

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 6th April 2023 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Emma Barbery (Askham Bryan College)
Councillor Mike Jordan (North Yorkshire Council).

Scheme Members:

David Houlgate (Unison)
Simon Purcell (Unison)
Gordon Gresty (NYPF retired members)
Sam Thompson (North Yorkshire Council)

County Council Officers:

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

A representative of the press was present.

The Chair welcomed Councillor Jordan to his first meeting since his re-appointment to the Board.

Copies of all documents considered are in the Minute Book

1. Apologies

Apologies were submitted by Councillor Anne Hook (City of York) and David Hawkins (York College).

2(a) Minutes

Resolved -

That the Minutes of the meeting held on 12 January 2023, having been printed and circulated, be taken as read, confirmed as a correct record and signed by the Chairman.

2 (b) Progress on Issues Raised by the Board

Advice from the SAB was still awaited in relation to the Hymans Good Governance review.

The other issues would be covered by agenda items at today's meeting.

Resolved -

That the report be noted.

3. Declarations of Interest

Councillor Jordan declared a non-disclosable interest in respect of the Pension Fund's Investment Consultant, AON, being used by him for his pension and financial advice.

4. Public Questions or Statements

There were no public questions or statements.

5. Terms of Reference

The Terms of Reference were provided to Members as they had been altered to reflect the changes to the Council, following Local Government Reorganisation (LGR). The only changes were removing reference to the County Council with this changed to North Yorkshire Council. There were no other material changes.

It was noted that the terms of office for Board Members remained the same, with David Houlgate being appointed for a further four years at the February meeting of Full Council.

Resolved –

That the changes to the Terms of Reference be noted.

6. Annual Discussion with the Treasurer of the North Yorkshire Pension Fund

The Treasurer of the North Yorkshire Pension Fund (NYPF), Gary Fielding, attended the meeting for his annual discussion with Members of the Board. His discussion with Members of the Board saw the following issues highlighted:-

- The previous 18 months had been very busy, but the Treasurer had not been required to be as involved with matters due to having a strong, resilient team in place that managed the issues well.
- The overall funding level had dropped following the recent volatility in the markets having an effect on investments, but this remained above 100% (106%).
- The Pension Fund Committee (PFC), following the elections in May 2022, had proved to be knowledgeable and able to produce a high level of challenge, providing confidence that the body will continue to be very beneficial to the Fund, going forward.
- He noted that the PFC had lost Patrick Mulligan following LGR as he was the representative of District Councils.

- The Good Governance review would be expected to introduce additional governance requirements and there would be a renewed call from the Government on pooling, with recent comments suggesting that the existing requirements would be extended.
- Involvement with Border to Coast Pensions Partnership (BCPP) had been particularly beneficial in relation to addressing carbon reduction and environmental concerns through investments. It was clarified that BCPP were the main fund manager for the NYPF, managing 75% of NYPF's assets
- It was emphasised that it was difficult to compare investments from prior to pooling with those now operated through the pooling arrangements as they were different and market conditions were different.
- It was noted that the Government were considering a second phase of pooling as they wanted enhanced economies of scale. It was emphasised that further consolidation could lead to governance and decision-making challenges, as has been evidenced in other pooling arrangements. There is a good relationship with BCPP and the 10 other partner funds and another phase of pooling could upset that balance.
- An initial reason for the development of pooling for LGPS investments was the Government seeking to obtain additional funding for infrastructure projects in the UK. Another phase of pooling may reference another of the Government's agendas, Levelling Up. It was emphasised the NYPF would only invest in such projects if these would provide a suitable return at a suitable level of risk to the Fund. It was emphasised that the Government could not determine the Investment Strategy of the Fund as that would undermine the fiduciary arrangements.
- It was stated that consideration was given to environmental and sustainable issues through investments, as this was required by the Fund. It was noted that environmental, social and governance (ESG) investing was an integral part of deciding whether to undertake an investment. Oil and gas investments could still take place provided that there was sufficient confidence that the company involved was moving towards addressing climate issues sufficiently quickly. The allocation to investments having a positive environmental impact was on the increase, following recent investment strategy reviews. It was appropriate to have investments in a number of diverse areas to maintain good, steady returns.
- As things stand it was unlikely that, in the short term, 100% of the NYPF's investments would be with BCPP. For example, there was no suitable alternative to the Baillie Gifford portfolio. The property portfolio of the Fund would likely to transfer to next year.
- There was a risk, with BCPP being so successful, that there would be pressure for more Funds to join BCPP, which could upset the current balance of representation which was working well.
- A discussion on the impact of LGR on the NYPF and how that impacted on cashflow was undertaken. It was noted that the Administration Team had faced a heavy workload through LGR, but staff had responded well and dealt with the issues that arose commendably. It was expected that, going forward, there would be a simplification of the processes involved, as a number of large employers had amalgamated into one body. There had been no issues in terms of the actuarial assessment, but funding levels had been established and this should create savings for the new Council, going forward. In terms of cashflow, LGR had not had a major impact on this, but there was a probability that the Fund would enter a negative cashflow position in the near future, and a policy was in place to address that.

- The relationships between the NYPF and employers had improved significantly in recent years which had led to improvements in the quality of data and information provided.
- There were a large number of academies and multi academy trusts that were served by the NYPF but this had not had a major impact on membership as the scheme members had transferred from existing local authority schools.
- It was stated that the helpful booklet that had been published would be made available for all who required this, following a number of enquiries, despite there being no additional resource for its production. It was recognised that providing the information was good practice, therefore, this would be provided to those that required it.
- It was clarified that there had not been a large number of additional retirements to coincide with LGR, with levels remaining around the usual for this time of year.
- Auto-enrolment could have an impact on the number of members in the Fund.
- It was noted that the actuarial valuation of the Fund was above the level at which it stood now, but that it remained above 100%, which was a good position to be in given the current volatility of the markets. The expectation was that the lower funding position would continue for the time being, although there were many variables that could affect this. The PFC were assessing how to deal with this.

Resolved –

That the Treasurer of the Fund be thanked for his participation at the meeting and the answers provided to the issues raised, which were noted.

7. Pension Fund Committee – Draft Minutes of Meeting held on 3rd March 2023

Considered -

The draft minutes of the meeting of the Pension Fund Committee held on 3rd March 2023.

The Chair noted that the majority of items considered at that meeting were on the Board's agenda for discussion at today's meeting.

The PFC had agreed to continue with the current Investment Strategy at that meeting. Consideration had been given to this in view of the recent increased levels of inflation, and how the strategy had reacted to that.

Resolved –

That the Minutes be noted.

9. Pension Administration

Phillippa Cockerill, Head of Pensions Administration, 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 March 2023 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from the November 2022 meeting was provided as an Appendix.

Breaches

There had been no new entries in the breaches log since the previous meeting of the Board, which was welcomed by all.

Annual Benefits Statements (ABS)

The process for the 2023 ABS had now commenced. This should be less complex as a number of the larger employers were now on i-Connect, resulting in them having to submit a month 12 return, rather than a full year.

Major projects

The roll out of the i-Connect project was continuing but had been slowed by the year end procedures.

Triennial Valuation

The valuation was set at 31 March 2022.

There was a surplus of £639.8m relative to liabilities.

The funding level was 116%.

The primary contribution rate was 20.1%

The secondary contribution rate was 2.7% - bringing the funding level down to 110%

The overall contribution rate was 17.4%

Employers' contribution rates varied between 0% and 51.4% depending on their circumstances.

Business Plan

A revised plan, showing details of achievements during 2022/23, proposals carried forward to the new plan and new initiatives were submitted to, and approved by, the March meeting of the PFC.

Local Government Pensions Committee (LGPC) Bulletins Log

Details of recent LGPC bulletins, and the response to those, were set out in the report.

Members highlighted the following issues in respect of the report:-

- A Member queried the rise in the number of pensioners over the previous 3 years, with 5000 additional members receiving a pension during that time period. It was clarified that the figure correlated with the average increase during that time period. It was also noted that there had been an increase in the average age of the workforce during that period.
- There were a large number of deferred pensions that, going forward, would affect the cashflow position of the Fund, hence the development of the policy in respect of cashflow. It was emphasised, however, that there would

not be an unprecedented effect on the Fund, as the deferred levels were known, and the pension levels were set, at the time of the deferral. It was also noted that deferrals were included in the triennial valuation position.

- There was some impact on the administration of the Fund from the deferred position, as those accessing pensions tended to be less assured with the use of technology, which had a knock-on effect in terms of the provision of information.
- In terms of McCloud, slow progress was being made in terms of the verification of data. It was expected that the current statutory deadline would be pushed back further as all the public sector was affected by the judgement, and were finding it hard to obtain, and verify, the relevant data. It was considered that the remedy would only affect a small proportion of pension members.
- Members of the Board welcomed the lack of breaches that had occurred since the previous meeting and the improvements that had been made via the Business Plan.

Resolved -

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted.

10. Responsible Investment Policies

Tom Morrison sought the views of the Board on the Responsible Investment Policy and Climate Change Statement of the Fund and the policies of Border to Coast. He noted that the Pension Fund had held Responsible Investment Policies (RIPs) for many years now, and these were reviewed by the PFC on an annual basis. The statement on Climate Change issues had been added to the Policy around 2 years previously. These issues had been discussed with BCPP, and the partner Funds in the pool, to ensure they were aligned. The appendices to the reports provided details of the current position of the various related policies. Further reviews would continue to be undertaken to reflect further progress made in relation to these issues.

Members discussed the report and its appendices and the following issues were raised:-

- It was noted that some of the partner funds have adopted the policies of BCPP. NYPF had not adopted these policies, but had reviewed its own, to ensure they continue to be aligned. Going forward, as the Fund moves more of its investments into the management of BCPP, it may be appropriate to review this approach.
- It was suggested that the rationale for exceptions made in terms of investment managers complying with climate emission policies should be made stronger.
- It was considered that stewardship should be looking to improve standards in terms of responsible investment rather than promoting a level of tolerated acceptance. It was stated, in response, that every effort was made to influence investment managers on these matters, to ensure that these are addressed as far as possible, however, the primary focus remained on ensuring that the investments returns would be sufficient to pay pension benefits.
- In relation to section 8.2 of the policy a Member stated that reference to “a vote should be undertaken” should be changed to “will be undertaken”, where this was in the best interests of the Fund. It was agreed that this would be changed accordingly.

- Reference was made to section 3.8 in the report and the move towards Net Zero carbon and it was asked how the targets were set, whether the targets were realistic and how they were monitored. In response it was stated that these were in-line with Government targets for 2050, that milestones had been established, and progress would be periodically reviewed. The PFC had not specifically adopted a target. It was asked whether the Board were able to give guidance to the PFC on adopting this. The remit of the Board was explained, and it was noted that a suggestion could be forwarded to the PFC from the Board, but ultimately it would be for the PFC to decide.
- A Member requested further information on the development of policies, alongside BCPP, to allow an informed decision to be made on how to progress this. It was stated that a review of the policies would shortly be undertaken by BCPP, and the comments of the Pension Board would be taken account of. The reviewed policies would then be submitted to the PFC and PB for further consideration. Members requested that progress on the development and review of policies, alongside BCPP, be submitted to future meetings of the Board.

Resolved –

- (i) That comments from the Board on the Fund's draft Responsible Investment Policy and draft Climate Change Statement and Border to Coast's Responsible Investment Policy, Climate Change Policy and Corporate Governance and Voting Guidelines document be fed back, accordingly; and
- (ii) That progress on the development and review of policies, alongside BCPP, be submitted to future meetings of the Board.

11. Budget and Cashflow

Qingzi Bu presented a report that provided an opportunity for the Board to provide Pension Board members with an update on the Pension Fund's:-

2022/23 budget and the cost of running the Fund;

4-year cashflow projection for the Fund;

latest position on the Fund's accounts and annual report for 2021/22

In terms of the budget there was a forecast underspend of £3.7m, mainly as a consequence of the recent poor performance of investments resulting in a reduction in fund manager fees.

In respect of the cashflow forecast, the overall position was expected to be a small Scheme Surplus for 2022/23, with deficits projected for 2023/24, 2024/25 and 2025/26. The forecast for contribution income was based on the employers' current contribution rates and took into account the employer results from the 2022 Triennial Valuation. Details of how the Fund would address a negative cashflow position were outlined.

The report also provided an update on the position in relation to the 2021/22 accounts and the 2021/22 annual report. The audit for the Council's accounts was still not yet signed off, and as the Triennial Valuation statement for 2022 had been published on 31 March 2023, this new information now needed to be considered for any adjustment that may be required to the County Council's IAS19 liability in its accounts. The auditors were currently reviewing this and it was hoped this would be their final action before the completion of the audit. It was emphasised that delays to the auditing

process were a national issue and that the NYPF accounts could not be signed off until those for the Council had been agreed.

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

- It was noted that the recent pay negotiations were not taken account of in the details provided as these had not commenced at the time of the development of the report.
- The 2023/24 budget had been agreed by the PFC during their consideration of the Business Plan and it was noted that estimates for pay increases had been included.
- A Member asked how it was determined whether the financial advice offered by the Fund's investment consultant adviser offered value for money. In response it was stated that the contract for offering financial advice to the Fund was subject to a regular procurement process, with value for money for the service offered being evaluated. The contract term was 5 years, with the possibility of a further 2 years extension, subject to agreement by the PFC. The current contract had commenced in December 2021 and a review of the service would be undertaken, and considered by the PFC, at the end of the initial 5 years period. Details of the work and issues covered by the investment consultant were provided. It was noted that these arrangements were not affected by LGR.
- A Member suggested that the accounts for Pension Funds should be separated from that of Councils to prevent future delays. It was noted that this was one of the matters considered by the long, awaited good governance review.
- It was asked whether the amalgamation of the 8 Councils, following LGR, would have an impact on the final signing-off of the audit. In response it was stated that this was not expected to impact the NYPF audit, however, until the Council's accounts were signed-off, other issues such as the IAS 19 liability could arise, creating further delays, therefore, there was a desire for these to be completed as soon as possible. The Annual Report of the NYPF had been published by the required date, 1st December 2022, with a guidance note provided in relation to the delayed publication of the final accounts.

Resolved –

That the report and issues raised be noted.

12. Internal Audit Reports

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

Details of the audit plan for 2022/23 were set out in the report with the audits of aspects of expenditure, income and investments taking place and reports from those audits expected later in the year. There were 2021/22 actions that were due to be implemented on 31st March, but these had not yet been followed up as they were not due for completion until after the deadline for submission of reports to this meeting.

It was stated that consideration of Internal Audit matters would continue to be a standing item on the Board's future agendas.

Resolved -

That the report be noted.

13. 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 Hymans online training was about to launch version 2, which would be available for Members to undertake. It was stated that this would not be a carry over from version 1, and, therefore, could be undertaken as a completely separate training programme. Details for this would be circulated to Members shortly.

Members stated that they would welcome a section of this training on McCloud.

It was asked whether the forthcoming review of Good Governance was likely to have an impact on the training requirement for Pension Boards, going forward. In response it was stated that as PB Members were already expected to have reasonable level of knowledge of the LGPS, and were expected to continue enhancing that knowledge, there would be likely to be very little difference for them from the review. There could be new requirements on training for PFC Members, however.

It was stated that future topics for training events for Board Members were outlined in the report and would be provided where Members requested these.

Issues around the future of pooling and the potential further development of offers from BCPP, such as a UK opportunities fund, alongside the Government's Levelling Up agenda, for local projects, were discussed.

Resolved -

- (i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly, with details of version 2 of the package being circulated shortly to allow Members to access that:
- (ii) That Members continue to provide details of any training they wish to be included on their training record:
- (iii) That further consideration be given to identifying training sessions immediately prior to Board Meetings.
- (iv) That the report, and issues raised, be noted.

14. 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 for 2023/24.

Resolved -

- (i) That the Work Plan, as detailed in Appendix 1 to the report, be noted.
- (ii) That the dates of ordinary meetings for 2023/24, as detailed in the report be noted as follows:-

Thursdays at 10am

6th July 2023

12th October 2023

11th January 2024

4th April 2024

The meeting concluded at 12.05pm.

SL