

**North Yorkshire County Council**

**Pension Fund Committee**

**05 March 2021**

**Business Plan and 2021/22 Budget**

**Report of the Treasurer**

**1. Purpose of the Report**

- 1.1. To report on the progress made against the key NYPF business plan activities identified for 2020/21.
- 1.2. To approve the draft NYPF Business Plan for 2021/22 – 2023/24.
- 1.3. To approve the draft 2021/22 NYPF Budget.

**2. Progress Update**

- 2.1. In the NYPF 2020/21 Business Plan seven key actions for the year were identified and approved by Members in the February 2020 Committee meeting. It was agreed that officers would provide a progress report against these key actions. This progress report is attached as **Appendix 1**.

**3. Draft 2021/22 Business Plan**

- 3.1. The draft 2021/22 Business Plan is attached at **Appendix 2**. It sets out the purpose and strategy of the Fund for the next 3 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 2021/22 to 2023/24. Any outstanding actions from 2020/21 have been rolled forward to 2021/22 and some new actions have been identified. A plan on a page which provides a summary of the business plan has also been attached as **Appendix 3**.

- **Investment Strategy** – the Committee is currently undertaking an investment strategy review. It is expected that the resulting changes in asset allocation may take a number of years to fully implement.
- **Online Monthly Employer Returns** – the phased-roll out of the online employer portal for submitting the monthly members data is still ongoing. This is expected to complete by the end of 2021-22.
- **Integrated Payroll** – the migration of pensioner payroll onto the administration system so that a single set of data is held for each pensioner. This will also improve interactions between teams through automation, will improve efficiency and will reduce the potential for errors to occur. This is expected to complete by the end of Q1 2021-22.
- **Pooling** – the transition of assets into the Pool is continuing. The Fund is anticipated to invest in Border to Coast's Multi-Asset Credit Fund in the year. Work will also continue on the design of new sub-funds and ensuring that they meet the needs of the Fund.
- **McCloud remedy** – this project will involve, as the first stage, the collection and updating of the missing service history for affected members within the NYPF, currently believed to be approx. 20,000 members.

**4. Draft 2021/22 Budget**

- 4.1. The draft 2021/22 budget for the cost of running the Fund is presented in **Appendix 4** and totals £33.9m. This budget only includes the costs that the Fund has control over and has been developed on an accruals basis.
- 4.2. The total 2021/22 budget has increased by £3.8m compared with the 2020/21 budget. This increase is mainly due to management fees payable (£2.7m) as a result of anticipated growth in asset value. In addition, the budget includes £1m of estimated one-off costs for transition of assets into Border to Coast's Multi-Asset Credit fund during 2021/22.
- 4.3. Other notable changes to the budget figures from the 2020/21 budget are as follows:
  - The Administration Expenses budget has been increased by £400k. This reflects one-off implementation costs and higher annual charges of the new pension admin system, Altair. The increase in annual costs is attributed to the fact the Fund has purchased additional modules to enable delivery of other efficiencies. These modules are i-Connect, the employer portal, and integrated pensioner payroll. The increased cost is partially offset by the reduction in costs in relation to the running and management of the pensioner payroll by the Council's Employment Support Services team. The contract pricing model has front loaded costs such that over the first 5 years the Fund will pay an average £390k each year. If the contract is extended to the full 10 year term the average costs reduces to £230k each year.
  - The Border to Coast Annual Operating Charge has been updated to reflect the new 2021/22 charge. In 2021/22 the Annual Operating Charge will be £750k. This is made up of two elements. Governance costs are split on a one eleventh basis. This used to be on a one twelfth basis, until Northumberland Pension Fund was absorbed by the Tyne and Wear Pension Fund. Operating cost are charged on an assets under management basis. The value of assets managed by Border to Coast is expected to grow as asset transitions take place.
  - It is widely recognised the work required to implement the McCloud remedy is massively significant for every Fund and having looked at the options it is not deemed feasible to resource this in-house. As a result 3rd party supplier will be appointed to undertake the data gathering work on behalf of the Fund. The £80k budgeted is an estimate of the cot for this work.
- 4.4. As previously agreed, the NYPF budget will be revised twice a year in order to reflect any material in-year changes. The 2021/22 budget will be brought back to the September 2021 PFC meeting for the approval of any necessary amendments, 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 bi-annual budget refinements.

## 5. Recommendations

Members are to:

- 5.1. Note the progress made against the 2020/21 NYPF Business Plan.
- 5.2. Approve the draft 2021/22 NYPF Business Plan.
- 5.3. Approve the draft 2021/22 NYPF Budget.

Gary Fielding  
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