

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 7th October 2021 via Microsoft Teams commencing at 10am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

County Councillor Bob Baker (NYCC), Councillor Ann Hook (City of York Council), Emma Barbery (Askham Bryan College) and David Hawkins (York College).

Scheme Members:

David Houlgate (Unison), Simon Purcell (Unison), Gordon Gresty and Sam Thompson (Hambleton District Council)

County Council Officers:

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

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 303, below.

303 Chairman's Welcome and Introductions

The Chairman welcomed everyone to the formal, live broadcast, virtual meeting of the Pension Board. Members and officers introduced themselves for the benefit of the broadcast.

He announced that 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 would continue, 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 where it was agreed that it be continued with a further review at the November meeting of the full County Council.

304 Apologies for Absence

There were no apologies for absence.

305 Appointment of Scheme Member and Employer Representatives

The Chairman stated that, following an interview, Sam Thompson (Hambleton DC) was nominated to fill the vacant Scheme Member Representative position on the Board. Reserve Employer Representative, David Hawkins, was nominated to fill the vacant Employer representative position, following the resignation of Louise Branford-White.

The Chairman explained the process for the appointments with approval required by the full County Council as the Administering Authority.

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

That the following appointments be recommended to the next meeting of the full County Council for a four year period:-

- Scheme Member Representative – Sam Thompson (Hambleton DC)
- Employer Representative – David Hawkins (York College)

306(a) Minutes

Resolved -

That the Minutes of the meeting held on 8 July 2021, having been printed and circulated, be taken as read and confirmed as a correct record and the Chairman would sign these at a convenient time.

306(b) Progress on Issues Raised by the Board

Details had been outlined in relation to the filling of the vacant positions on the Board (above).

In respect of consideration given as to whether a breach should be reported to the Pensions Regulator, regarding late issue of Pension Saving Statements, it was stated that further details were yet to be received back from HMRC.

The reports on Cyber Security would be presented to the Pension Board as soon as they were available with no indication, as yet, when this would be. It was stated that the issue would be discussed with the Chairman outside of the meeting with a view to progressing this matter.

The issue relating to having adequate resources to meet the demanding workload of the Fund, highlighted during the Annual Discussion with the Treasurer of the Fund, continued to be monitored and would be discussed with Members should there be a significant shift in the position outlined.

The other issues were included on the agenda and would be updated during consideration of those items.

Resolved -

That the report be noted and any further action highlighted be undertaken accordingly.

307. Declarations of Interest

There were no declarations of interest.

308. Public Questions or Statements

There were no public questions or statements.

309. Pension Fund Committee - update on Meeting held on 10 September 2021

The Chairman noted that the Minutes from the meeting were not yet available. He provided highlights of the key items that had been considered at that meeting, as follows:-

- Request for Broadacres Housing Association 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).

This matter was discussed as a private item and, despite some reservations, the Committee supported the recommendation to develop the request further to determine whether it could be undertaken, delegating the responsibility to the Treasurer to pursue that. It was expected that there would be further reports on this matter, going forward.

- The Death Grant reports were deferred for consideration at a subsequent meeting to allow further information to be provided.
- Performance of the Fund – It was reported that the Fund was 130% funded at the the end of June 2021, with a surplus of £1bn. It was noted that no updated figure was available, however, the current position was expected to be about the same, which reflected to incredible investment performance in recent years.
- Asset Allocation – Details of changes to the asset allocation were outlined in a move towards meeting the new Investment Strategy.

Resolved –

That the update be noted.

310. Annual Report

Members considered the Annual Report of the Pension Board for 2020/21, following the suggested amendments at the previous meeting and submission to the Pension Fund Committee. A further amendment was suggested.

Following the amendment, the Annual Report would be submitted to the November Meeting of the County Council for approval. It was noted that, following approval by County Council, the Annual Report would be published on the NYPF website.

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

That the Annual Report of the Pension Board 2020/21 be approved, subject to the amendment outlined, and be recommended to full County Council for approval and publication.

311. NYPF External Audit and Statement of Final Accounts

It was explained that the Audit was yet to be completed and a summary of the actions to be completed were provided. As a result, the Audit Committee did not approve the Audit and Statement of Final Accounts at its September meeting. It was still expected that the External Auditor would publish an unqualified opinion at this stage.

A Member asked whether the final Report and Accounts would be provided to the Board. In response it was stated that following approval by the Audit Committee, it would be made available to the Board, which should be the next Meeting.

It was asked why the publication of the final report had been delayed. In response it was stated that the External Auditor was allowed to delay the publication of the final statement, under current legislation, provided appropriate reasons were given. A full explanation note had been provided in respect of this which, in the main, related to the External Auditor's staff resourcing issues. It was noted that these issues have created widespread difficulties throughout the auditing sector, mainly due to the pandemic, so NYCC/NYPF were not alone on this matter.

It was expected that the final statements would be published towards the end of October, with the Audit Committee meeting to consider these on 24th October 2021. The details would be included in the NYPF Annual Report, which would be considered at the Pension Fund Committee being held on 26 November 2021. The details would then be available for the January 2022 meeting of the Board.

Resolved –

That the report and issues raised be noted.

312. Internal Audit Reports

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

The report highlighted the Audit Plan for 2020/21, previously approved by the Pension Board, as follows:-

- ◆ Income and Expenditure Audits were now completed and had provided substantial assurance.
- ◆ The Investments Audit had been issued in draft and it was expected that a copy of the report would be available for the next meeting of the Board. It was expected that this would also give substantial assurance.
- ◆ In respect of the Income Audit report, provided with the papers, the Chairman had raised queries prior to the meeting in relation to the figure provided in respect of income that would have been achieved had the charging policy being

Pension Board - Minutes of 7 October 2021/4

applied, which appeared to be overstated, and the work that had been undertaken with employers to ensure that they were submitting appropriate data, on time. He asked whether the work being undertaken with Craven DC had been successful, following a number of incidences relating to untimely data submission. In response it was noted that the figure provided within the report would be updated prior to the next meeting. In terms of working with employers rather than strictly implementing the charging policy, it was stated that this approach had been undertaken to allow employers sufficient time to recover from COVID related staff issues. In respect of the issues raised in relation to Craven DC it was noted they had been addressed directly with them, successfully. A Member noted that one authority had been charged in line with the Policy, whereas others had not, and asked whether there was a consistent approach to this, and whether those charged would feel aggrieved. In response it was noted that the Charging Policy had been implemented on more than one occasion and was used as a last resort when employers have previously received assistance from NYPF but incidents have continued to occur. Going forward it was anticipated that charging would be implemented on more occasions now that employers are all aware of the system in place, and every effort had been made to assist them, and the impact of the pandemic has receded.

- ◆ It was asked whether the alterations to the Councils in the area brought about by the Local Government Review (LGR) would affect the Charging Policy. In response it was stated that it was not expected to be an issue.
- ◆ Meetings had taken place involving Internal Audit and NYPF Officers to discuss the audit plans for next year. Details of the Expenditure and Investment Audits were outlined. There would be no Income Report due to the changes to the system for obtaining information from employers, which will be allowed to settle down before auditing.

Resolved -

That the report be noted.

313. Pension Administration

The Pension Administration Manager, Phillippa Cockerill, 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 September 2021 meeting.

The following issues were highlighted:-

- ◆ **PFC Report**

The PFC report from their September 2021 meeting was provided as an Appendix.

- ◆ **Breaches - Annual Benefits Statements (ABS)**

A new breach had occurred as less than 100% ABS had been issued for both active and deferred members. Action had been undertaken subsequently, with over 99% of the deferred members now having received their Statement. 1185 Active members had not received their Statements and work was continuing to discover why this was the case. Further reports would be brought back to future

meetings of the Board to determine why this had happened. It was emphasised that, despite the breach that had occurred, there had been improvements in processing the ABS in recent years, with a great deal of work having been undertaken by the Employer Relationship Team to address these issues. It was clarified that the data issues had arisen from a cross-section of Employers and could not be attributed to a small number. It was noted that, there are over 30k active members in the NYPF, and although this was a breach of the regulations, it was a relatively small proportion of the overall membership that were affected.

A Member stated that it would be useful to compare with other Pension Funds to determine what level of their ABS were issued annually, to provide context to the performance of the NYPF. In response it was stated that 100% of the ABS could be published on every occasion, however the NYPF ensured that all the data was correct before issuing the ABS, whereas some Pension Funds issued the ABS irrespective of the data being correct.

The Chairman asked whether 100% of the deferred ABS had now been issued and that was confirmed. It was suggested, therefore, that the Board should recommend to the PFC that the matter should be not referred to the Regulator.

It was stated that the figures in relation to Active members, once checks had been made to determine how many were outstanding and for what reason, would be brought back to the Board. It was suggested, therefore, that until those details were provided it be recommended to the PFC that no decision as to whether to report the matter to the Regulator be made.

◆ Major Projects

Data Reconciliation was nearly completed and the final position would be reported to the Board.

The I-Connect project was progressing well but the rollout had been paused for the year end process and the issuing of the ABS. It was hoped that NYCC would be integrated into the system in November, which would be a major progression for the project as the largest employer in the Fund. The aim was to have all employers on board by the end of March 2022. It was stated that despite LGR the District Councils would continue to be integrated into the system, as these processes would be continuing when the new authority was in place and in the interim it would be more useful to have a single process in place.

The new integrated payroll system was beginning to settle in and would continue to be fine-tuned to maximise the benefits of its introduction.

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

- A Member noted the move to enhance online access for pensioners of the NYPF. He asked whether there had been a strong take up for this and if there were figures available to determine the take up. In response it was stated that no survey had been carried out as yet to determine who had switched to online access but this would take place and be reported to the Board. The Administration Team were aware of the difficulties faced by some people in using online facilities, and, although the current process automatically registered people for online access, there was an opt-out available to remain with paper based communication. The Member asked whether there was any

follow up when no communication had been received to ensure that members knew that they had to opt out, and it was confirmed that this was undertaken by letter. It was emphasised that the NYPF would continue to provide a choice of how they wished to access the Fund, going forward, and historical data in hard copy format would continue to be available.

- It was noted that a number of strategies and policies, referred to in the report, were approved at the PFC meeting.

Resolved -

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted, and it be recommended to the Pension Fund Committee that no further action be taken in respect of the breach in relation to the issuing of ABS to deferred members and further information be provided before a decision is made as to whether to report the breach to the Pensions Regulator in respect of the ABS issued to active members.

314. Budget and Accounts

Members considered details of the following:-

- (a) 2020-21 Budget
- (b) 2021-22 Budget
- (c) 3-year Cashflow projections
- (d) Pooling costs and savings analysis
- (e) 2020-21 Accounts

The following issues were highlighted:-

- The outturn for 2020/21 showed an overspend of £1.4m which related, in the main, to increased fees due to better than expected performance of Fund Managers.
- The current forecast for the 2021/22 budget was showing a £200k overspend which related to additional costs from BCPP. It was also stated that there were additional costs to be included of £500k, in respect of exploratory work to be undertaken by BCPP relating to the development of their Property Sub-Funds, although some costs could be incurred in 2022/23.
- The cashflow reports had been amended to improve their accuracy and there would be further refinements going forward. The cashflow positions for 2021/22 and 2022/23 were satisfactory.
- Reviews were now taking place of costs pre and post pooling and details would be provided to the Board going forward. Current forecasts suggested a break even position by 2022/23 and savings of £4.4m for the NYPF by the end of 2023/24. It was acknowledged that cost savings were only one part of the equation, and limited comparisons of the performance of investments were expected to begin next year, when BCPP's performance track record was sufficiently long enough. A Member noted that the allocation with Baillie Gifford had substantially outperformed the global equity investment with BCPP and he asked whether this would continue to be the case. The Chairman suggested that this matter be discussed during the next item on the agenda.

- It was explained that the Statement of Final Accounts had not been signed off by the Audit Committee on 20 September as expected, due to the External Auditor having resource issues, and they were now expected to be considered at the Audit Committee scheduled for 25 October. Once approved the accounts would be included in the NYPF's Annual Report which would be considered at the Pension Fund Committee meeting on 26 November and would be available for the January meeting of the Board.

Resolved -

That the report, and updates, be noted.

315. Border to Coast Update

Members considered a report providing updates on the following:-

- Governance of the Joint Committee (JC)
- Governance of the Company
- Working Groups and other arrangements
- Investments with Border to Coast
- Future investments with Border to Coast

The following issues were highlighted:-

- A link to the papers for the June meeting of the JC was provided. Private papers on investments would be circulated to Board Members on a confidential basis. A great deal of information was available on the BCPP website.
- Details of the Governance of the Company were outlined, including the appointment and re-appointment of non-executive directors for two year terms.
- Over half of the NYPFs investments were now with BCPP. Details of the investments were outlined in the report and it was noted that during the September 2021 quarter an additional £800 million was transferred to Border to Coast's corporate bond and government bond funds taking the proportion of the Fund invested with Border to Coast to 55%. Cumulative private markets commitments of £320 million to Infrastructure and £195 million to Private Credit had also been made. Going forward, there would be the opportunity to make additional commitments to Border to Coast for these asset classes in the first quarter of each calendar year. As expected with these asset classes, it would take a number of years for these commitments to be called by Border to Coast and for the money to be fully invested.
- In terms of investment comparisons it was stated that it would take around 3 – 5 years for the comparisons to be meaningful, and even then it was not straightforward as the various mandates had different objectives to previously, with different benchmarks. Also the Investment Strategy had recently been changed to de-risk investments in light of the high funding position, therefore, comparisons would be undertaken but between different strategies, with different aims.
- Details of the proposed investment in the MAC Fund and the development of the Property portfolio were also outlined.
- A Member suggested that the details in the report were difficult for an ordinary member of the public to understand, particularly in respect of Baillie Gifford, when they are performing so well, into BCPP, who were not performing as well. In response it was explained that the Government introduced legislation requiring pooling for the LGPS investments therefore there was a legal requirement for Funds to invest in a pool, unless there was a good reason not

to, for example where a specific investment opportunity was not available within the pool. As a result the investment with Baillie Gifford was retained by the NYPF, as there was no similar alternative offered by BCPP. Should a similar investment be provided by BCPP in future then the NYPF would consider it, although, currently, no such alternative was available. The Chairman stated that the Fund had reached 130% funded, and was now looking to reduce the overall risk attached to investments by lowering its exposure to equities, through the newly adopted Investment Strategy. The issue had been discussed at length by the PFC, with a range of views, before the Strategy had been agreed. It was also considered that where the Fund had significant exposure with any one fund manager this was one of a number of risks assessed by the Committee before making asset allocation decisions.

- A Member, noting that the Fund was currently 130% funded, asked whether the forthcoming Triennial Valuation (March 2022) would consider a reduction in contributions from employers, and, if so, he urged officers of the NYPF to engage with employers as soon as possible. In response it was stated that the Triennial Valuation was currently in its early stages, and until the Actuary had considered the figures, it was impossible to say with confidence what the new contribution requirements might be. Details of the new rates would emerge in late 2022. It was stated that although the current funding position was excellent and boded well for contribution rates in general, there was still a period of time before the Valuation date of 31 March 2022 and there could be a dramatic change to the funding level between now and then.
- A Member asked whether comparisons of the performance of the various pools were being undertaken, and, if so, whether the details would be fed into the Board. In response it was noted that it was likely that comparisons would be undertaken but only after a period of settling in. It would also need to be recognised that the different pools would be given different objectives by their partner Funds, therefore, comparisons may have limited meaning. It would be also be difficult to move between pools due to their different objectives and the amount of work required in incorporating governance arrangements for pool membership. Members considered the comparison would be beneficial as it would provide details of how well the pool is performing. It was emphasised that BCPP performed well in some areas, such as UK Equities, and were generally performing well despite the some of the concerns expressed.
- A discussion took place in respect of the potential property portfolio being explored by BCPP. It was noted that the PFC had agreed to provide BCPP with £500k to develop their property portfolio, and would consider their proposals when in place next year. It was emphasised that any investment by NYPF would be dependent on the appropriateness of the sub-funds and a satisfactory business case.

Resolved –

That the report, and updates provided, be noted.

316. Training

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

It was noted that the report providing details of training events attended, and activities undertaken by Pension Board Members was not now published as part of the report but did appear on the Meeting's web page and this was up to date.

It was noted that Hymans Robertson package (Aspire) of on-line training relevant to the LGPS could now be utilised for both PFC and PB Members. Information of the available training was provided, with these provided in “bite-size” sessions that could be dipped in and out of at Members convenience. Details of how to access the training had been circulated, but could be re-circulated on request. Members should advise the Clerk when they had undertaken relevant training to allow their training record to be updated

Resolved -

- (i) That the report be noted
- (ii) that details of the Hymans Robertson online training package be noted.

317. 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 until April 2022.

The Chairman stated that initially it had been the intention to enable members to undertake in depth analysis of aspects of the work programme, as individuals or in smaller groups, but that had not been possible in recent times. He stated that further consideration would be given to developing this analysis during the development of next year’s work programme.

It was noted that the draft Meetings Calendar for 2022/23 was currently being developed and would be circulated to Members when completed.

Resolved -

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

Thursdays at 10 am

2021/22

13th January 2022

7th April 2022

318. Other business

BCPP – CEO Blog

A Member asked whether it was appropriate for him to share the blog from the CEO of BCPP with other Members of the Scheme. In response it was stated that this was acceptable unless the contents were marked as confidential.

Resolved -

That this be noted.

The meeting concluded at 12 noon.
SL

DRAFT