash Flow

	2023/2024 £k	2024/2025 £k	2025/2026 £k	2026/2027 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(128,662)	(134,000)	(142,000)	(150,000)
Lump Sums	(28,727)	(31,000)	(32,000)	(33,000)
	(157,389)	**(165,000)**	**(174,000)**	**(183,000)**
Transfers out	(22,696)	(20,200)	(20,500)	(20,800)
Refunds to leavers	(770)	(900)	(1,000)	(1,100)
	(23,466)	**(21,100)**	**(21,500)**	**(21,900)**
Operational Expenses				
Admin Expenses	(2,545)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,440)	(1,100)	(1,100)	(1,100)
	(3,985)	**(4,000)**	**(4,100)**	**(4,200)**
TOTAL PAYMENTS	**(184,840)**	**(190,100)**	**(199,600)**	**(209,100)**
SCHEME RECEIPTS				
Employer and Employee Contributions	149,080	152,000	155,000	158,000
Transfers in	23,275	20,600	20,900	21,200
TOTAL RECEIPTS	**172,355**	**172,600**	**175,900**	**179,200**
SCHEME SURPLUS/ (DEFICIT)	**(12,485)**	**(17,500)**	**(25,700)**	**(31,900)**

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NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

24 MAY 2024

INVESTMENT ARRANGEMENTS WITH BORDER TO COAST

Report of the Treasurer

1. PURPOSE OF REPORT

1.1. To set out the legal requirement to pool pension fund assets and how North Yorkshire Council is addressing this through Border to Coast.

2. BACKGROUND

2.1 In November 2015, the Government issued an Investment Reform Criteria and Guidance document inviting proposals for pooling. This required all LGPS administering authorities to submit to Government initial and detailed proposals by 19 February 2016 and 15 July 2016 respectively.

2.2 On 1 November 2016, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force. These Regulations mandate that the separate Local Government Pension Scheme Funds in England and Wales combine their assets into a small number of investment pools.

2.3 The Secretary of State has direction and intervention powers if not satisfied that an administering authority is complying with its obligations in relation to the Regulations.

2.4 In order to meet the requirements of these regulations, North Yorkshire Council was involved in the creation of Border to Coast Pensions Partnership Limited (Border to Coast).

2.5 Border to Coast is an alternative investment fund manager, authorised by the Financial Conduct Authority (FCA) and wholly owned by eleven Local Government Pension Scheme (LGPS) administering authorities, including North Yorkshire Council.

2.6 Border to Coast operates investment funds for these local authorities to invest pension fund assets, to assist in the implementation of their investment strategies and asset allocation requirements. The assets under management across the eleven partner funds are valued at approximately £60 billion.

2.7 In 2019 the Ministry of Housing Communities and Local Government (MHCLG, now DLUHC, the Department for Levelling Up, Housing and

Communities) consulted with selected interested parties on updated guidance. The response on this consultation was never published.

2.8 Another consultation was published by DLUHC on 11 July 2023, *Local Government Pension Scheme (England and Wales): next steps on investments*. The Fund submitted a response by the deadline of 2 October 2023, a copy of which was included in the agenda for the 15 September 2023 Pension Fund Committee meeting.

2.9 On 22 November 2023 the Government published *Local Government Pension Scheme (England and Wales): next steps on investments – government response*. This reflected on the 152 responses received and set out their plans to:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled

- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation

- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy

- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark

- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling

- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan

- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity

2.10 Barring a few minor details, these intentions are in line with the consultation document. It is understood that new guidance will be published in due course which will replace the initial 2015 guidance. It is possible that the guidance will be published before the summer recess.

2.11 On 28 March 2024 DLUHC published *Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds April 2024*.

This guidance document introduced a range of new requirements including some aimed at addressing some of the aims of the pooling consultation. They include reporting on investments inside and outside of pooling arrangements, the proportion of asses invested in private equity, and the proportion of assets supporting the government's Levelling Up agenda.

2.12 Under the pooling arrangements, the Pension Fund Committee remains responsible for setting the funding strategy and the high-level investment strategy, e.g. the appropriate asset allocation for the Fund. The main difference with pooling is that the Fund will not be directly making its own investments, unless it is not possible to do this through Border to Coast. Instead, the Fund will be monitoring the performance of the investments in the Pool.

2.13 The work on developing Border to Coast continues and this report provides an update to the Committee.

3. GOVERNANCE – JOINT COMMITTEE

3.1 As part of the Governance arrangements for Border to Coast, a Joint Committee has been established. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the funds managed by Border to Coast.

3.2 The Joint Committee is comprised of one member from each of the eleven partner funds. They are typically the Pensions Committee Chairs, but not in every case. The Chair of the Joint Committee is Councillor Doug McMurdo from Bedfordshire, and the Vice Chair is Councillor George Jabbour from North Yorkshire. Also, on the Joint Committee, but in a non-voting capacity, are two scheme member representatives nominated by the eleven partner fund Pension Boards.

3.3 The Joint Committee arrangements are hosted by South Yorkshire. The most recent meeting was on 26 March 2024. Agenda papers and minutes are available at https://meetings.sypensions.org.uk/mgGeneric.aspx?MD=bordertocoast&bcr=1&zTS=D. The confidential papers have been circulated to Pensions Committee members separately.

4. GOVERNANCE – THE COMPANY

4.1. The current Board of Directors of the company is made up as follows.

- Chris Hitchen, Non-Executive Chair
- Rachel Elwell, Chief Executive Officer (CEO)
- Fiona Miller, Chief Operating Officer (COO)
- Kate Guthrie, Non-Executive Director (NED)
- Tanya Castell, Non-Executive Director (NED)
- Andrew November, Non-Executive Director (NED)
- John Holtby, Non-Executive Director (NED)

- David Coupe, Non-Executive Director (NED)

4.2. Councillor John Holtby (East Riding), and Councillor David Coupe (Teesside) are the two Partner Fund nominated Non-Executive Directors (NEDs) on the Board. The appointments to these two positions followed recommendations by the Joint Committee, approval by the Board of Border to Coast, and approval by the Financial Conduct Authority (FCA).

4.3. North Yorkshire Council, as the administering authority of the North Yorkshire Pension Fund, is the named shareholder in Border to Coast, owning a 1/11th share of the company.

5. WORKING GROUPS AND OTHER ARRANGEMENTS

5.1. Where appropriate, working groups have been created to provide support to the arrangements to pool assets and to ensure appropriate engagement with the funds. North Yorkshire is represented in all areas where arrangements may impact on the Fund's investments.

5.2. Until now, Border to Coast has reported on the quarterly performance of each fund at each Joint Committee meeting. Going forward, this is changing to there being an annual review for each fund, with three or four funds being reported at each meeting. Matters arising each quarter will be reported on an exception basis. These annual reports will then be available to report to partner fund committees.

5.3. The first batch of reports is comprised of annual reviews of the Global Equity Alpha fund and the UK Equity Alpha, in which North Yorkshire invests, as well as the Emerging Markets Equity fund. They will be presented at the Joint Committee meeting on 20 June 2024 and will be discussed at this Pension Fund Committee's meeting on 13 September 2024.

6. NORTH YORKSHIRE'S INVESTMENTS WITH BORDER TO COAST

6.1. To date, the Fund has invested in the following funds with Border to Coast.

Border to Coast fund	Investment Inception	31 March 2024 £ million
UK Equities	April 2019	180
Global Equities	October 2019	1,373
Private Credit	October 2019	149
Infrastructure	July 2019	308
Climate Opportunities	April 2022	41
UK Opportunities	-	0
Listed Alternatives	February 2022	266
Multi Asset Credit	November 2021	241
Corporate Bonds	March 2020	338
Index Linked Bonds	October 2020	577
Total		3,473

6.2. £14 million was invested in Corporate Bonds in the quarter, and the net cashflow of private market calls and distributions was £59 million invested with Border to Coast. 75% of the Fund's investments are now managed by Border to Coast.

6.3. Cumulative private markets commitments of £680 million to Infrastructure, £405 million to Private Credit, £260 million to Climate Opportunities and £50 million to UK Opportunities have been made. This is £1.395 billion in total. Annual commitments can be made to Border to Coast for these asset classes in the first quarter of each calendar year, with the exceptions of Climate Opportunities and UK Opportunities which operate on longer cycles.

6.4. As expected with these private markets asset classes, it will take many years for these commitments to be called by Border to Coast and for the money to be fully invested.

7. FUTURE INVESTMENTS WITH BORDER TO COAST

7.1. Private markets commitments to Border to Coast will next be considered in the first quarter of 2025 for Infrastructure and Private Credit.

7.2. Border to Coast is working towards launching a UK Property fund in late 2024. It will primarily be invested in segregated properties, with an allocation of approximately 15% in specialised property funds such as for residential property. The initial phase of investments will involve only three of the partner funds in Border to Coast, being those funds transferring directly held commercial property to Border to Coast. The second phase, potentially involving North Yorkshire, is expected to commence in the first half of 2025. A workshop will be arranged for the Committee, to review the UK Property fund in advance of a decision of whether to invest.

7.3. Partner funds have been working with Border to Coast on the possible launch of a Sustainable Bonds fund. Sustainable Bonds are used to finance a range of green and social projects and activities. The launch of a fund in 2025 has been discussed. A workshop will be arranged for the Committee once the proposals have been sufficiently developed.

7.4. Discussions with partner funds on listed impact equities are ongoing. There will need to be sufficient interest for this to lead to fruitful discussions with Border to Coast.

7.5. All of the Fund's investments with Border to Coast produce income in one form or another, for examples coupon payments on bonds. Currently all of this income is reinvested. Income distribution options are being explored, which may be needed to meet the Fund's cashflow requirements as the membership profile matures.

8. CONCLUSION

8.1. The launch of new funds continues broadly in line with expectations. Border to Coast has been focussing resources on developing a small number at any one time, rather than try to do too much too quickly. Understandably, the pace of fund launches has slowed, with Border to Coast now managing approximately £40 billion of partner fund assets.

8.2. DLUHC has published its response to the consultation. This was largely in line with the proposals in the consultation itself. It is possible that statutory guidance will be published before the General Election but there is a material risk that this will not happen. Compliance with the Government's plans, when they are published, are not expected to require significant changes in the approach North Yorkshire has been taking to investment pooling.

9. RECOMMENDATIONS

9.1. Members are recommended to note the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
County Hall
Northallerton
15 May 2024

Quarterly Funding & Investment Report

End March 2024

Prepared for: North Yorkshire Pension Fund
Prepared by: Aon
Date: 15 May 2024

Signatory of: UK STEWARDSHIP CODE | 2021

For professional clients only

AON

Table of Contents

1. At a glance…

A high level summary of your investments and funding

At a glance…

Funding*

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, falling 2% to 114%, and the surplus has decreased by £74M.

This has been primarily driven by a reduction in asset values and pension increases being higher than expected, although this has been partially offset by an increase in the net discount rate.

Asset Allocation and Implementation

The Committee reviewed the asset allocation and discussed potential commitments to BCPP Alternatives programmes. A number of commitments were agreed to, outlined on later in this report (p16).

Performance

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

Market Background and Investment Outlook (April 2024)*

In Q1 2024, global equity markets rose significantly. The MSCI All Country World Index rose 9.6% in local currency terms. However, sterling depreciated against the US dollar but an appreciation against the euro and the yen pushed down returns in sterling terms to 9.3%.

Inflation is still falling, but slower than many market participants had hoped. Expectations for interest rate cuts later this year have been substantially scaled back. The geopolitical flashpoints globally have become too concerning for markets to carry on ignoring and they are now influencing markets.

The tech sector's long-term success in equity markets is fundamentally based on its lower earnings cyclicality and consistency. Excess optimism, not higher interest rates, are more likely threats to its performance lead.

A low equity risk premium alongside a rising risk of macroeconomic or other setbacks keeps us cautious on equities. Any rebalancing should keep portfolio weights no higher than target with spare cash deployed in other opportunities within alternative asset classes.

Higher credit yields in recent years are a draw, but spreads are too tight, which indicates low reward for credit risk. Strategic credit buyers should 'average-in' and we suggest slowing the pace now to take advantage of better entry points to come. Tactical credit allocations should be in securitised credit where spread duration is lower.

Note: *The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Key actions

1. Committee members to consider the contents of this report.
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 May PFC meeting. Any subsequent recommendations will be tabled at the May 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 (allowing for pension increases awarded in April 2023 and April 2024).

Key Stats – Q1 2024

Assets

£4,634m

Assets reduced by £1m 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

0.2% pa

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

+6.8%

0.9% increase since 2022 valuation

5.9 % at 2022 valuation

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

+6.8%

0.7% increase since 2022 valuation

6.1% at 2022 valuation

Discount rate

4.6%

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)

£883m

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

£862m

Estimated Total Employer cost

14.7%

Estimated Total Employer cost decreased by 2.7% 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 (allowing for pension increases awarded in April 2023 and April 2024).

2. Funding

A review of your funding position and contributions

Funding position

Funding level

114%

at end 31 March 2024

Down from 116% at 31 March 2022

Surplus

£566M

at end 31 March 2024

Down from £640m at 31 March 2022

Comments

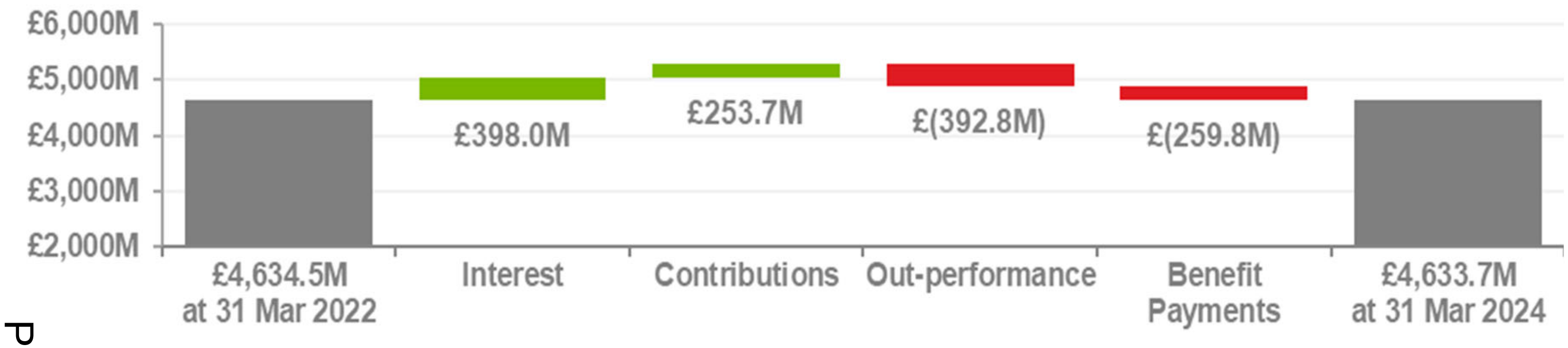
Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, and the surplus has decreased by £74M.

This has been primarily driven by a reduction in asset values and pension increases being higher than expected, although this has been partially offset by an increase in the net discount rate.

Change to funding level since 31 March 2022

Analysis – ongoing funding target

Reason for change since 31 March 2022 – Asset Attribution



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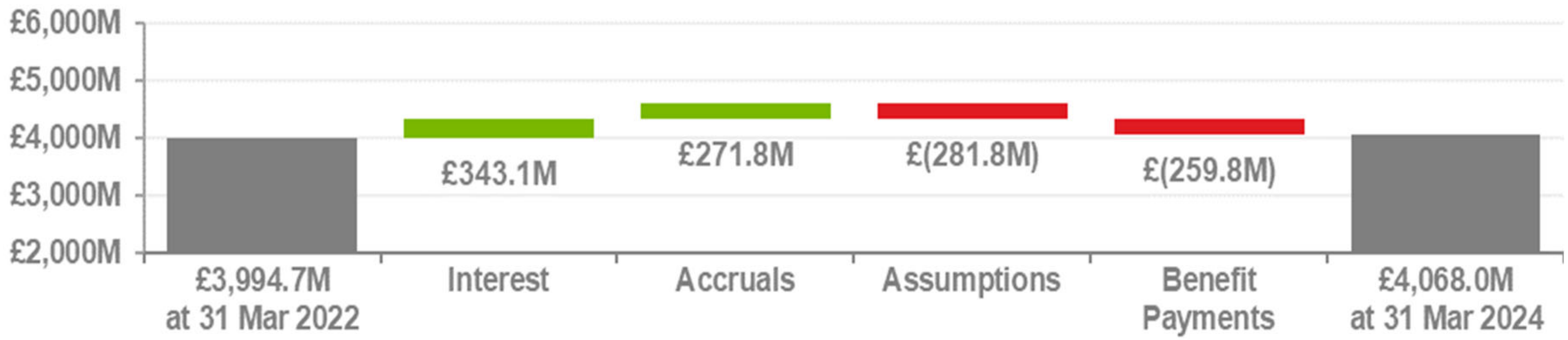
Reason for change since 31 March 2022 – Liability Attribution



Comments

Since the 2022 valuation the surplus has decreased by £74M.

Aggregate Employer contributions – ongoing funding target

Total employer contribution rate

14.7% ▼

at 31 March 2024

Down from 17.4% at 31 March 2022

Employer cost of accrual

16.7% ▼

at 31 March 2024

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.

Funding position – Low Risk funding target

Funding level

89%

31 March 2024

▲ **25%**
vs 31 Mar 2022

64%

31 Mar 2022

Deficit

£582M

31 March 2024

▼ **£1,991M**
vs 31 Mar 2022

£2,573M

31 Mar 2022

Basis	Low Risk funding target
Effective date	31 March 2024

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.

Low risk funding target

Change to funding level since 31 March 2022

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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.

3. Asset allocation

A review of your strategic asset allocation

AON

Asset allocation – Q1 2024

Asset Group	Manager	Valuation (£m)	Current allocation	31 March 2024 Long-term strategy	Difference	Rebalancing Range	Possible action
Equities		**2,213.9**	**47.8%**	**50.0%**	**-2.2%**		✓
	BCPP UK Equity	180.4	3.9%	4.0%	-0.1%	TBC	
	BCPP Global Equity	1,372.7	29.6%	28.0%	+1.6%	+/- 5%	
	Baillie Gifford LTGG	660.8	14.3%	18.0%	-3.7%	+/- 3%	
Absolute Return		**6.4**	**0.1%**	**0.0%**	**+0.1%**		
	Leadenhall Remote Risk	2.9	0.1%				
	Leadenhall Diversified	2.5	0.1%				
	Leadenhall Nat Cat	1.0	0.0%				
Property		**260.8**	**5.6%**	**7.5%**	**-1.9%**	**TBC**	✓
	Hermes	16.7	0.4%				
	L&G	44.5	1.0%				
	Threadneedle	199.6	4.3%				

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

Asset allocation – Q1 2024 (cont’d)

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
		31 March 2024					
Infrastructure		**615.1**	**13.3%**	**10.0%**	**+3.3%**		
	BCPP Infrastructure	308.0	6.6%				
	BCPP Listed Alts	266.4	5.7%				
	BCPP Climate Opportunities	40.8	0.9%				
Private Credit		**184.6**	**4.0%**	**5.0%**	**-1.0%**		
	BCPP Private Credit	149.0	3.2%				
	Arcmont	26.1	0.6%				
	Permira	9.4	0.2%				
Non-Investment Grade Credit		**241.0**	**5.2%**	**5.0%**	**+0.2%**	**TBC**	
	BCPP Multi Asset Credit	241.0	5.2%				
Investment Grade Credit		**338.1**	**7.3%**	**7.5%**	**-0.2%**	**TBC**	
	BCPP Investment Grade Credit	338.1	7.3%				

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

Asset allocation – Q1 2024 (cont'd)

Asset Group	Manager	31 March 2024					
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Gilts		**576.6**	**12.4%**	**15.0%**	**-2.6%**	**TBC**	✓
	BCPP Index Linked Bonds	576.6	12.4%				
Cash		**197.1**	**4.3%**	**0.0%**	**+4.3%**	**TBC**	✓
	Internal Cash	197.1	4.3%				
Total		**4,633.7**	**100.0%**	**100.0%**			

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

Investment strategy update

Asset allocation options

- At the March PFC meeting, the Committee reviewed the current asset allocation and considered commitments to BCPP Alternatives programmes. It was agreed to:
  - Make a commitment of £70m to BCPP Private Credit
  - Make a commitment of £120m to BCPP Infrastructure
  - Target a 4% allocation to BCPP Climate Opportunities, and agree the associated commitment needed to achieve the target allocation
  - Target a 1% allocation to BCPP UK Opportunities, and agree the associated commitment needed to achieve the target allocation

Transitions and cashflows

The following rebalancing activities took place over the quarter:

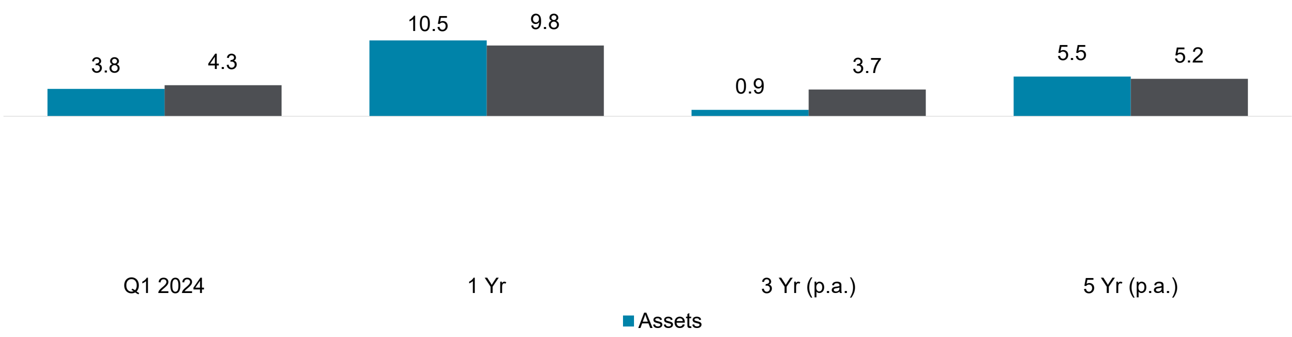
- 3 divestments from Baillie Gifford, totalling £150m.
  - £14m was invested into the Border to Coast Investment Grade Credit fund
  - The remaining balance was redeemed to cash
- Border to Coast made:
  - Climate opportunities, 6 calls for £18.5m.
  - Infrastructure, 25 calls (£31.9m), 18 distributions (£5.6m), £26.3m paid net
  - Private Credit, 16 calls (£16.9m), 11 distributions (£2.9m), £14.0m paid net
- A redemption instruction was submitted to Hermes in Q4 2023, to proceed with the disposal of 5,344,757 units held by NYPF in the Federated Hermes Property Unit Trust:
  - £15m was divested to cash, received 10 April
  - The remaining balance of c. £16m is expected to be received in the first week of July

4. Fund performance

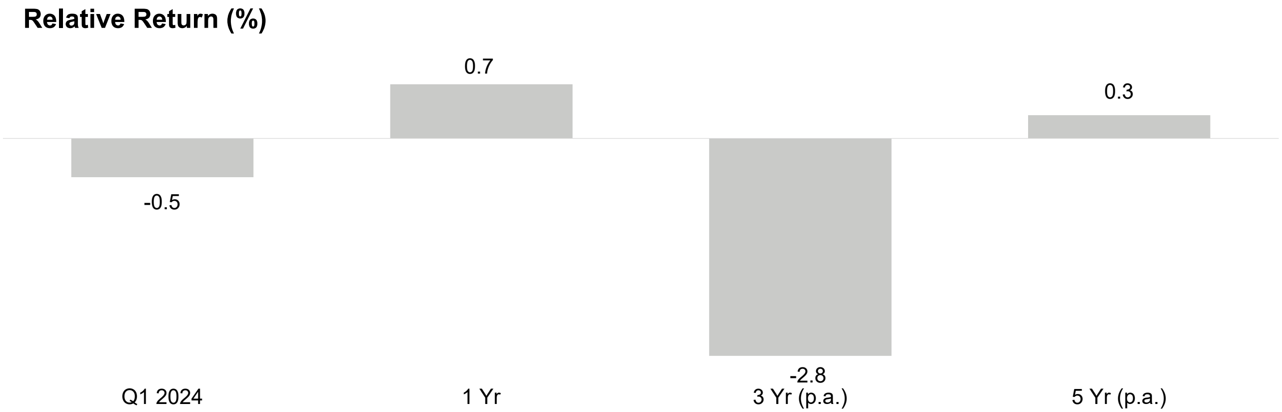
A review of your investment performance

Total Fund performance – Snapshot

Fund performance & benchmark



Relative performance



Source: Northern Trust, Aon

Quarterly (relative)

-0.5%

The Fund underperformed the benchmark returning 3.8% vs 4.3% over the quarter.

3 year (relative)

-2.8%

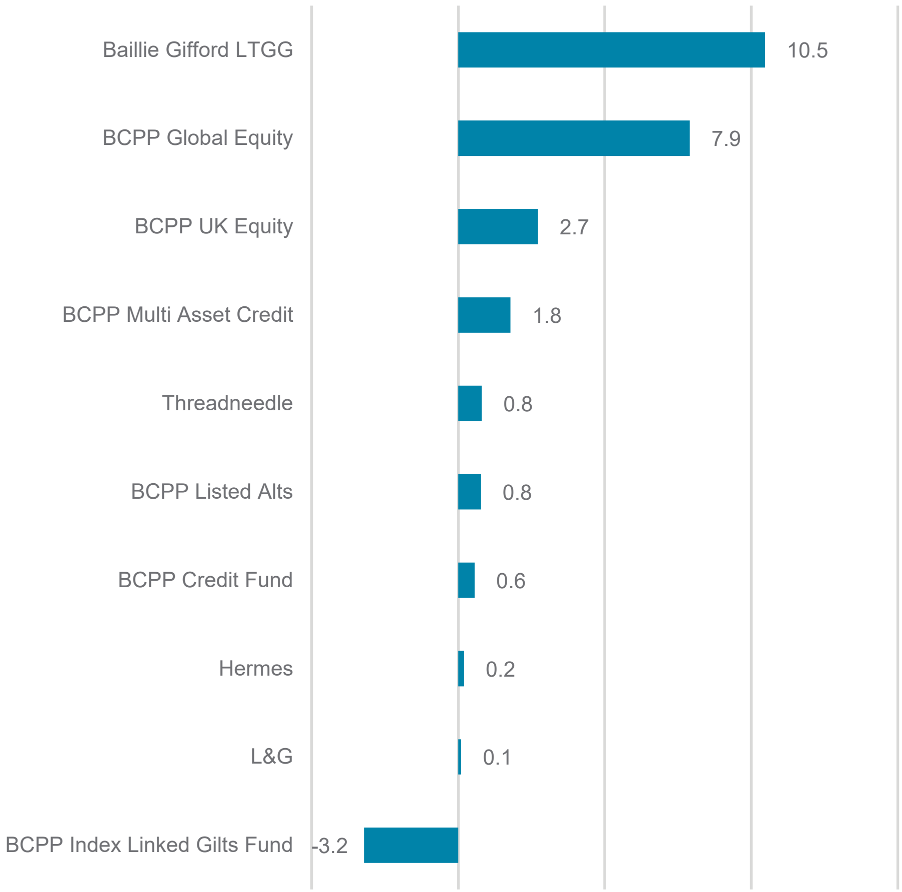
Over 3 years the Fund has underperformed the benchmark returning 0.9% vs 3.7%.

Comments

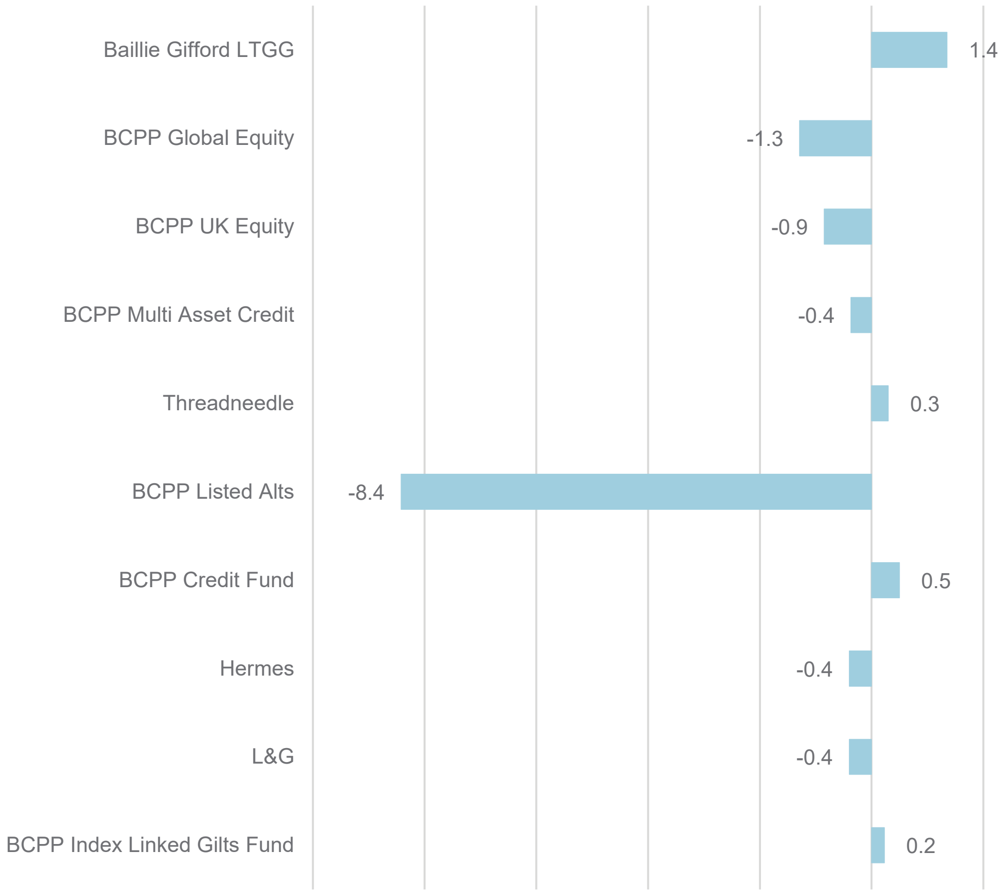
Total Fund performance is ahead of the composite benchmark over the 1 year and 5 periods but behind over the quarter and 3 year period to 31 March 2024.

Manager performance – Quarter Snapshot

Absolute performance



Relative performance



Source: Northern Trust, Managers, Aon.
Note: 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			
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Inception date
Equity													
UK Equity													
BCPP UK Equity	5.1	8.4	-3.3	2.8	8.1	-5.3	-	-	-	3.4	5.0	-1.6	Jun-19
Global Equity													
BCPP Global Equity	18.4	20.6	-2.2	9.7	10.3	-0.6	-	-	-	11.2	11.7	-0.5	Oct-19
Baillie Gifford LTGG	27.0	21.0	6.0	-2.0	10.6	-12.6	15.2	12.1	3.1	14.9	9.9	5.0	Sep-06
Property													
Hermes	-2.7	-1.3	-1.4	0.8	1.3	-0.5	1.0	1.3	-0.3	-	-	-	Mar-12
L&G	0.9	-0.7	1.6	2.2	1.5	0.7	1.8	1.4	0.4	-	-	-	Dec-12
Threadneedle	0.5	-0.7	1.2	2.4	1.5	0.9	1.7	1.4	0.3	-	-	-	Jun-12
Infrastructure													
BCPP Listed Alts	11.4	20.6	-9.2	-	-	-	-	-	-	1.2	9.0	-7.8	Feb-22
Investment grade credit													
BCPP Investment Grade Credit	7.5	6.1	1.4	-2.4	-3.3	0.9	-	-	-	-1.9	-3.1	1.2	Aug-20
Non-investment grade credit													
BCPP Multi-Asset Credit	9.4	8.6	0.8	-	-	-	-	-	-	0.1	-	-	Nov-21
Gilts													
BCPP Index Linked Bonds	-11.4	-11.9	0.5	-17.5	-17.7	0.2	-	-	-	-16.2	-17.0	0.8	Oct-20
Total	**10.5**	**9.8**	**0.7**	**0.9**	**3.7**	**-2.8**	**5.5**	**5.2**	**0.3**	**7.1**	**7.4**	**-0.3**	**Jan-02**

Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding.
Note: Hermes, L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes. Performance for Leadenhall is not shown as mandates only hold residual assets.

Border to Coast Pensions Partnership – Private Markets Performance Summary

BCPP Infrastructure

Fund	Q1 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A	**98.7%**	**83.8%**	**15.0%**	**9.0%**	**1.19x**
Series 1B	**98.7%**	**64.7%**	**3.4%**	**5.3%**	**1.08x**
Series 1C	**100.0%**	**80.2%**	**11.3%**	**9.7%**	**1.15x**
Series 2A	**99.7%**	**44.4%**	**1.0%**	**-**	**-**
Series 2B	**78.7%**	**10.1%**	**0.0%**	**-**	**-**

BCPP Private Credit

Fund	Q1 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A/B	**99.5%**	**82.1%**	**20.7%**	**9.7%**	**1.16x**
Series 1C	**99.5%**	**65.4%**	**12.9%**	**9.7%**	**1.10x**
Series 2A	**100.0%**	**29.6%**	**3.9%**	**-**	**-**
Series 2B	**99.1%**	**11.3%**	**0.0%**	**-**	**-**

BCPP Climate Opportunities

Fund	Q1 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 2C	**99.9%**	**30.7%**	**0.7%**	**-**	**-**

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 December 2023

AON

Border to Coast Pensions Partnership – Private Markets Commitments Summary

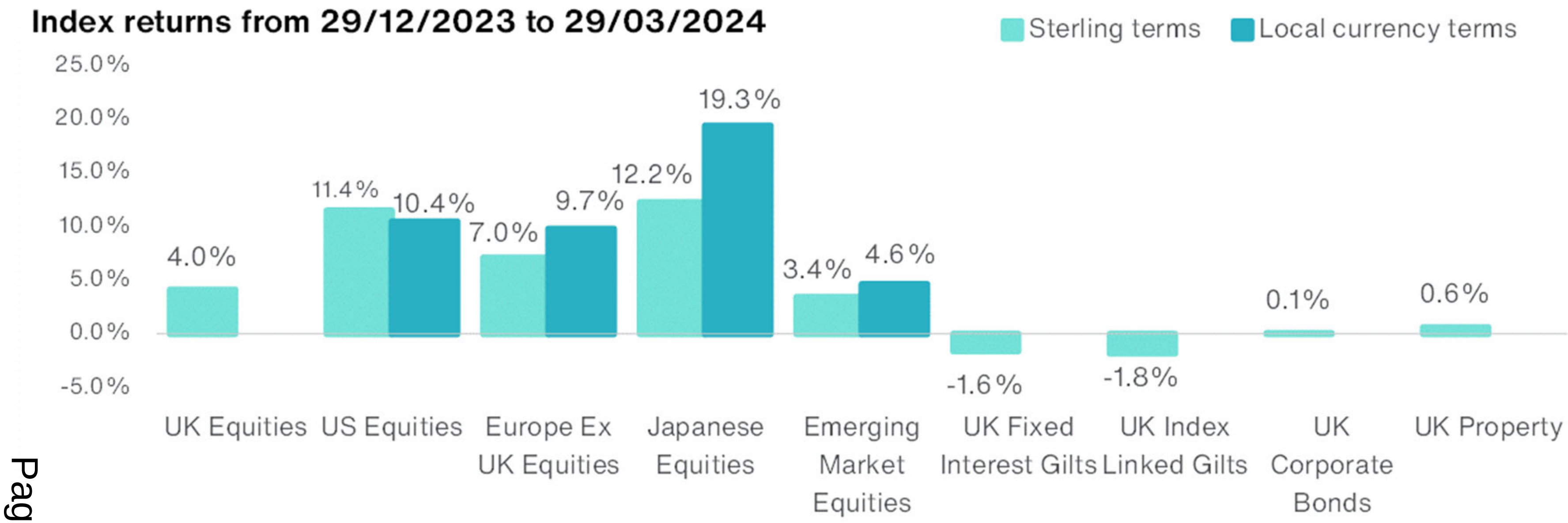
Strategy	Total Commitments							
	Series 1	1A	1B	1C	Series 2	2A	2B	2C
Private Credit	**£195m**	**£75m**		**£120m**	**£210m**	**£70m**	**£70m**	**£70m**
Infrastructure	**£320m**	**£70m**	**£50m**	**£200m**	**£360m**	**£120m**	**£120m**	**£120m**
Climate Opportunities	**N/A**	**N/A**			**£260m**	**£140m**		**£120m**
UK Opportunities	**N/A**	**N/A**			**£50m**	**N/A**		**£50m**

Source: BCPP, Aon, 31 March 2024.

5. Market background and investment outlook

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

Market – Background Q1 2024



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

Equities

In Q1 2024, global equity markets rose significantly. The MSCI All Country World Index rose 9.6% in local currency terms. However, sterling depreciated against the US dollar but an appreciation against the euro and the yen pushed down returns in sterling terms to 9.3%.

Bonds

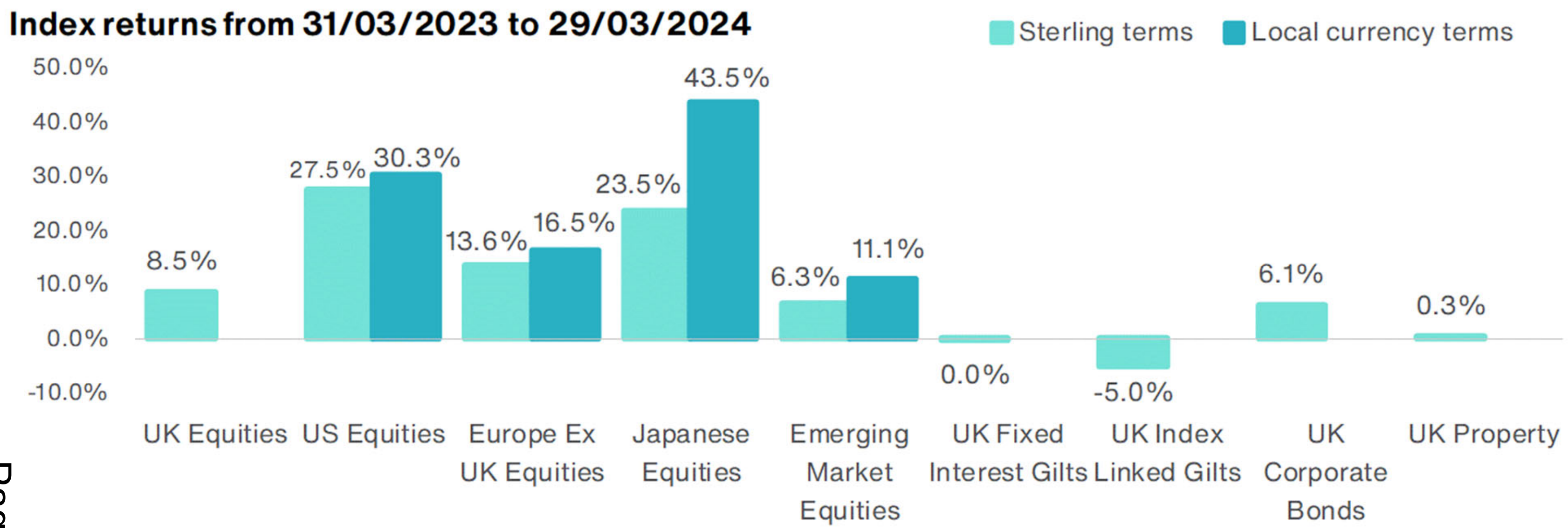
UK investment grade credit spreads fell by 0.14% to 1.07%, based on the iBoxx Sterling Non-Gilts index. Higher-quality bond credit spreads contracted less than their lower-quality counterparts, with AAA-rated non-gilt spreads falling by 0.11% to 0.30% while BBB-rated non-gilt spreads fell by 0.19% to 1.57%. The iBoxx Sterling Non-Gilts Index posted a return of 0.1%. Global investment grade credit spreads fell by 0.14% to 1.01% over the quarter.

Gilts

The UK nominal gilt curve shifted upwards over the quarter as yields rose across maturities.

The index-linked gilt yield curve also shifted upwards over the quarter as yields rose across maturities.

Market – Background 12 month



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

Equities

Global equities generated positive returns over the last twelve months. The MSCI ACWI rose 25.0% in local terms. 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 42.1%) was a major contributor to equity market gains over the past year, 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 0.60% to 1.07%. The index rose 6.1% over the year.

Gilts

The UK gilt curve shifted upwards over the year as yields rose across maturities. 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 as yields fell sharply across maturities. In Q1 2024, the UK nominal gilt curve shifted upwards as yields rose across maturities..

Quarterly Investment Outlook – April 2024*

- Inflation is still falling, but slower than many market participants had hoped. Expectations for interest rate cuts later this year have been substantially scaled back.
- The geopolitical flashpoints globally have become too concerning for markets to carry on ignoring and they are now influencing markets.
- In a similar vein, still large government deficits and rising public debt that is more expensive to service, are harder for bond markets to shrug off.
- Any strong bond investor push-back to these fiscal trends would risk still higher bond yields, bringing prolonged market volatility. This is far from inevitable, but it is a rising risk that needs monitoring.
- On a two-year view we see yields being lower, but we anticipate that the journey will remain a volatile one.
- Higher credit yields in recent years are a draw, but spreads are too tight, which indicates low reward for credit risk. Strategic credit buyers should 'average-in' and we suggest slowing the pace now to take advantage of better entry points to come. Tactical credit allocations should be in securitised credit where spread duration is lower.
- The tech sector's long-term success in equity markets is fundamentally based on its lower earnings cyclicality and consistency. Excess optimism, not higher interest rates, are more likely threats to its performance lead.
- A low equity risk premium alongside a rising risk of macroeconomic or other setbacks keeps us cautious on equities. Any rebalancing should keep portfolio weights no higher than target with spare cash deployed in other opportunities within alternative asset classes.
- History suggests that further appreciation of the US dollar is unlikely to be sustained. Likewise, the pound may have a floor that limits downside.

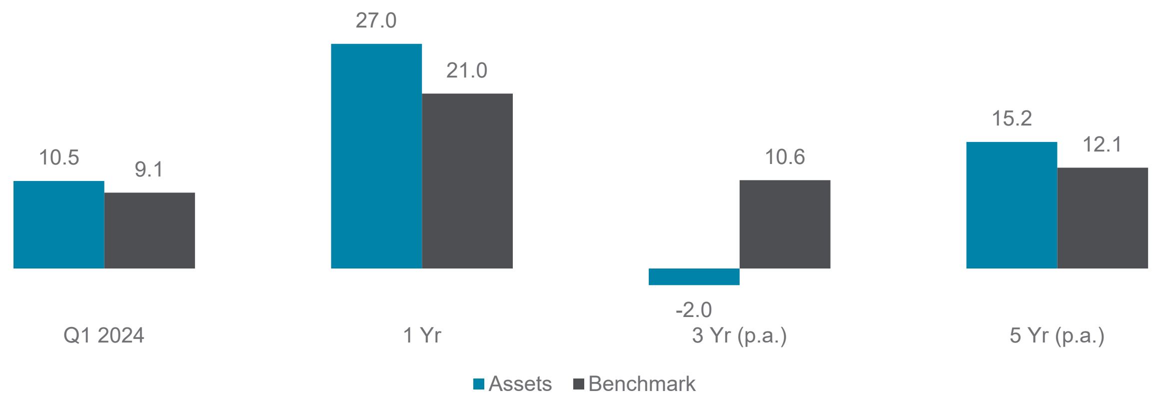
Note: *The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

6. Manager review

Aon ratings and understanding manager performance

Baillie Gifford - LTGG

Fund performance & benchmark



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Performance comments

The strategy outperformed over the period; the strategy was well positioned for the AI theme which continued to drive markets in Q1 2024. Strong contributions were seen from Nvidia, Spotify and ASML.

On the negative side, some of these gains were offset by negative contributions from PDD, Tesla and Atlassian.

NVIDIA's share price nearly doubled over the quarter, boosted by its strives in AI technology, resulting in record growth and earnings.

Spotify performed well over the period, with the market rewarding the company's focus on profitability and continued user growth.

ASML (semiconductor supplier) also benefitted from the prevailing AI theme, which is expected to underpin semiconductor growth.

PDD saw its share price pull back following a period of strong performance, whilst Tesla saw its share price suffer over fears of competition in the global Electric Vehicle (EV) market.

Buy

Reviewed: April 2024

Ratings detail

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

Key info

Appointed: 29 September 2006

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

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

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

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

Baillie Gifford – LTGG (cont.)

Positioning and Transactions

During the period the team revised its EV exposure, with NIO (China, Luxury EV) being sold over increased competition whilst Rivian (EV trucks) was purchased. Given the dynamics in the EV market, and its recent share price weakness, it is worth noting Tesla is currently a relatively small position in the portfolio (c.2%) compared to a much more material (c.10%) position three years ago.

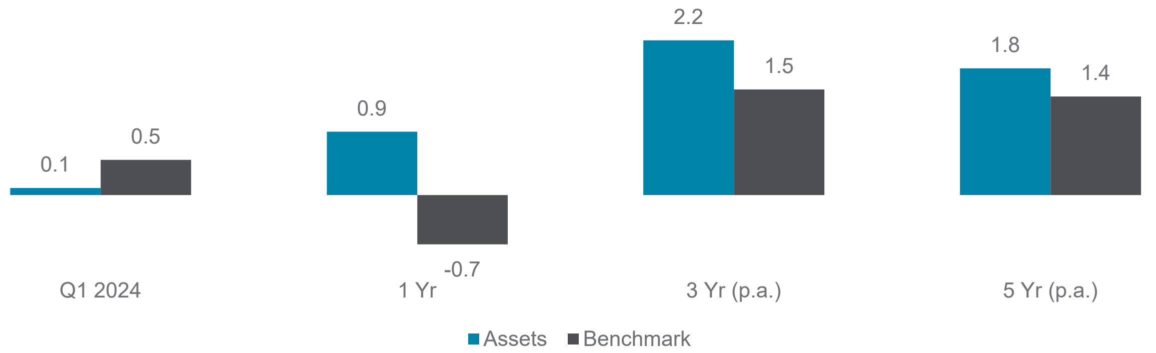
Alibaba (China, Ecommerce) was sold in the period after a prolonged period of scrutiny, whilst Nu Bank (Brazil, Fintech), Moncler (Italian, Luxury) and Symbotic (Robotics) were purchased.

The team trimmed AI exposed names such as NVIDIA, though they remain top holdings.

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

LGIM – Managed Property Fund

Q1 Fund performance & benchmark



Buy

Reviewed: February 2024

Q4 2023 Monitoring comments

As of Q4 2023, the Fund exhibits a predominant overweight position in the alternatives sector compared to the benchmark (17% vs 13.2%), and a strong cash position of (10.3% vs 7.6%). The Fund has seen a large amount of DC pension inflows (net inflows of £18 million monthly over the trailing 12 months) and is yielding c.5.6% in the Fund's cash account. Compared to the benchmark, the Fund is under weighted to the industrial sector (37.9% vs 39.8%), (18.9% vs 21.2%) in the office sector and (15.8% vs 18.2%) in the retail sector (based on GAV).

The manager has highlighted that the office exposure will be further reduced through strategic sales. Moreover, despite the managers cautious outlook on retail, especially high street and shopping centres, the Manager remains relatively positive on retail warehousing, which is proving to be resilient. The Manager also has a positive view on leisure assets, especially those located in core locations, with the Fund gaining exposure through the LGIM leisure Fund. LGIM forecasts that this segment will outperform All Property over the next 3 years and offer an attractive yield profile, also presenting opportunities for asset management initiatives. The Fund void rate has risen marginally since last quarter (11.7% vs 11.3%). However, 2.2% is strategic void, 2.1% is under refurbishment and 1.9% is under offer.

Key info

Appointed: 1 November 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

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

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

LGIM – Managed Property Fund (cont.)

Q4 2023 Transactions

One transaction occurred over the quarter, with the purchase of the remaining 50% holding (£140m) in Woodside Industrial Estate, Dunstable, previously held by a JV partner. Woodside provides a unique opportunity to own and hold a 1.5m sq ft, unbroken Freehold Southeast estate situated in a resilient macro location, close to the M1. Originally purchased in 2018, the asset has a proven performance record, having delivered 10.4% p.a. total return over the hold period to date. The estate has an excellent tenant line up, with good industry type diversification. There are a number of asset management opportunities with inherent rental growth and the manager's forecast a return of 9% p.a., for the asset over the next 5 years.

Major Developments – Rating upgrade

The LGIM Managed Property Fund's rating has been changed from Qualified to Buy rated. At a high level, the change in rating to a Buy from Qualified reflects the repositioning of the portfolio and a change in the portfolio manager that resulted in improved performance.

The full detail was included in an updated InTotal report, issued on the 28th of February.

BCPP – Quarterly high level monitoring (Q1 2024)

Changes to views of External and Internal Managers

- BCPP Global Equity Alpha
  - Loomis Sayles: The manager was first placed on the Watchlist in Q1 2023 due to a material level of turnover within the analyst pool. 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. BCPP expect to conclude their Watchlist process as part of the upcoming Annual Review.
- 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. CPP's review is ongoing as part of the annual review process. BCPP propose revisiting the Watchlist position at the end of June.
  - BCPP have negotiated a fee saving arrangement, equating to a 10% (c. £100k) saving in year 1.
- BCPP Multi-Asset Credit
  - BCPP EMD: The internal BCPP Emerging Market Debt mandate has been put on the Watchlist following the announcement of Daniel Loughney's departure at the end of January 2024. BCPP is currently searching for a replacement senior portfolio manager, and the mandate is expected to stay on the Watchlist for at least six months to assess the new team and any impact on the process or performance.

Changes to Senior Management at BCPP

- Jane Firth will be leaving her role as Head of Responsible Investment later this year.
- Following Richard Charlton's departure, Andrew Glessing joined in January to support BCPP while a permanent Chief Risk Officer is recruited. Andrew has undertaken a range of risk and regulatory supervisory roles in a career spanning the Life and Pensions sector, the FSA and, most recently, Alpha FMC, a leading global provider of specialist consultancy services to asset owners and asset & wealth managers, where he was their Head of Regulatory Compliance & Risk Practice.

Source: Aon, BCPP External Quarterly Reports (UK and Global Equity Alpha, and Fixed Income Q1 2024), BCPP Quarterly investment Report (NYPF) Q1 2024. Note: BCPP quarterly assurance data will now be released annually and has not been included above.

Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

UK Equity Alpha Fund

Fund	Q1 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
UK Equity Alpha	**44.6**	**7.8**
Benchmark (FTSE All Share)	**81.4**	**7.8**

Global Equity Alpha Fund

Fund	Q1 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Global Equity Alpha	**60.5**	**7.1**
Benchmark (MSCI ACWI)	**117.6**	**6.8**

Sterling Investment Grade Credit Fund

Fund	Q1 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	**61.9**	**7.2**
Benchmark (iBoxx Sterling Non Gilt Index)	**65.5**	**7.5**

Listed Alternatives Fund

Fund	Q1 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Listed Alternatives	**145.0**	**7.3**
Benchmark (MSCI ACWI)	**117.6**	**6.8**

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Source: BCPP/MSCI[1]

7. Further information

Key reference information about your Fund

Explanation of Ratings – Overall ratings

Overall ratings

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

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

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

Explanation of Ratings – Overall ratings

ESG Factor

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

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

Method

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

- This funding update is consistent with the calculations for the results of the actuarial valuation as at 31 March 2022. The assumptions used have been modified only insofar as is necessary to maintain consistency with the approach set out in the latest Funding Strategy Statement, reflecting the change in the effective date and in relevant market conditions.
- The funding update is projected from the results of the actuarial valuation as at 31 March 2022 valuation and is therefore approximate. Since the update is not based on up-to-date membership data, it becomes more approximate the longer the period of time that has elapsed since the last actuarial valuation.
- The funding update takes account of the following over the period since the last formal actuarial valuation:
  - Cashflows into and out of the Fund estimated based on the 2022 valuation results;
  - Actual price inflation and its impact on benefit increases.
- Demographic experience since the last formal actuarial valuation has been assumed to be in line with the assumptions set out in the 2022 Valuation report.
- This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.
- It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the investment strategy or economic outlook.
- For the purpose of this funding update, we have used an un-audited value of the assets as at 31 March 2024 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%
31 December 2023	4.60%	3.35%	2.10%	3.9%	2.9%
31 March 2024	4.60%	3.35%	2.10%	4.2%	3.0%

* 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 March 2024
- Allocations modelled are those set out in the main body of this presentation. Allocations are assumed to be annually rebalanced.
- Allowance for active management is made in some of the assets classes, in particular where there is no real passive version of the asset, for example private equity funds.
- Unless stated otherwise, all returns are net of underlying manager fees.

High level asset class	Expected Return	Expected Volatility
Equities	6.9%	18.7%
Property	6.6%	12.6%
Infrastructure	7.8%	15.8%
Listed alternatives	6.9%	19.4%
Illiquid credit	8.1%	6.6%
Investment grade credit	5.1%	9.7%
Non-investment grade credit	6.1%	8.9%
Absolute Return	8.0%	5.6%
Gilts	3.4%	9.6%
Cash	3.8%	1.4%

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%	23%	1%	54%	22%	-8%	-2%
Property		100%	19%	36%	22%	3%	28%	9%	-1%	7%
Infrastructure			100%	63%	12%	2%	22%	22%	-3%	1%
Listed Alternatives				100%	22%	1%	53%	22%	-8%	-3%
Illiquid credit					100%	58%	59%	14%	6%	24%
IG Credit						100%	24%	16%	50%	39%
Non-IG Credit							100%	18%	1%	9%
Absolute Return								100%	9%	31%
Gilts									100%	30%
Cash										100%

Data and assumptions

Date of calculation	31 March 2024
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,633,667,132

- Infrastructure is modelled as a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Listed Alternatives are modelled as passive global equities (including emerging markets).
- Private Credit modelled as combination of 2/3 Senior Direct Lending (for Arcmont and Permira) and 1/3 Whole Property Debt (for BCPP).
- Gilts are modelled as a 62.9% 15 year index-linked gilts and 37.1% 20 year index-linked gilts.
- Property is modelled as UK Property.
- Liquid IG Credit modelled as UK corporate bonds (A-rated with average duration of 10 years)
- Liquid Non-IG Credit modelled as high yield multi-asset credit.
- Absolute Return is modelled as Leadenhall Insurance Linked Securities modelled as an equal blend of Aggressive, Conservative and Moderate ILS.
- The Fund has an allocation to Equities which make up 50% of the long term allocation.
- For modelling purposes (and for consistency with the approach taken by the Actuary) we do not allow for any outperformance from active management (alpha).
- We have not allowed for the impact of equity protection on the risk and return of the portfolio
- Equities have been modelled using region splits in line with the long term allocation:

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

Purpose, key assumptions and judgements of the model

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

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

Limitations

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

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

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

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

Limitations (continued)

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

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

Capital Market Assumptions

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

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

Aon's Stochastic Scenario Generator (SSG) Model

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

Asset-liability modelling

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

Key economic models used

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

TAS compliance

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

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This report should be read in conjunction with:

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

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

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North Yorkshire Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 18th April 2024 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Steve Watson (North Yorkshire Council)

Scheme Members:

David Houlgate (Unison)
Simon Purcell (Unison)
Sam Thompson (North Yorkshire Council)

Council Officers:

Harriet Clarke, Phillippa Cockerill, Stuart Cutts, Gary Fielding, Jo Foster-Wade and Tom Morrison.

In attendance:

Councillor George Jabbour was in attendance.

Two members of the public and one NYC officer observing the meeting were also present.

Copies of all documents considered are in the Minute Book

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48. Welcome and apologies for absence

Apologies for absence were submitted by Emma Barbery (Askham Bryan College) and Martin Rowley BEM (City of York Council).

49. Resignations and recruitment – Report of the Assistant Chief Executive (Legal and Democratic Services)

The Chair advised of two recent resignations by Members of the Board from Gordon Gresty (Scheme Member Representative), who had been a member of the Board since 2015 and David Hawkins (Employer Representative). The report summarised the recruitment exercise that would be undertaken to fill the vacancies.

The Chair pointed out an error at paragraph 3.2 which referenced 'the Committee' rather than the Board and asked that this be amended.

Resolved –

(i) That Gordon Gresty and David Hawkins were thanked for their services to the Board

(ii) That the recruitment process be undertaken.

50. Exclusion of Public and Press

It was noted that there was an exempt item relating to Minute number: 55(b) – Confidential Minutes of the Pension Fund Committee. As the contents of the Minutes were not discussed there was no requirement to exclude the public from the meeting.

51(a) Minutes of the meeting held on 11th January 2024

Resolved –

That the Minutes of the meeting held on 11th January 2024, having been printed and circulated, be taken as read, confirmed as a correct record, and signed by the Chairman.

51(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. An update would be reported to the Board as soon as details were available.

Other matters including the Government's call for the next steps of pooling arrangements, the Pensions Regulator's (TPR) new General Code of Practice and the Business Continuity matter would be addressed later in the agenda.

Resolved -

That the report be noted.

52. Declarations of Interest

There were no declarations of interest.

53. Public Questions or Statements

Howard Green of Fossil Free North Yorkshire outlined the following:-

We know that the Pension Board does not have any power over how the pension fund is invested. However, we do think that the board should be aware of the broad arguments concerning those investments of the fund that are in fossil fuels- oil, coal and natural gas, and of the associated governance concerns.

Science is clear that the world must drastically reduce its consumption of FF if we want to avoid the worst of the climate chaos caused by rising global temperatures.

The only way of making this sort of impact - to rapidly move away from burning fossil fuels - is to stop investing in them. If investment were to dramatically fall in companies like Shell and BP they would be forced to stop digging FF out of the ground.

None of the fossil fuel majors have business plans that are compliant with limiting warming to 1.5o (i.e., Paris compliant) and Shell and BP have both in recent months significantly reduced their climate ambitions.[1,2]

NYPF currently invests 1.3% of the total fund in fossil fuels which amounts to £55-60 million. Though this is a small proportion of the total fund, it is 5-6x the £10 million that the new mayor will have at their disposal to support the net zero transition. This percentage has fallen over recent years (from £73 million in 2021) but we question how it can be in any analysis acceptable for a council that has declared a climate emergency and a commitment to address its own emissions reductions to continue to finance the industry responsible for over 75 per cent of global greenhouse gas emissions and nearly 90 per cent of all carbon dioxide emissions.[3]

An increasing number of LGPFs and other large pension funds are divesting from fossil fuels. Conservative-run Wiltshire Pension Fund recently committed to divestment.[4] The world's 10th largest pension fund, PFZW (in the Netherlands) has divested 2.8 billion euros out of almost all oil and gas companies (incl. bp, Shell and TotalEnergies) because they have all missed the fund's deadline to bring in a "convincing and verifiable" climate strategy.[5] West Yorkshire Pension Fund recently decided to increase investments in sustainable projects, stop all new investments in fossil fuels, and review the impact of its approach to engagement.[6] And East Riding of Yorkshire Council recently voted unanimously, in Full Council, in favour of a motion to halt all new fossil fuel investments and fully divest from existing fossil fuel funds within five years. Cllr Andy Walker, of the Yorkshire Party, who proposed the motion, said: “It is crazy that our pensions are investing in fossil fuels when they are the very things that are jeopardising what we are saving for”.[7]

It is against this background that we have been petitioning the NY pension fund committee and Border to Coast pension partnership to divest from fossil fuels and re-invest in sustainable portfolios which we all know is the direction of travel.

1. https://www.carbonbrief.org/shell-abandons-2035-emissions-target-and-weakens-2030-goal/
2. https://www.euronews.com/green/2023/06/15/shell-joins-bp-and-total-in-u-turning-on-climate-pledges-to-reward-shareholders
3. https://www.un.org/en/climatechange/science/causes-effects-climate-change
4. https://www.wiltshirepensionfund.org.uk/article/8364/Our-plan-for-fossil-fuel-divestment
5. Dutch healthcare pension fund ditches investments in oil majors | Reuters
6. Fossil free breakthrough for West Yorkshire Pension Fund | Fossil Free West Yorkshire Pension Fund (wordpress.com)
7. https://drillordrop.com/2023/06/28/east-yorkshire-backs-fossil-fuel-divestment/

Margaret Jackson, GP, medical educator and climate activist, of Fossil Free North Yorkshire outlined the following:-

We have specific governance concerns about our pension fund's fossil fuel investments.

1. Stranded assets: The world is rapidly transitioning to renewable energy. And, as more and more institutions divest, FF become more risky in the medium to long term - renewable sources of power are becoming more reliable, cheaper and ensure greater UK energy independence. The longer we wait to divest the more likely it is that fund values will collapse. This could happen very rapidly. Continued fossil fuel invested funds therefore become a material risk to future pension values.

2. Climate modelling: Two recent reports[1,2] show that pension funds may be risking pensions by relying on economic research that ignores the science. Climate modelling available to pension funds is flawed and grossly underestimates the true financial implications of a warming climate on pension returns. Real-world impacts of climate change, such as tipping points, sea-level rise and involuntary mass migration, are largely excluded from these models. Some models even implausibly show the hot-house world to be economically positive.

   NYPF uses AON to provide climate modelling. AON uses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in undertaking climate modelling. The TCFD is specifically criticised in one of these reports[1](and see App.1 below).

   North Yorkshire Pension fund has a fiduciary duty to review the climate modelling that is being used and ensure that it is fit for purpose.

3. Fiduciary duty: The Financial Markets and Law Committee (FMLC) has issued guidance specifically for pension funds at the request of a group of House of Lords peers[3,4].

   Fiduciary duties exist to ensure that those who manage other people's money consider the long-term risks to, and consequences of, investment decisions. There has been, however, confusion about the way in which system-level risks, such as the climate and nature crises, should be considered.

   The guidance is summarised in my notes submitted to this meeting (see App.2 below). In brief, the guidance makes clear that climate risk must be considered and that fiduciary duties need to be applied looking through a wide lens.

4. Engagement: North Yorkshire Pension Fund (and Border to Coast Pension Partnership) rely on engagement with the industry as the mechanism for addressing climate emergency mitigation. Yet there is no evidence that this has ever been effective in getting an organisation to change its core business. At the last NYPF committee meeting, it was requested of the committee by Cllr. Paul Haslem, NY Climate Champion, that engagement activities should be recorded with a view to evaluating their success or otherwise. The board should be aware of this and hold the PFC to account on this. Relying solely on a strategy of engagement without any mechanism to evaluate its efficacy appears to be wholly inadequate.

My question to the board is: to what extent are you already aware of these issues with relation to fossil fuel investments?

References:

1. https://carbontracker.org/reports/loading-the-dice-against-pensions/
2. https://actuaries.org.uk/media/qeydewmk/the-emperor-s-new-climate-scenarios.pdf
3. https://fmlc.org/wp-content/uploads/2024/02/Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf
4. https://www.peersfortheplanet.org/post/new-guidance-for-pension-funds-on-how-to-consider-climate-and-nature-in-investments-decisions

Appendices:

App. 1 from https://carbontracker.org/reports/loading-the-dice-against-pensions/ p.23

"In a joint report by the Institute and Faculty of Actuaries and the University of Exeter (Trust et al. 2023), co-author Tim Lenton touched on the topic of this report, the extent to which dubious predictions of minimal damages from climate change have affected the formation of policy on climate change:
"some economists have predicted that damages from global warming will be as low as 2% of global economic production for a 3°C rise in global average surface temperature. Such low estimates of economic damages – combined with assumptions that human economic productivity will be an order of magnitude higher than today – contrast strongly with predictions made by scientists of significantly reduced human habitability from climate change.
It is concerning to see these same economic models being used to underpin climate change scenario analysis in financial services, leading to the publication of implausible results in the Task Force on Climate-related Financial Disclosures (TCFD) reporting that show benign, or even positive, economic outcomes in a hot-house world. This jars with climate science, which shows our economy may not exist at all if we do not mitigate climate change." (Trust et al. 2023, p. 4.)"

App. 2 from https://www.peersfortheplanet.org/post/new-guidance-for-pension-funds-on-how-to-consider-climate-and-nature-in-investments-decisions

The FMLC guidance summary:
Climate risk is always material – it can no longer be characterised as "too remote and insubstantial". And uncertainty about the subject of climate change and its causes and consequences does not mean that it can be ignored.
Financial factors need to be considered at a number of levels: at the level of a specific asset or in-vestment, at a portfolio level, and at the level of whole economies material to the pension fund.
Pension funds need to go beyond statutory minimums –pension fund trustees cannot leave the relevance of the subject of climate change to what is required by current legislation and regulation because that approach would not address all the risk.
Diversification is not enough – With climate-change related risks that are systemic, it is unlikely that diversification alone of a portfolio will be enough to avoid all the risks in the same way that non-systemic risks might be diversified away from. This implies that pension funds have a legal duty to carry out stewardship with the companies in whom they invest and with policymakers, where this helps to further manage risk.
Pension schemes can better manage climate risk by investing in firms who themselves take climate risk seriously.

In response to the public statements and question, the Chair asked Board members for any comments.
It was noted that climate change risks in relation to the investments made by the Pension Fund had been raised as a regular issue over the last few years. It was clarified that whilst the Board had no involvement in investments for the Fund, Board members could pass any comments received onto the PFC.

Tom Morrison, Head of Investments, advised the public speakers that a response to public statements of a similar nature had been issued at the previous Pension Fund Committee of 1 March 2024, which were available to view in the meeting Minutes. The formal written response that had been issued set out that the approach to investing in oil or gas companies was to engage with companies to influence the pace of transition to a low carbon economy, rather than divest, as it was felt that divesting was likely to have a negative impact down the line. Tom explained that oil and gas companies may become renewable energy companies in the future and suggested that the reason for the recent slow rate of progress was influenced by world events but that the Fund was doing all they could to engage with companies in the transition through Border to Coast Pensions Partnership (BCPP). He also explained that a review of the Fund's approach to responsible investment took place yearly, which considered climate change policies.

In response to a question from the Chair, it was confirmed that the Fund's current level of investment in fossil fuels was around £50-60m. In response to a further question about reducing fossil fuel investment, it was clarified that other investments actively being considered were renewable energy, battery storage and carbon capture investments.

In response to the discussion, Margaret Jackson commented that pension funds should divest from oil and gas companies within a specified timeframe of 5 years. She expressed a lack of confidence in engaging with oil and gas companies as she felt there was little evidence to support that engagement was effective. Margaret Jackson noted that investing in renewables was a challenge, but that the investment was key to change the algorithms that are used.

Board members agreed to recommend that fossil fuel investments continue to be actively considered by the Pension Fund Committee.

In response to the various points that were raised, the Treasurer of the North Yorkshire Pension Fund (NYPF), Gary Fielding, commented that the long term duty of the Fund was intertwined with reduced exposure to fossil fuels and a more sustainable approach, but that there were lots of barriers to achieving this at the moment such as global events.

The meeting was adjourned from 10:40 am – 10:47 am.

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

The Treasurer of the NYPF, Gary Fielding, attended the meeting for his annual discussion with members of the Board. The following points were highlighted:-

- The previous year had been very busy, and the performance on investments was going well. The pressure on officers and resource issues was however noted.
- Despite the recent turbulence in the markets, the overall funding level remained above 100% (114%), which was a good position to be in.
- From a governance perspective, the PFC had been able to produce a high level of challenge, and despite recent changes in membership there was no apparent reduction in skills and knowledge, with Members actively engaging in discussions.
- It was reported that there was now greater diversification across individual fund managers and contribution rates may fall in the future.
- The investment strategy was constantly being reviewed, especially in relation to climate change risk.
- Involvement with BCPP over the last 6 years had provided good opportunities, and it was stated that the relationship between BCPP and PFC Members had matured significantly in the last year and was supportive but challenging in nature.
- In terms of future pooling arrangements, it was envisaged that the majority of the Fund's investments would be managed through BCPP, although only where they fitted the Fund's strategy and interests.
- It was noted that Government was still considering a second phase of pooling as they wanted enhanced economies of scale. Further details were still awaited on the possibility of the amalgamation of existing pools.
- In response to a query about whether the number of Pension Funds would be reduced going forward, the Treasurer commented that the current priority for each Fund was to ensure that they delivered what they each needed to do. It was stated that merging systems and data together would be a huge challenge given the current level of resource available but that any future opportunities to share and collaborate should be considered.
- In terms of upcoming challenges facing the Fund, global turmoil and a downturn in markets were identified as the biggest challenges. Other areas of risk were completing major projects with challenging resource requirements such as McCloud and getting engagement from employers or pensioners.
- Members discussed the impacts of Local Government Reorganisation and TUPE transfers in relation to pensions.
- The Good Governance review was highlighted as an ongoing issue. It was reported that the new TPR General Code of Practice was now available as of 27 March 2024.

Resolved –

That the Treasurer of the Fund be thanked for his participation at the meeting and the issues raised be noted.

55(a) Pension Fund Committee – Draft Minutes of Meeting held on 1st March 2024

Considered -

The draft minutes of the meeting of the Pension Fund Committee held on 1st March 2024.

Resolved –

That the Minutes be noted.

55(b) Pension Fund Committee – Draft Confidential Minutes of Meeting held on 1st March 2024

Considered -

The draft confidential minutes of the meeting of the Pension Fund Committee held on 1st March 2024.

Resolved –

That the Minutes be noted.

56. Pension Administration

Phillippa Cockerill, Head of Pensions Administration, provided Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that was provided to the PFC at their March 2024 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from 1st March 2024 meeting was provided as an Appendix.

Breaches

There had been no new entries in the breaches log since the previous meeting of the Board.

Annual Benefits Statements (ABS)

The process for the 2024 ABS was underway. This would be easier to do as a number of employers were now on i-Connect.

Major projects

The i-Connect project was progressing well, with 186 employers onboarded and only 51 remaining. It was noted that the majority of the remaining employers were smaller ones with multiple contracts meaning that quick progress should be made. The target completion date to have all employers onboarded was reported to be 31st March 2025. In response to a query from the Chair, it was confirmed that progress had recently slowed, as expected, due to year end procedures.

The new TPR General Code of Practice was now available, with the Aon compliance checker tool being used. The Board would be updated on progress going forward. Training for members of the PFC and Pension Board would be provided in due course.

The McCloud project was progressing, with the testing of the bulk calculations in the Test environment underway. Once as many errors are corrected as possible, the calculations would be run in the Live environment, ready for it to go live in early May.

In relation to the updating of the Disaster Recovery Plan, a meeting had taken place with the Resilience and Emergencies' team back in March, and it was anticipated that more rapid progress would now be made in drafting and finalising up to date plans, which would be completed by the summer. The Business Impact Analysis plan had been completed, whilst the Incident Management Plan was still in progress.

Business Plan

A revised plan, showing details of achievements during 2023/24, proposals carried forward to the new plan for 2024/25 and new initiatives were submitted to, and approved by, the March meeting of the PFC.

It was clarified that there was a typographical error within Appendix 4 of the report, relating to the 2023/24 budget for Pooling: Governance & Projects.

Local Government Pensions Committee (LGPC) Bulletins Log

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

Resolved –

That the report and breaches log be noted.

57. Internal Audit Reports

Stuart Cutts, Assistant Director – Audit Assurance for Veritau, provided the Pension Board with an update on Internal Audit activity.

Details of the audit plan for 2023/24 were set out in the report with the audits of aspects of expenditure, income and investments taking place and reports from those audits expected later in the year. Following discussions with the Pensions Investment Manager and Senior Accountant, the agreed programme of work was summarised at Paragraph 3.

On the topic of business continuity and disaster recovery, Stuart referred to asset management and cyber security issues.

In response to a query from the Chair, it was confirmed that an update on expenditure was anticipated to be provided at the following meeting in July.

Resolved -

That the report be noted.

58. Training

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

Members requested that any further training updates be circulated in due course.

Resolved -

(i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly.

(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.

59. Work Plan

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board for the coming year and providing meeting dates for the Pension Board for 2024/25.

Resolved -

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

(ii) That the dates of ordinary meetings for 2024/25, as detailed in the report be noted as follows:-

Thursdays at 10am

4th July 2024
24th October 2024
9th January 2025
3rd April 2025

The meeting concluded at 12.05pm.