

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

03 MARCH 2023

BUSINESS PLAN AND 2023/24 BUDGET

Report of the Treasurer

1. Purpose of the Report

- 1.1. To report on the progress made against the key business plan activities identified for 2022/23.
- 1.2. To approve the draft Business Plan for 2023/24 to 2025/26.
- 1.3. To approve the draft 2023/24 Budget.

2. Progress Update

- 2.1. In the 2022/23 Business Plan 18 key actions for the year were identified and approved by Members at the March 2022 Committee meeting. It was agreed that officers would provide a progress report against these key actions. The latest update is attached as **Appendix 1**.

3. Draft 2023/24 Business Plan

- 3.1. The draft 2023/24 Business Plan is attached at **Appendix 2**. It sets out the purpose and strategy of the Fund with activities for the next three years to support the Committee in managing the Fund. It sets out the key initiatives of the Fund with delivery dates to enable tracking of progress. The plan has been refreshed to cover the period 2023/24 to 2025/26. Any outstanding actions from 2022/23 have been rolled forward to 2023/24 where appropriate and some new actions have been identified. A summary of the business plan has also been attached as **Appendix 3**.

- **Investment Strategy** – a review of the investment strategy was carried out in February and March 2023, in light of geopolitical and market events in 2022, the change in the outlook for investments, and the outcome of the 2022 Valuation. Recommendations on changes to the strategy are being made at this meeting and are detailed in another report on this Agenda. The next detailed review is expected to take place alongside the 2025 Valuation.
- **Online Monthly Employer Returns** – the phased-roll out of the online employer portal for submitting the monthly members data is still ongoing. Progress has been slower than anticipated but the main employers are now onboarded so the speed of roll out should now improve. This is now expected to be complete by the end of 2023/24.
- **Pooling** – the transition of assets into the Pool is continuing. Border to Coast’s global property fund is expected to be launched in 2023, and the UK property fund in 2024, both of which may be of interest to the Committee. The Fund is working with Border to Coast to ensure that they meet the needs of the Fund.
- **McCloud remedy** – progress has been much slower than anticipated. Validation errors have been cleared and the test data load can now go ahead. It is expected the initial recalculation of benefits will be completed by end of October 2023 in line with the statutory deadline.

4. 2023/24 Budget

4.1. The draft 2023/24 budget for the cost of running the Fund is presented in **Appendix 4** and totals £37.1m. This budget only includes the costs that the Fund has some control over and has been developed on an accruals basis.

4.2. The total 2023/24 budget has reduced by £1.6m compared with the 2022/23 budget. This decrease is essentially due to investment management fees payable (£1.7m) as a result of the fall in asset value the Fund experienced in 2022/23. Lower fees are expected as these are based on a percentage of the asset values.

4.3. Other notable changes to the budget figures from the 2022/23 budget are as follows:

- Inflationary increases (personnel and suppliers) in the Administration Expenses budget have been broadly offset by the reduction in the annual charges of the pension administration system that had been agreed at the start of the new contract.
- The Border to Coast Pooling Charge in 2023/24 is expected to be £850k. This is made up of two elements: governance costs, which form the annual operating budget of the Border to Coast company; and project costs, which involve the design and development of new Border to Coast funds and opportunities for the Partner Funds to eventually invest in. The property fund project is currently underway and will continue into 2023/24. Both elements of the charge are split equally on a one eleventh basis among the Partner Funds in the Pool. Additional costs for the development of the UK Opportunities fund and the Sustainable Bonds fund have contributed to the increased cost in 2022/23 and the higher budget requirement in 2023/24.
- Other Oversight and Governance costs in 2023/24 are expected to be lower as 2022 was a Valuation year which required more actuarial work. Custodian fee will also be lower under the new contract with Northern Trust after the arrangement with BNYM has been terminated in full in 2022.

4.4. The NYPF budget will be kept under regular review for any material in-year changes. It will be brought back to the PFC meeting for the approval if material amendments are considered necessary, in line with the business plan progress update. Any changes in investment management fees disclosed at the year-end will also be reflected in these budget refinements.

5. Recommendations

5.1. Members are recommended to

- 5.1.1. Note the progress made against the 2022/23 NYPF Business Plan.
- 5.1.2. Approve the draft 2023/24 - 2025/26 NYPF Business Plan.
- 5.1.3. Approve the draft 2023/24 NYPF Budget.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton
22 February 2023

North Yorkshire Pension Fund - Proposed 2023/2024 Budget

	Budget 2022/2023 £k	Q3 Forecast 2022/2023 £k	Proposed Budget 2023/2024 £k
EXPENDITURE			
<u>Admin Expenses</u>			
Finance and Central Services	453	453	470
Provision of Pensioner Payroll (ESS)	93	93	80
Pensions Administration Team	1,371	1,345	1,460
McCloud	50	50	50
Other Admin Expenses	678	678	620
Total Admin Expenses	2,645	2,619	2,680
<u>Oversight and Governance</u>			
Actuarial Fees	90	90	60
Custodian Fees	86	86	70
Investment Consultant Fees	140	190	150
Pooling: Governance & Projects	709	826	850
Other O & G Expenses	100	100	100
Total Oversight and Governance	1,125	1,292	1,230
<u>Investment Fees</u>			
Performance Fees	3,208	2,599	2,660
Investment Base Fees	31,739	28,539	30,540
Total Investment Fees	34,947	31,138	33,200
TOTAL	38,717	35,049	37,110