

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 10 September 2021 held as a live broadcast meeting commencing at 11 am.

Present:-

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

Councillor Jim Clark - North Yorkshire District Councils.

Councillor Christian Vassie - City of York Council.

David Portlock - Chair of the Pension Board.

Brian Hazledine – UNISON retired members

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

Copies of all documents considered are in the Minute Book

All decisions made by the Committee are subject to the procedure set out in Minute 227, below.

227. Welcome and Introduction

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

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

He noted that the two death grant reports had been withdrawn for consideration at a subsequent meeting.

A preliminary discussion with was undertaken in respect of item 6 - Request from Hambleton District Council to admit Broadacres Housing Association into the North Yorkshire Pension Fund and it was suggested that consideration be given to determining this matter as a confidential item.

228. Exclusion of the Public and Press

Resolved –

That on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public was excluded from the meeting during consideration of agenda items: 6 – Request from Hambleton District Council to admit Broadacres Housing Association into the North Yorkshire Pension Fund; and; 10 – Asset Allocation

229. Minutes

Resolved -

That the Minutes of the meeting held on 2 July 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

230. Declarations of Interest

There were no declarations of interest.

231. Public Questions or Statements

There were no public questions / statements

Minute No.232 (below) was considered as a private item (see Minute No. 228, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

232. Request from Hambleton District Council to admit Broadacres Housing Association into the North Yorkshire Pension Fund

Considered –

The report of the Treasurer outlining the following:-

Broadacres Housing Association wish to join the North Yorkshire Pension Fund (NYPF) and for their assets and liabilities to be covered by a transfer agreement with Hambleton District Council. Broadacres are currently members of the London Pension Fund Authority (LPFA).

Such a proposal requires the agreement of the Board of Broadacres Housing Association; Hambleton District Council; the North Yorkshire Pension Fund Committee; and then the Secretary of State for Housing, Communities & Local Government (in that order). This report seeks to determine whether NYPF wish to support the proposal.

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

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

- (i) That the admittance of Broadacres into the NYPF be supported; and
- (ii) That authority be delegated to the Treasurer of NYPF to:
 - (1) further test out the approach with MHCLG; and
 - (2) conclude negotiations with the LPFA and HDC in order to protect the interests of the NYPF; and
 - (3) in the event of satisfactory progress, to make the transfer request to the Secretary of State and respond to any subsequent consultation.

233(a) and (b) Death Grants

Resolved –

That it be noted that these items were withdrawn for consideration at a subsequent meeting to allow further information to be obtained.

234. Pension Administration Report

Considered -

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

Admission Agreements and New Academies

Administration

Membership Statistics

Throughput Statistics

Performance Statistics

Commendations and Complaints

Annual Benefit Statements 2021

Issues and Initiatives

GMP and Pensioner Data Reconciliation

Breaches Policy & Log

Employer charging

Administration System Project

Other Key Projects

McCloud

Outstanding Death Grant Case

Governance Documents

Funding Strategy Statement

Admissions and Terminations Funding Policy

Pensions Administration Policy

Business Plan Update

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- There had been a significant increase in the number of calls and emails received during the early part of the year, which had been impacted by the poor performance of the AVC provider.
- The payment of benefits to members of the Fund has been protected despite the increased workload.
- By the deadline of 31 August 96% of Annual Benefits Statements had been issued to those eligible. Details of how the 4% of those not issued were being addressed would be provided at subsequent meetings.
- There had been no breaches in the quarter reported.
- The Charging Policy for employers not meeting required deadlines had been reiterated.
- The Administration System Project was continuing to be implemented and was developing well. Good progress had been made with the integrated payroll element. The i-connect portal for employers had been paused for the end of year focus but it was expected that all would be connected by the end of March 2022.
- Development of the website was continuing.
- The McCloud project was progressing well.
- Changes to the Funding Strategy Statement, Admissions and Terminations Funding Policy and Pensions Administration Strategy, together with an updated Business Plan had been provided for comments and approval.

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

- A Member referred to the reporting of no breaches within the report, but noted that issuing less than 100% of the ABS by the deadline was, technically, a breach. He stated that he would await further information on this issue to determine whether a breach had occurred.
- Concern was raised regarding the slow take up of those registering for self service and it was asked how this was being addressed. I response it was acknowledged that the take up was disappointingly low, despite being promoted extensively, and it was suggested that alternative promotion methods were being considered. The Member who raised the matter suggested that examples of best practice should be considered to enhance the take up, and it was agreed that this would be pursued.
- The Treasurer outlined the Governance documents appended to the report. A Member highlighted the delays being experienced by academies transferring into the Fund, outlined in the report, and wondered what obstacles were preventing a timely transfer and whether Local Authorities could assist. The Treasurer stated that, quite often, the delays were caused by due diligence and

alterations to the conversion dates, but, when required, the NYPF would step in to assist if required.

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

- (i) That the contents of the report be noted
- (ii) That changes made to the Funding Strategy Statement be approved and, following consultation with employers, delegate authority to the Treasurer of NYPF to respond to any comments and feedback from employers.
- (iii) That changes made to the Admissions and Terminations Funding Policy be approved and, following consultation with employers, delegate authority to the Treasurer of NYPF to respond to any comments and feedback from employers.
- (iv) That changes made to the Pensions Administration Strategy be approved and, following consultation with employers, delegate authority to the Treasurer of NYPF to respond to any comments and feedback from employers.

235. Budget/Statistics

Considered -

The report of the Treasurer outlining the following:-

- the 2020/21 budget and the cost of running the Fund
- the 2021/22 budget and the cost of running the Fund
- the 3 year cashflow projection for the Fund
- the pooling costs and savings analysis (2021)

The total running costs for Fund for 2020/21 showed an outturn of £31.4m an overspend of £1.4m over the original budget. The report provided details of how the overspend had arisen.

The latest forecast outturn position against the 2021/22 budget was an estimated total running cost of £34.1m for the Fund against a budget of £33.9m, as at the end of June 2021. The expected £0.2m overspend was mainly due to an increase in the operational overhead charges from Border to Coast as a result of the Fund's gradual shift of its assets into the pooling arrangement.

The overall cashflow position was a surplus for 2020/21, which was also projected for 2021/22 and 2022/23. However due to the volatile nature of some of the income and expenditure incurred by the Fund, an element of fluctuation was to be expected.

At the time the Committee decided to join the Border to Coast arrangement, forecasts of costs and investment fee savings were made as part of a cost benefit analysis. This analysis also considered less tangible benefits, such as the ability to invest in parts of the investment market otherwise out of reach, and the potential for improvements in investment performance. However, the focus of the analysis was on the forecasts of costs and savings and the estimated payback period. Five years later, a thorough review has been carried out. This was led by Border to Coast, who have the responsibility of reporting collective savings to MHCLG, and involved officers at each of the eleven partner funds. The outcome of the 2021 review was surprisingly close to that of the 2016 review,

given the assumptions made in 2016. Net cost peaked at £1.9 million in 2019/20. The payback period was forecast to be reached during the 2022/23 financial year. By the end of March 2024, just under 3 years from now, cumulative savings were forecast to be £4.4 million. Full details of the review were set out in the report and appendix.

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

- A Member queried the costs for the project related to McCloud set out in the report. In response it was acknowledged that the figures did not appear to be correct and these would be corrected for the next report.
- A Member noted the estimated savings detailed within the report through joining BCPP but suggested that the comparison should include the costs of disinvestments, including the performance that would have been accrued through continued investments with Fund Managers such as Baillie Gifford. It was noted, in response, that the figures provided were cumulative in terms of all pre and post pooling costs including transition costs. Performance comparisons would be made once BCPP had built up a sufficiently long track record..

Resolved –

That the contents of the report be noted.

236. Performance of the Fund

Considered –

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

The following issues were highlighted:-

- The Fund assets increased in value by over £220m over the first quarter of 2021/22 reflecting very strong performance by the Fund's investments.
- In relative terms, the Fund outperformed the composite benchmark by 1.5% over the quarter, returning 6.0% in absolute terms.
- The composite benchmark was a weighted average made up of the individual manager benchmarks.
- The Fund was 130% funded with a surplus of over £1.1 billion.
- No rebalancing was considered necessary.
- The performance of the various Fund Managers, and the investments managed within the BCPP were outlined.
- Issues discussed included the property portfolio; the strong performance of Baillie Gifford; the good performance of fund managers in general.
- In terms of BCPP it was noted that figures for the Infrastructure portfolio were incorrect and would be rectified for the next report.
- The risk from inflation to the markets, in the short and longer term, was outlined.
- The prospects for index linked gilts and green investments were discussed.

Members discussed the appended documents and the following issues and points were raised:-

- A Member noted that BCPP had stated that they were to provide ESG dashboard information from September 2021. In response it was noted that the information

had recently been received and a report would be brought to the November PFC meeting.

- A discussion of the continued excellent performance of Baillie Gifford, and their portfolio, was undertaken.
- The current factors contributing to increased inflation in the short term were outlined.

Resolved –

That the contents of the report be noted.

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

Considered -

A verbal update by the Chair of the Pension Board.

The Chair of the Pension Board, David Portlock, summarised the discussions at the meeting held on 8th July 2021 highlighting the following:

- A vacancy for a Scheme Member representative on the Pension Board remained however there had been an expression of interest and it was hoped that an application would be submitted before the next meeting. The potential candidate attended the meeting.
- The Treasurer of the Fund attended the meeting to hold his Annual Discussion with the Board.
- The Pension Board's Annual Report was approved subject to some minor amendments and additions. The process for the Report would require it to be ultimately signed off by full Council. The process also included submission to the PFC and a copy of the completed Report was provided as an appendix to the Minutes provided.
- Internal Audit provided details of their Expenditure Report in respect of the NYPF which provided significant assurance.
- Louise Branford-White, an original Member of the Board, had taken up a position with a different body which left her ineligible to sit on the Board, resulting in her resignation. Consideration would be given to appointing David Hawkins, a current reserve Employer Representative to the Board, at the next meeting.

Resolved -

That the details of the meeting outlined be noted and the Pension Board Annual Report be noted as part of the process for adoption.

Minute No.238 was considered as a private item (see Minute No. 228, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

238. Asset Allocation

Considered -

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

- (i). To recommend an allocation to Border to Coast's Listed Alternatives fund.
- (ii). To update Members on recent, ongoing and planned asset allocation changes.

- (iii) To recommend manager and fund allocations within equities, and ranges around these allocations to inform rebalancing activity.
- (iv). To update Members on Border to Coast's proposals for UK and global property.

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

Resolved -

- (i) That agreement be given to invest 7% (£340 million at the June 2021 quarter end) of the Fund in Border to Coast's Listed Alternatives fund.
- (ii) That delegated authority be given to the Treasurer to make the final decision in consultation with the Chair of the Committee to make the transfer to Border to Coast's Listed Alternatives fund.
- (iii) That agreement be given to the equity allocations and ranges of Proposal 1, as amended by Members;
 - 28% Border to Coast Global Alpha with a range of +/- 5%
 - 4% Border to Coast UK Alpha
 - 18% Baillie Gifford LTGG with a range of +/- 3%

The meeting concluded at 13.55pm.

SML