

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 26 November 2021 held as a live broadcast meeting commencing at 10 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 239, below.

239. 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 November meeting and it was agreed to continue with this approach with a further review taking place at the County Council Meeting in February 2022.

240. 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: 3(b) – Confidential minutes of 10th September 2021; and; 12 – Asset Allocation

241(a). Minutes

Resolved -

That the Minutes of the meeting held on 10 September 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

241(b). Confidential Minutes

That the Confidential Minutes of the meeting held on 10 September 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

(There was no discussion of the Confidential Minutes, therefore, the Meeting did not go into private session).

242. Declarations of Interest

There were no declarations of interest.

243. Public Questions or Statements

There were no public questions / statements

244. 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

Business Plan update

Administration System Project

Other Key Projects

McCloud

Broadacres

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:-

- The impact of increased demand on the team on the performance satisfaction rating. New systems are continuing to be bedded in which affected this, therefore, additional resources had been recruited, together with a change in structure for the team, to address the increased outstanding work.
- In respect of the issuing of Annual Benefits Statements (ABS), 100% of deferred members had now been issued. Work had taken place on the outstanding active members' statements since the report was produced and, 575 now had been issued, 76 were not eligible for a Statement, 352 had outstanding year- end queries and 155 were being checked for eligibility.
- The Pensioner Data Reconciliation project had been completed and pension records had been amended. Around 1800 pensioners have had their records amended, 581 had been overpaid, with average overpayment being £206.70 per annum (ranging from £7.42 to £12k). 711 had been underpaid, with the average underpayment being £54.30 per annum (ranging from £1.74 to £1500). Arrears on underpayments will be paid, but overpayments will not be reclaimed. All pensions have now been rectified to the correct amount.
- There had been 4 breaches since the previous report, details of which were set out in the report – these related to 3 administrative breaches, one of which was related to data collection by the third party contractor dealing with data for McCloud, and the other relating to the ABS and 100% having not been issued.
- An update of the Fund's Business Plan was provided.
- The Administration System project was progressing well. Work was taking place with NYCC and City of York Council to get them on board as soon as possible, as the two largest employers.
- It was explained that pensioner members of the Fund were being encouraged to take up the self-service, on-line option for services they required from the

Fund, however, they could opt-out of this if they wanted to maintain postal and telephone services. Around 25% of the overall pensioner members had opted out and their service would be continued in-line with their requirements, but the option to move to self-service was still available to them.

- The collection of data for McCloud continued to be progressed.

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

- A Member asked for details in relation to how long the Broadacres issue would take to resolve. The Treasurer responded stating that, initially, the issue had to be discussed with the appropriate Government Policy Team, which had been arranged. Broadacres were also obtaining the appropriate information to submit to the Secretary of State. The whole process could take a number of months and Members would be provided with regular updates on how this was progressing. The Member representing the District Councils stated that he had discussed the issue with the Treasurer and was satisfied with the information provided but would continue to monitor the progress.
- A Member noted that some of the information contained with attendance at training, conferences and events appendix to the report was incorrect. In response it was stated that the appendix would be corrected and Members were asked to provide details to the Clerk of any information they wished to be included in this appendix, going forward.

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 in terms of the data breaches reported, Members agreed that no reports should be made to the Pensions' Regulator in respect of the two issues related to the gathering of data for the McCloud case, the copy of a letter left on a printer and not meeting the deadline for the issuing of Annual Benefits Statements to deferred members of the Fund. However, further information was required before a decision could be made on not meeting the deadline for the issuing of Annual Benefits Statements to active members of the Fund;
- (iii) That the proposed Meetings' timetable for 2022/23 be approved.
- (iv) That the Administration Team be congratulated for their continued hard work and good performance through an extremely difficult time.

245(a) Death Grant – Mrs P

Considered -

The report of the Treasurer providing Members with information relating to the death of Mrs P in January 2019 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that the deceased had one immediate family member, the co-habiting partner, who had proven dependency on the deceased whereas the sister and father did not appear to have any dependency.

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

That the death grant be paid in its entirety to the partner who had proven dependency in order to receive a co-habiting partners pension.

245(b) Death Grant – Mrs R

Considered -

The report of the Treasurer providing Members with information relating to the death of Mrs R in January 2020 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that the North Yorkshire Pension Fund had received confirmation that the son had actively been involved in dealing with the estate of the deceased (e.g. he had paid the funeral expenses in full). He should therefore be recompensed for these costs and the overall benefit payable was marginally greater than the cost of the funeral. The son was also likely to have incurred other incidental costs and the remaining sum was regarded as such low value that there was little benefit in seeking further interested parties and potentially sharing any residual element.

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

That the death grant be paid in its entirety to the son.

245(c) Death Grant – Mr A

Considered -

The report of the Treasurer providing Members with information relating to the death of Mr A in May 2020 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Members discussed the report and agreed that although there was a nomination in place the Committee felt consideration should also be given to the dependent children from the previous marriage. It was felt a 50/50 split took account of the fact the widow had the greatest dependence on the deceased at the time of death but the 3 children

from the previous marriage should also receive some benefit. It was noted that there was discussion taking place on the settling of the estate between the widow and the ex-spouse on behalf of the children and a payment of 50:50 could be fed into those discussions.

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

That the death grant should be split 50/50 between the widow and the ex-spouse for the benefit of his 3 children, in recognition that there were multiple dependants of the deceased and all should benefit from the death grant.

246. Pension Fund Annual Report 2020/21 – including Final Accounts

Considered –

The report of the Treasurer requesting Members to approve the Pension Fund Annual Report 2020/21 and providing an update on the Final Accounts.

The Annual Report was attached as an appendix to the report and the Treasurer noted that the details within in it had been considered previously by the Committee at Pension Fund Committee meetings throughout the year.

In respect of the Statement of Final Accounts (SoFA) the Treasurer stated that the final publication of these continued to be delayed due to resource problems for the External Auditor. He noted that the accounts could not be published separately to those of the County Council, therefore, both had to be completed before they were published despite the Pension Fund accounts having been completed. It was now expected that a final report would be submitted to the Audit Committee on 13th December 2021 to consider the SoFA.

The Treasurer stated that in line with legislation, the Annual Report had to be published by the 1st December. He had taken legal advice and it had been clarified that the Annual Report, without the SoFA having been signed off, could be published. A note would be included with the Annual Report to highlight this position. Any changes to the final SoFA would be reported back to the Committee.

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

- A Member sought clarification regarding the legal advice obtained in relation to the publication of the Annual Report with the SoFA not finalised, in respect of compliance with the legislation and whether the issue would need to be reported to the Pensions' Regulator. The Treasurer stated that he had obtained advice from the County Council's Monitoring Officer and it had been clarified that the action identified could be undertaken under Regulation 57 (i), (ii) and (iii).
- It was noted that the Annual Report was usually accompanied with a report from the Independent Observer to the Fund, but this had not been made available. In response it was stated that a yearly review was not due, with this work being undertaken on a two year basis, therefore this would be made available next year. The Treasurer noted there was no obligation to have an Independent Observer, however, it was seen as good governance. Such an appointment was likely to be included in the outcomes from the Hymans review on Good Governance, which was expected to be published next year, with the Independent Observer assisting with the understanding and assimilation of this.

- A Member welcomed the references to climate change matters within appendix 4 to the report, which would assist with responses to the Task Force on Climate Related Financial Disclosures, going forward. It was noted that the Fund was working on that matter, with reporting expected from March 2023 in relation to that.
- A Member asked whether the Committee, and the County Council in general, should be concerned with regards to the External Auditor not signing off the SoFA on time. In response the Treasurer stated that this was a national issue and assured Members that the situation was not unique to the NYPF nor the County Council.

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

That the Pension Fund Annual Report for 2020/21 be approved.

247. Budget/Statistics

Considered -

The report of the Treasurer outlining the following:-

- the 2021/22 budget and the cost of running the Fund
- the 4 year cashflow projection for the Fund

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 September 2021, with no significant changes from Quarter 1.

The overall cashflow position was a small surplus for 2021/22 and 2022/23, turning into deficits for 2023/24 and 2024/25. It was emphasised that although the Fund was moving into negative cashflow this was completely normal for pension funds as they mature. To give some context, it was noted that the forecast 2023/24 cash position of negative £8.7 million represented approximately 0.2% of the current value of the Fund, and was not material when compared to the expected annual growth in the value of the Fund of 5.6%.

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

- Clarification was provided in respect of the figures within the table appended to the report.
- The Treasurer stated that the cashflow deficit position was relatively small in context to the overall size of the Fund, and indicated a positive position for the Fund in terms of its value. He noted that plans were in place to address negative cashflow when that arose.

Resolved –

That the contents of the report be noted.

248. 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 second quarter of 2021/22.

The following issues were highlighted:-

- Performance by the Fund's investments in the Quarter sees the Fund 130% funded with a surplus of around £1bn.
- Baillie Gifford continued to perform strongly leading to a good performance in equities overall.
- The performance of the various Fund Managers, and the investments managed within the BCPP were outlined.
- The risk from inflation to the markets, in the short and longer term, was outlined together with the risk of over-reliance on returns from equities.
- Inflation levels were rising due to short term supply and demand issues created by the pandemic and Brexit, therefore, it was not expected that there would necessarily be long term inflation issues.
- The actuary would be considering the impact of inflation during the forthcoming Triennial Valuation which could affect the level of contributions, going forward.
- Issues around Index Linked Gilts and Corporate Bonds were outlined, with these currently very expensive and unlikely to bring any significant benefit, unless increasing inflation was likely to be a long term issue where inflation linked assets would benefit the Fund.
- Details relating to liabilities, assets and equities, and the impact of the current economic situation on those, were outlined.
- The risk factor of large exposure to equities remained and the Fund's Investment Strategy continued to seek to reduce that risk, with volatility in the markets remaining.
- Climate Change and carbon reduction are issues that will feature prominently in respect of investment opportunities going forward, and the Investment Strategy would take account of that.

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

- Clarification was provided that, although the inflationary pressures were considered to be short term, continued difficulty with supply and rising wages could see this develop into a medium/long term issue.
- 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.
- A member raised concerns that, given the details provided earlier in the meeting, it was the wrong time to be investing in Index Linked Gilts. In response it was stated that the investment referred to related to transferring an existing Index Linked Gilts investment with M&G into BCPP, which was a change of manager rather than an asset class.
- It was noted that there was a reduced number of fund manager reviews within the report submitted to this meeting. In response it was stated that a review of fund managers was currently taking place, in conjunction with BCPP, and it was expected that future reports would include more detail. Verbal updates were provided on some of the main fund managers, including some of those within BCPP.
- A Member emphasised the need to consider the long term picture when looking at investments, highlighting the excellent performance of the Fund in recent years which had led to the current funding position. He highlighted how similar economic situations had occurred previously but by trusting the Investment Strategy the Fund had prospered.
- A Member highlighted how the NYPF was the highest performing Fund in the pool, and one of the best performing Funds in the LGPS. He emphasised how this had

been obtained through hard work and good management, and considered that the Committee could have confidence in the way the Fund would be managed, going forward.

Resolved –

That the contents of the report be noted.

249. 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 7th October 2021 highlighting the following:

- Vacancies for a Scheme Member and Employer Member representatives on the Pension Board had been filled, following approval at the November 2021 meeting of the Full County Council. Their appointments were for four years, and resulted in there now being a full complement of representatives on the Board.
- Reports from Internal Audit had been completed on Income and Expenditure, with both indicating substantial assurance.
- Members again discussed the cashflow position of the Fund and concern was raised regarding the prospect of going into a negative cashflow position.
- Details of the Hymans Robertson on-line training package, purchased for both Pension Board and Pension Fund Committee Members to undertake, were outlined. The Chairman of the Board provided details of what the training package contained. He noted that PFC Members could undertake the available training and, whilst not mandatory currently, the information provided would be of benefit in their role.
- 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 Board's Chairman be thanked for his updates.

Minute No.250 was considered as a private item (see Minute No. 240, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

250. Asset Allocation

Considered -

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

- (i) To update Members on progress towards aligning the Fund's investments with the asset allocation strategy.
- (ii) To update Members on the development of new fund proposals by Border to Coast.

- (iii) To provide Members with carbon emissions information from the Fund's investment managers.

Members consideration of the proposals 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 Fund's allocation to property may include global property, subject to satisfactory due diligence being carried out; and
- (ii) that the Committee would like to explore Border to Coast's Climate Opportunities fund in more detail

The meeting concluded at 12.20pm.

SML

DRAFT