

# North Yorkshire Council

## Pension Fund Committee

Minutes of the meeting held on 13 September 2024 held at County Hall, Northallerton commencing at 10.00am.

### **Present:-**

Councillors Angus Thompson (Chair), John Cattanach, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Andy Paraskos (as a substitute for Mark Crane) Dan Sladden, Neil Swannick, and Peter Wilkinson.

In attendance: David Portlock (Chair of the Pension Board), Kenneth Ettles (Senior Consultant Aon), Nick Conroy (Aon), Leslie Robb (Independent Investment Advisor).

Apologies for absence: Councillors Mike Crane and Peter Kilbane (City of York Council)

Officers present: Gary Fielding (Treasurer to the Pension Fund), Karen Iveson (Assistant Director, Resources), Tom Morrison (Head of Investments), Phillippa Cockerill (Head of Pensions Administration), Jo Foster-Wade (Pension Employer Relationship Manager) and Harriet Clarke (Senior Democratic Services Officer).

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**Copies of all documents considered are in the Minute Book**

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### **65. Exclusion of Public and Press**

#### **Resolved -**

There was no discussion of the exempt information in Minute no 75 – Investment Arrangements with Border to Coast - Appendix 3 and so no exclusion of the public or press was required.

### **66. Minutes of the Committee Meeting held on 28 June 2024**

#### **Resolved -**

That the Minutes of the meeting held on 28 June 2024 were confirmed and were signed by the Chair as a correct record.

### **67. Declarations of Interest**

Councillor George Jabbour declared the following non-registerable 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 North Yorkshire Pension Fund (NYPF):

- Councillor John Cattanach
- Councillor Cliff Lunn

Councillor Neil Swannick declared that he was in receipt of a pension from the Greater Manchester Pension Fund.

**68. Public Questions or Statements**

There were no public questions or statements.

**69. Pension Board - Draft Minutes of 1 August 2024 - Report back by the Chair of the Pension Board**

Considered –

The draft minutes of the Pension Board meeting held on 1<sup>st</sup> August 2024.

The Chair of the Pension Board highlighted the following minutes:

- Minute 61(b) - efforts continued to recruit to the Scheme Member and Employer representative vacancies on the Board with a potential Scheme Member representative being provided with an application pack. Work would continue to recruit to these vacancies.
- Minute 65 – the Draft Annual Report had been produced and would go to the October meeting of the Board for final approval.
- It was noted that nothing of material concern has come to the Pension Fund Committee (PFC).
- The Chair explained that the Terms of Reference of the Board did not allow substitutes to be appointed, unlike with the PFC, and that a request had been made by a member of the Board to appoint a substitute and that this matter would be considered going forward.

In response to a question concerning the impact on funds when individuals leave the NYPF, the Head of Pensions Administration explained that this related to employer exits, rather than members leaving, which in some instances caused employers to have a surplus on exit. It was noted that this was not currently an issue for the North Yorkshire Pension Fund. The exit of all employers was carried out in accordance with the Local Government Pension Scheme (LGPS) Regulations, with the Fund actuary carrying out the exit calculations.

**Resolved –**

That the contents of the report are noted.

**70 Pensions Administration - Report of the Treasurer**

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 2024

### Breaches Policy & Log

### Issues and Initiatives

- Ongoing projects
- McCloud
- Pensions dashboard
- New The Pensions Regulator's (TPR) General Code of Practice
- Business Continuity Plan
- Risk Register

### Member Training

### Meeting Timetable

The Head of Pensions Administration introduced the report and the following issues were highlighted:-

- There appeared to be a false spike in active members as a result of the splitting of records for a leisure services employer that had come into the NYC administrative function.
- The Administration service continued to be busy, however a two week work in progress position had been maintained.
- There had been 13 commendations and 3 complaints during the quarter.
- A complaint received in June related to incorrect service history data being recorded on a member's record. The team had since carried out a data audit on the record to avoid this in the future. In response to a question raised by a PFC Member, officers were unable to confirm whether the data was incorrectly recorded by an NYPF employer or officer due to the age of the error.
- As of 8 August, only 49 Annual Benefit Statements remained out of 28,564. As of 11 September, only 6 remained.
- There had been no new breaches of the Regulations during the quarter.
- i-Connect continued to be rolled out with 198 employers now onboard with 45 remaining to be included, although a few were currently in progress.
- Good progress had been made with McCloud, and work continued to resolve the list of errors. On 28 August, the Ministry of Housing, Communities & Local Government confirmed that McCloud data did not need to be included in the 2024 Annual Benefit Statements, and instead would be included in the 2025 Statements.
- In response, one Member raised concerns that had the McCloud data needed to be included in the 2024 Annual Benefit Statements, a breach would have likely occurred. In response, it was explained that the majority of LGPS funds would have been in the same position. It was also noted that there was a typographical error in paragraph 4.2 of the report, where the year 2024 should be replaced with 2025.
- A contract variation had been signed to appoint Heywood as the Fund's ISP provider for the Pensions Dashboard.
- The TPR General Code of Practice came into effect on 28 March 2024. A remote workshop was held on 20 August with Aon to discuss the Fund's progress using Aon's compliance checker tool. Appendix 3 to the report includes an output report. A meeting on 25 October will be held to look at areas of development and to form an action plan.
- The first draft of the business continuity plan had been created and a workshop had been arranged for 8 October.

- It was noted that work in relation to the Pensions Dashboard Programme was behind schedule, and it was unlikely it would be completed in the specified time frame.
- In response, one Member asked whether anything could be done by NYPF to bring attention to this situation. It was explained that there was a statutory requirement to complete the work and that the issue had already been raised to the Scheme Advisory Board.
- The new General Code of Practice highlighted areas that PFC Members should be familiar with. Members would be requested to complete an LGPS National Knowledge Assessment run by Hymans Robertson in October.
- One Member raised concerns that the PFC had not been informed of the assessment prior to the meeting. Officers noted Members' frustrations but reminded the Committee that the assessment was voluntary and that the purpose was for officers to gain a better idea of the collective knowledge of PFC Members. It was also noted that the technical nature of the PFC and Pension Board meant that a higher level of knowledge was required of Members compared to other committees. The benefit of attending in-person conferences was also discussed.
- One Member suggested that the Border to Coast Pensions Partnership (BCPP) conference held in July be added to the table recording Member attendance at training on page 75 of the reports pack.
- The Risk Register was normally brought to the July meeting of the PFC however as the deadline had been missed, it had been brought to the subsequent meeting for review. A detailed report was included at Appendix 4, and a summary report was detailed at Appendix 5.
- The Key Personnel risk had worsened due to work pressures across the Council to deal with Local Government Reorganisation (LGR) issues and delays in the auditing of the NYPF accounts. 3 risks had lessened, whilst 7 risks had remained the same since the last report.
- The Head of Pensions Administration explained that the date completed was left blank as the risks were ongoing and therefore did not have an end date, but confirmed the risks would be reviewed.

**Resolved –**

That the contents of the report are noted.

**71 Budget and Cashflow - Report of the Treasurer**

Considered –

The report of the Treasurer outlining the following:-

- the 2024/25 budget and the cost of running the Fund
- the 4 year cashflow projection for the Fund
- an update on the Fund's final accounts and annual report

The main variances were outlined in the report with an estimated total running cost of £36.6m against a budget of £36.8m, giving a forecast underspend of £0.2m. This underspend related to a reassessment of performance fees payable to Baillie Gifford.

Following a review of audit fees by the Public Sector Audit Appointments, the fee for the external audit would be higher than usual at approximately £90,000 rather than £30,000. These higher fees were however considered a more realistic representation of the work involved.

The cash flow forecast remained largely the same as previously reported. The September CPI figure, which was anticipated to be around 2% and will be the increase

applied to pensions benefits from April 2025, would be confirmed at the meeting of the PFC in November.

The 2022/23 Statement of Accounts had still not been completed, and it was reported that the Council was in the process of trying to get a progress update from Deloitte, the Council's previous auditors. Good progress had been made with Mazars, the Council's new auditors, although the 2023/24 Accounts had been delayed due to LGR and the amalgamation of the seven former district and borough councils.

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

- One Member queried why the final sign-off of the Fund's Accounts could not be completed until the audit of the Council's Accounts was completed. The Treasurer of the Pension Fund explained that as the Council was the administering authority, the Fund Accounts formed part of the Council's Accounts and the two were therefore required to be signed off together as one.
- Members were pleased to hear about the Fund's positive relationship with Mazars.
- One Member commented on the impact of LGR on the cash flow position. In response, it was noted that redundancy levels were low, and mostly occurred in management, however where pay awards were given to those leaving, this caused some strain on the Fund, which was picked up by the Council, however it was immaterial.
- In response to a question, it was confirmed that funding deficits formed part of the investment strategy (a little over half a percent of the funds).
- The Fund currently had a significant cash balance. Officers reported that discussions were ongoing with BCPP on increasing the range of available options for income to be distributed from investments.

**Resolved –**

That the contents of the report are noted.

**72 Public Service Pensions Act 2013 - Section 13 Report - Report of the Treasurer**

**Considered –**

A report of the Treasurer presenting the background of the Section 19 Report regime, the findings of the review based on 2022 valuation positions, and the related RAG ratings and metrics for the North Yorkshire Pension Fund.

The Head of Investments outlined the report and explained that the Government Actuary's Department (GAD) had conducted a review in connection with the actuarial valuations of the funds in the LGPS, and other data provided by the funds. The latest report was based on the results of the LGPS fund valuations on 31 March 2022.

The review was attached at Appendix 1 to the report and included further detail.

The following issues were highlighted in the report:-

- 30% of funds were in a deficit, which was not the case for NYPF.
- Across all LGPS funds, the aggregate funding level was 106% at the 2022 valuation.
- An evaluation had been conducted across all LGPS funds in England, and as approaches varied from fund to fund, GAD use a best estimate basis of funding success at around 50% with a consistent set of assumptions.
- GAD had looked at surpluses, and at the moment no concerns had been raised in respect of any LGPS funds. Discussions had taken place with the previous

government prior to July 2024 on the use of surpluses in pension funds. It was also noted that GAD focused on contribution rate outcomes rather than placing too much weight on funding levels.

- Members debated what the appropriate level of surplus looked like. It was suggested that the aim should be to be over 100% funded, with 115/116% providing a good buffer. It was noted that if a surplus went too high, this would reduce employer contributions. Kenneth Ettles, Senior Consultant, Aon, highlighted the benefits of having a surplus, including reductions in employer contributions and confirmed that Aon would work with NYPF on managing employer surpluses.
- Overall, the results of the review were positive for NYPF, and the published Section 13 report formed a useful basis to see how NYPF compared to other funds.
- In response to a question raised by a Member, it was confirmed that Aon did not necessarily apply the same financial and other assumptions on all their pension fund clients as strategic asset allocations differed between funds, although assumptions for individual asset class returns were consistent.

#### **Resolved –**

That the contents of the report are noted.

### **73 Quarterly Funding and Investments Report (Including Investments Update) – Report of AON**

#### **Considered –**

A report of the Investment Consultants, Aon, providing a high-level summary of NYPF's investments and funding during the second quarter of 2024/25.

Kenneth Ettles and Nick Conway of Aon presented the report and drew attention to the following points:

#### **Funding:**

- The funding level was 115% which was only 1% below the funding level at the 2022 valuation. Although asset returns had been below expectations, liability values had fallen as a result of higher forecast investment returns.
- The surplus had decreased by £52m.
- High interest rates remained an issue, however towards the end of the quarter inflation fell to close to the Bank of England's 2% target.
- The low risk funding position was high compared to history and would be considered as part of the next investment strategy review.
- It was noted that the funding position remained stable compared to most other LGPSs.

#### **Asset allocation:**

- Asset returns were lower than expected and had decreased by 0.3% per annum since the 2022 valuation.
- Forecast asset returns had increased from 6.1% to 7% per annum.

#### **Market background and investment outlook:**

- The economic challenges across the world, and the potential for a recession in the US.

#### **Fund performance:**

- The Total Fund performance snapshot was provided on page 19 of the report which highlighted that the Fund performed below the benchmark over the quarter.

- The Total Fund performance was ahead of the composite benchmark over the 5 year period, however over the last 3 years, the Fund had underperformed. The Independent Investment Advisor commented that a 5 year figure was a better indicator of progress, as it captured performance over the full period of the pandemic, which the 3 year figures did not.
- In terms of manager performance in the quarter, BCPP global equity was the biggest negative, alongside BCPP listed alts and BCPP multi asset credit.
- Baillie Gifford LTGG had performed well. The manager had taken some profits from well performing stocks.
- One Member commented that it would be helpful to include information on weighted performance attribution in order to see manager performance impact at a total Fund level.
- It was noted that the property portfolio continued to struggle, and one Member asked for some further detail about property fund managers. Kenneth Ettles explained that a combination of the pandemic accelerating a move away from office working to online shopping had contributed to negative returns over the last few years but that the returns had now started to stabilise. The Head of Investments also explained that property was an asset class that took time to perform and explained that BCPP were launching a UK property fund which would be considered as part of the investment strategy review.
- Members commented that the decision of the Fund to exit investment from Hermes was a good decision. One Member queried whether the PFC could be kept informed of urgent matters on occasions where there was not a scheduled PFC meeting. It was confirmed that the Chair and the Treasurer would usually be called on to make such decisions, although additional committee meetings could be convened if required.

#### **Resolved –**

That the contents of the report from Aon are noted.

#### **74 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 NYPF addressed this through Border to Coast.

The Head of Investments outlined the report. The following points were highlighted:

- As part of the governance arrangements for Border to Coast, a Joint Committee had been established which was chaired by the PFC Vice-Chair. Members congratulated the PFC Vice-Chair on his appointment.
- The Fund's investments with Border to Coast had not changed much in the quarter, as indicated at paragraph 7.1 of the report.
- Section 8 of the report highlighted future investments with Border to Coast. One particular point raised was the launch of Border to Coast's UK Property fund in late 2024. It was noted that the fund had taken longer to get up and running than expected and that if NYPF were to invest, this would be from around April 2025.
- The change in Government was expected to impact on the timing of the updated guidance on pooling investments.
- On 16 August 2024, guidance was published in relation to the Government's pensions review. It was reported that the call for evidence was published the previous week, with a deadline of only 3 weeks, which was unusual.
- The Treasurer commented that the Fund had positively contributed to the pooling initiative.

- Members discussed the investment in the Border to Coast UK Opportunities fund. Some Members felt that aiming for non-financial benefits could be a diversion from the Fund's primary role in respect of pensions. However, officers noted that this fund has a financial target only, and no non-financial targets, so non-financial benefits were considered to be secondary.

**Resolved –**

That the contents of the report are noted.

**75 Investment Arrangements with Border to Coast - Appendix 3 (Confidential)**

Members did not discuss the confidential details of Exempt Appendix 3. Members did however note the change in reporting frequency to an annual rather than quarterly basis.

**Resolved –**

That the contents of the Exempt Appendix be noted.

**76 Investment Strategy Review - introduction - Report of AON**

Considered –

A report by Aon providing an overview of their investment strategy review.

Kenneth Ettles, Senior Consultant, Aon, presented the report which set out of the key considerations for the strategy review work that would be undertaken in the next 6 months. The following points were highlighted:

- The stages and timescales overview were outlined as per page 3 of the report:
  - **Stage 1** (Q3 and Q4 2024) – 'Discover and develop' would consist of high level objectives and discovering the PFC's views via an online questionnaire, which would be sent to Members shortly with a 4-5 week completion date.
  - **Stage 2** (Q4 2024) – 'Deliver initial strategies' would be discussed at the November 2024 meeting of the PFC and the workshop scheduled for 21 November 2024.
  - **Stage 3** (Q1 2025) – 'Deliver final strategy' at the February 2025 meeting of the PFC.
  - **Stage 4** (Q2 2025 onwards) – 'Implement strategy' by March 2025.
- In response to a question, it was confirmed that climate risks would be considered during stage 2.
- It was also confirmed that the outcome of the triannual valuation of 2025 would be available in September of that year.

**Resolved –**

That the contents of the report are noted.

**77 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 12.32 pm

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