

North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on 24th May 2024 held at County Hall, Northallerton commencing at 10.01am.

Present:-

Councillor Angus Thompson in the Chair and Councillors John Cattanach, Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Dan Sladden, Neil Swannick and Peter Wilkinson.

Louis-Paul Hill, Aon; Brian Hazeldine, UNISON Retired Member; David Portlock, Chair of North Yorkshire Council Pension Board and Leslie Robb, Independent Investments Advisor.

Officers present: Gary Fielding, Treasurer to the Pension Fund; Tom Morrison, Phillippa Cockerill and Jo Foster-Wade, NYPF; Vicky Davies and David Smith, Democratic Services.

Copies of all documents considered are in the Minute Book

48 Exclusion of Public and Press

There was no discussion of Item 2(b) – Confidential Minutes of 1st March 2024 and so no exclusion of the public or press was required.

49 Committee Minutes of the meeting held on 1st March 2024

Resolved –

The minutes of the meeting held on 1st March 2024 were confirmed and signed by the Chair as a correct record.

50 Confidential Committee Minutes of the meeting held on 1st March 2024

Resolved –

The confidential minutes of the meeting held on 1st March 2024 were confirmed and signed by the Chair as a correct record.

51 Declarations of Interest

Councillor George Jabbour declared the following non-registrable interest:-

I have been campaigning on issues involving the way public-sector organisations, pension funds and other institutions manage their finances.

The following Members declared a non-registerable interest in respect of them being in receipt of a pension from the NYPF:-

Councillors John Cattanach and Cliff Lunn.

Councillor Peter Wilkinson declared that he is a member of Aon but is not involved in pensions and is retiring in June.

52 Public Questions or Statements

There were none.

53 Pensions Administration - Report of the Treasurer

Considered –

A report of the Treasurer providing information relating to the administration of the Fund in the quarter and an update on key issues and initiatives which impact the administration team.

The Head of Pensions Administration outlined the report. The following information was added to the report:

- Regarding McCloud, functionality is now live and the administration team are processing cases as they arise so that new cases are not being added to the backlog already in existence. It was reported that initial checking has identified only 742 out of 24,000 in scope for McCloud and 101,000 members in the scheme have potential underpin protection. These range from £0.01 to £2,500 per year, but some of the figures seem to be incorrect and so the data is being checked.
- Regarding the half day workshop on the TPR General Code of Practice, it was reported that after using an Aon compliance checker spreadsheet it seems that NYPF is in a good position when it comes to compliance. Further details will be reported to the June Committee meeting.
- Regarding the incident management and business continuity, it was reported that the resilience and emergencies team are looking to include the completed Pensions team Business Impact Analysis and Instant Management Plan in a masterplan. Information from IT on the system backups has been received and will be included in the development of the Pensions team specific business continuity plan.

The following points were clarified in the discussion:

- This quarter tends to see an increase in the number of retirements because people leave at the end of a tax year. There are no other factors known to have contributed to the increase. No case is older than three weeks and with many of them, the retirement date is actually in the future.
- Regarding the complaint against Prudential's mismanagement of AVC funds, NYPF are unable to influence the bigger picture, but the Head of Pensions Administration has raised a formal complaint on behalf of the individual. It was reported that the individual had sent a complaint to Prudential, that the process had ended by suggesting they contact NYPF, and that the individual would not lose anything.
- Regarding incident management and business continuity, it was reported that work is progressing on a business continuity and disaster recovery plan and the document could be expected in the upcoming months.

Resolved –

- (i) That the contents of the report are noted.

54 Budget and Cashflow - Report of the Treasurer

Considered –

A report of the Treasurer providing information on the following:

- a) The 2023/24 budget and cost of running the Fund.
- b) The 3 year cashflow projection for the Fund.
- c) The position on the audit of the 2021/22 and 2022/23 audits.

The Head of Investments outlined the report. The following information was added to the report:

- The information in Section 2 of the report was reported to be as expected.
- The Fund is, as expected, moving into negative cashflow. During normal economic times, pension benefit payments increase by roughly 2% each year, being the Bank of England's long term inflation target, however over the last two years, they have increased by around 17%.

The following points were clarified in the discussion:

- Officers were not confident that external audit would complete the necessary work on the 2022/23 accounts before the backstop date. They were also not confident that the draft 2023/24 accounts would be completed by the end of May 2024 – however many councils are in a similar position.
- A meeting with employers on pensions contribution requirements will go ahead as part of the 2025 valuation.

Resolved –

- (i) That the contents of the report are noted.

55 Investment arrangements with Border to Coast - Report of the Treasurer

Considered –

A report of the Treasurer setting out the legal requirement to pool pension fund assets and how North Yorkshire Pension Fund is addressing this through Border to Coast.

The Head of Investments outlined the report. The following information was added to the report:

- Officers expected that the new guidance referred to in paragraph 2.10 of the report will be delayed due to the July 2024 general election.
- The papers of the Joint Committee will continue to be circulated to Members of this Committee.
- Paragraphs 5.2 and 5.3 of the report outline the changes in how the Joint Committee will review performance. Border to Coast has produced draft reports and officers have provided feedback with support from Aon and the Independent Adviser. These reports will be presented at the 20 June 2024 Border to Coast Joint Committee meeting and brought to the 13 September 2024 Pension Fund Committee meeting. Officers are making arrangements for Border to Coast to attend the 13 September 2024 meeting.
- It was reported that currently there is limited support from partner funds on listed impact equities but that this will continue to be discussed.

The following points were clarified in the discussion:

- A letter from Simon Hoare MP regarding efficiencies in local government and the management of LGPS funds was circulated to Members before the meeting. Committee Members recognised that the approach outlined in the letter did not focus on the returns provided by the Fund. They also recognised the merger of administrative operations. Whilst it was expected that the process would continue no matter the result of the election, there was general agreement that a response to this letter should not be put together until after the July 2024 general election result was announced. Officers expressed no concerns over the request for information.
- It was highlighted that Border to Coast had taken a progressive approach when compared to other pooling arrangements and that criticism should be aimed where there was little evidence of progress. There was support for keeping the Committee up to date on the situation.
- It was suggested that future governments of any persuasion will push for UK investment, although the trend has been for LGPS funds to increasingly invest globally.

Resolved:-

- (i) That the contents of the report are noted.

56 Quarterly Funding and Investments Report (Including Investments Update) - Report of AON

Considered -

A report by Aon providing a high-level summary of NYPF's investments and funding.

Louis-Paul Hill, Aon, presented the report, adding the following information:

- Aon support Officers and the Committee on investment matters, assisting to set the investment strategy every three years and reviewing fund managers. They also consider market conditions and investment opportunities.
- The Fund was reported to be in surplus and that this was mainly due to equity asset returns. Contributions have also played their part.

The following points were clarified in the discussion:

- Whilst some figures on page 57 of the papers are shown as red, the reductions are minimal, and the expected return and discount rate have both increased. The estimated employer cost is indicated to have reduced, but it is too early to be confident this will happen. This cost will be revisited as part of the 2025 valuation, when a thorough reassessment will be undertaken.
- Looking at page 59 of the papers, it was explained that the reduction in surplus had been significantly impacted by high inflation over the last few years. It was highlighted that a balanced portfolio can limit the volatility of the funding position.
- Louis-Paul Hill described the graphs shown on page 60 of the papers. These graphs show the asset and liability attribution between March 2022 and March 2024.
 - o The figures on interest highlight the expected growth over the period of assets and liabilities.
 - o The figure on contributions relates to what members and employers of the

Fund paid in and the figure on accruals relates to the cost of new pension obligations.

- The figures on out-performance and assumptions relate to what the assets have returned, beyond what was expected of them. In this period, the assets have underperformed. The figure on assumptions has increased due to changes in assumptions, meaning the size of the liabilities has reduced.

Resolved –

- (i) That the contents of the report are noted.

57 Pension Board - Draft Minutes of 18th April 2024 - Report back by Chair

Considered –

The draft minutes of the Pension Board meeting held on 18th April 2024.

The Chair of the Pension Board highlighted and expanded on the following minutes:

- Minute 53: The public statements were very similar to those that went to the Pension Fund Committee on 1st March 2024. Fossil Free North Yorkshire and NYPF have a lot of common ground, but there are still differences in what the organisation are aiming for and what the Fund is prepared to do in the near term.
- Minute 54: The Treasurer of NYPF reinforced that the third bullet point is a positive assessment of the Committee.
- Minute 57: Internal audit reports may be brought to the Pension Fund Committee if required.

Resolved –

- (i) That the draft minutes of the Pension Board meeting held on 18th April 2024 are noted.

58 Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency

There was none.

The meeting concluded at 11.37 am.