

# North Yorkshire County Council

## Pension Fund Committee

Minutes of the meeting held on 4 March 2022 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 Christian Vassie - City of York Council.

David Portlock - Chair of the Pension Board.

Councillor Jim Clark - North Yorkshire District Councils and Brian Hazledine – UNISON retired members, submitted their apologies.

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](http://www.northyorks.gov.uk/livemeetings)

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**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 251, below.**

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### **251. 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 February meeting and it was agreed to continue with this approach with a further review taking place at the County Council AGM Meeting in May 2022.

## **252. 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: min.no. 253(b) – Confidential minutes of 26<sup>th</sup> November 2021; and; Min. no. 261 – Asset Allocation

## **253(a). Minutes**

### **Resolved -**

That the Minutes of the meeting held on 26 November 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity.

## **253(b). Confidential Minutes**

That the Confidential Minutes of the meeting held on 26 November 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).

## **254. Declarations of Interest**

There were no declarations of interest.

## **255. Public Questions or Statements**

There were no public questions / statements

## **256. 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 2021

## Issues and Initiatives

GMP and Pensioner Data Reconciliation

Breaches Policy & Log

Business Plan update

Administration System Project

## Other Key Projects

McCloud

Broadacres

Payment of Death Grants

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- A recent initiative had provided staff an opportunity to refresh their knowledge in respect of keeping members informed.
- In respect of the issuing of Annual Benefits Statements (ABS), the process for 2021 had now finished, allowing the 2022 process to commence. The countdown to year end had commenced and, as this is a valuation year, the process would need to be completed by early July. Data was starting to come in and employers were being reminded of the need to return this in a timely fashion.
- There had been one breach of the regulations since the previous meeting, with the details outlined in the breaches log, relating to a Pensions Savings Statement being issued after the statutory deadline. When a member receives this it is used to determine their tax liability through a tax return. HMRC were therefore informed of the late provision of this and their response is awaited. The Chair of the Pension Board noted that this issue had been discussed at a recent meeting of the Pension Board and, given an explanation of the facts, Members had agreed to recommend to the Committee that the issue should not be referred to the Pensions' Regulator.
- Efforts continued to try and get NYCC and the City of York Council onto i-Connect by the year end, as the two largest employers, as this would save a great deal of time in terms of processing data, going forward. The City of York Council representative on the Committee stated that he would speak to the appropriate Executive Member with a view to expediting the relevant data.
- The collection of data for McCloud had provided a good response and was currently being worked on by the third party contractor appointed by the Fund.
- Further updates in relation to the Broadacres issue would be provided to the Committee when further progress had been made.
- Consideration had been given to the relevant guidelines in respect of contested Death Grant payments with a view to providing enhanced delegated authority to officers, thereby reducing the number requiring Committee decision. The details were set out in the report and it was noted that the matter would require a Committee decision.

**Resolved –**

- (i) That the contents of the report be noted;
- (ii) That in terms of the data breach reported, Members agreed that no report should be made to the Pensions' Regulator;

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

- (iii) That the adoption of the Death Grant Payment guidelines be approved.

**257. Business Plan, Budget and Cash-flow Projection**

Considered –

The report of the Treasurer:-

Reporting on the progress made against the key business plan activities identified for 2021/22.

Requesting Members to approve the draft Business Plan for 2022/23 - 2024/25.

Requesting Members to approve the draft 2022/23 Budget.

Reporting on the cashflow projection for the Fund.

The following issues were raised:-

- Investment Strategy - a review of the strategy would be required, once the outcome of the triennial valuation was known, to take account of the additional pressures on the Fund.
- The draft budget included proposals for additional staff to assist with those additional pressures.
- The budget had increased on the previous year to take account of increased management fees, which reflects the good performance of investments over the previous year generating higher fees.
- The elections coinciding with the triennial valuation would bring challenges, with a new Committee quickly having to get up to speed with how the Fund operates, and induction/training sessions would be required. It was suggested that any substitute members appointed to the Committee should be involved in the training/induction sessions, to enable them to take part when required.
- It was asked, given the pressures on officers currently, whether service delivery could be affected. In response it was stated that there was a possibility that could occur, however, action was being taken to address this, and the service would continue to strive to meet the needs of scheme members.
- It was stated that Cyber Security, specifically related to the Pension Fund, was likely to be given greater emphasis when the Single Code was introduced. The Treasurer noted the importance of Cyber Security and the current heightened risk regarding these. He emphasised that the Regulator had confidence that the NYPF was covered by the overarching Policy for NYCC.
- A Member stated that the cashflow position, despite being highlighted over recent years as a potential issue, appeared to not be a concern moving forward into 2024. In response it was stated that although the cashflow position had been identified as an issue to address, it had never been seen as a problem. As the valuation was about to be undertaken, this was probably the least

accurate time to forecast cashflow. The forecast would be revisited once the valuation process had been completed.

- A Member welcomed the section provided relating to responsible investment, which highlighted the progress on this.

**Resolved -**

- (i) That the progress made against the 2021/22 Business Plan be noted;
- (ii) That the 3 year cashflow projection for the Fund be noted;

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

- (iii) That the draft 2022/23 Business Plan be approved;
- (iv) That the draft 2022/23 Budget be approved.

**258. Border to Coast Responsible Investment Policies**

Considered –

The report of the Treasurer presenting the Responsible Investment policies of Border to Coast and requesting the comments of Members.

The NYPF had been working alongside BCPP with the development of their Responsible Investment Policies which were based on best practice and advice. The Policies would be reviewed on an annual basis. The Policies had been considered to BCPPs Joint Consultative Committee, where it was agreed that they be circulated to the representative PFCs for comments.

Copies of the Policies were appended to the report and included the Climate Change Policies.

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

- A Member welcomed the development of the Responsible Investment Policies and the involvement of the NYPF in the development of those, and hoped that these continued to be enhanced without compromising investment opportunities. He noted that more opportunities for lucrative investments within the Climate Change and Responsible Investment arenas were becoming more prominent, providing advantageous investments, and he hoped that BCPP would prioritise these. It was noted that both NYPF and BCPP Policies had developed to take account of these issues, with a focus on risks. BCPP were about to launch a Climate Opportunities Fund and investment opportunities in that would be considered.

**Resolved –**

That the report be noted.

**259. 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 third quarter of 2021/22.

The following issues were highlighted:-

- Performance by the Fund's investments in the Quarter sees the Fund 129% funded with assets of around £4.9bn. Liabilities were around £3.8bn, however, it was noted that the data was fairly old now and the forthcoming Triennial Valuation would update that.
- In relation to the situation involving Russia and the Ukraine, and the subsequent freezing of many Russian assets, it was clarified that there were no direct holdings in Russian investments, and only around 0.1% indirect holdings and work was taking place with the fund manager as to how best to address that.
- 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. The additional risk of the Ukraine/Russian war was also discussed. It was expected that there would be increased volatility in the markets, going forward.
- Inflation levels remained high, particularly in the USA, and looked to continue to rise in the short-term, however they were still expected to start falling next year, although the war in the Ukraine could affect that position.
- The actuary would be considering the impact of inflation during the forthcoming Triennial Valuation which could affect the level of contributions, going forward.
- The move towards private markets through BCPP would take some time to have an impact.
- Details relating to liabilities, assets and equities, and the impact of the current economic situation on those, were outlined.
- The Fund would continue with the Baillie Gifford mandate as their long term LTGG strategy fitted in well with the investment beliefs of the Committee. The other investments balanced the risk from that strategy.
- It was likely that unexpected levels of investment performance could occur in the short term, given the current market pressures, and it could not be expected that the levels of outperformance enjoyed by the Fund's investments over recent years could continue indefinitely.

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

- The issue of high inflation and its effect on investments was discussed. It was noted that inflation would have a detrimental effect on some investments, with bonds not expected to perform well, whereas equities, infrastructure, etc may offer some long term protection. Some hedge funds may be able to take advantage of the current inflationary position, however, these were not in the current strategy and were very expensive. It was emphasised that no rushed decisions about the investment strategy should be made at this stage, but consideration of real assets would be beneficial, as investments of this type were less risky during periods of high inflation. It was suggested that further consideration could be given to this position, going forward. Members noted that there had been periods of high inflation previously which were sustained. It was stated that although there was not expected to be a lengthy period of inflation this time, the situation in the Ukraine could make this more likely. It was also noted that wage demands could also prove to be inflationary and sustain this current high inflation period for longer than expected, particularly in the UK. The Fund's policy of investing globally was expected to provide some protection against this risk. It was noted that the issues raised would continue to be discussed with fund managers, BCPP and the



Committee through various Workshops, to ensure that the situation was carefully monitored.

**Resolved –**

That the contents of the report, and the issue raised, be noted.

**260. Pension Board – report back by Chair on the meeting held on 14<sup>th</sup> January 2021**

**Considered -**

A verbal update by the Chair of the Pension Board based on the Minutes which had been provided.

The Chair of the Pension Board, David Portlock, summarised the discussions at the meeting held on 14<sup>th</sup> January 2022 highlighting the following:

- The usual annual review of the Terms of Reference was postponed, as there had been a review undertaken in July 2021. The current Terms of Reference, as amended in July, were provided for information.
- A discussion of the proposed transfer of Broadacres to the NYPF was undertaken and further reports would be considered as progress was made.
- Details of the breach, outlined earlier in this meeting, were provided to the Board and it was agreed that it be recommended to the PFC that no further action was required.
- The Internal Audit reports for 2021/22 were reported to the Board, these related to Income, Expenditure and Investments and all provided substantial assurance, which indicated that there should be confidence in how the NYPF is operating.
- A Review of the Risk Register was undertaken and consideration was given to the impact of LGR on resources within the NYPF.
- Details of the Work Plan and training were discussed. In terms of the Work Plan it was noted that the intended “deep dive” investigations by Members of the Board into specific areas of work within the NYPF had been put on hold for a further year in recognition of the intensity of work putting pressure on resources that would be required to assist with these.

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

- Clarification was provided in respect of the grading system used in the Risk Register, with these being “RAG” rated as well as graded from 1 (highest risk) to 5 (lowest risk). The Treasurer stated that he would circulate a key to assist Members’ understanding of this.
- The current capacity of the NYPF in terms of the workforce was discussed. It was noted that there was a good, strong team in place but it was working to its limits, which was why extra resources had been requested. There had been recent investment in IT systems to assist the team in vital areas, and these were starting to bed in, however, these did not alleviate the need for additional capacity to be obtained. It was stated that a potential risk in terms of creating this extra capacity was the availability of appropriate staff, as the current labour market was particularly challenging.

**Resolved -**

That the details of the meeting outlined be noted and the Board’s Chairman be thanked for his updates.

**Minute No. 261 was considered as a private item (see Minute No. 252, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.**

**261. Asset Allocation and Investments Update**

**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 long term investment strategy.
- (ii) To make recommendations for commitments to Border to Coast's Infrastructure, Private Credit and Climate Opportunities funds.

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 a commitment to Border to Coast's Private Credit fund of £70 million be agreed;
- (ii) That a commitment to Border to Coast's Infrastructure fund of £120 million be agreed; and
- (iii) That a commitment to Border to Coast's Climate Opportunities fund of £180 million be agreed.

The meeting concluded at 11.25am.

SML