

North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on 22 November 2024 held at County Hall, Northallerton commencing at 10.00am.

Present:-

Councillors Angus Thompson (Chair), Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Dan Sladden, Neil Swannick, and Peter Wilkinson; together with Councillor Peter Kilbane (City of York Council), David Portlock (Chair of the Pension Board) and Brian Hazeldine (UNISON retired members)

In attendance:, Kenneth Ettles (Senior Consultant Aon), Nick Conroy (Aon) and Leslie Robb (Independent Investment Advisor).

Apologies for absence: John Fletcher (UNISON)

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 Steve Loach (Democratic Services).

Copies of all documents considered are in the Minute Book

78. 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.

79. Minutes of the Committee Meeting held on 13 September 2024

Resolved -

That the Minutes of the meeting held on 13 September 2024 were confirmed and were signed by the Chair as a correct record.

80. 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 Cliff Lunn

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

81. Public Questions or Statements

Richard Tassell – Fossil Free North Yorkshire

A report by the Network for Greening the Financial System (published on the 5th November 2024) using the most recent climate and economic data sets, highlights the accelerating negative impact of climate breakdown on the world economy. The report's risk profiling points to at least 30% losses to the global economy by the end of the century (a conservative estimate).

Our first question relates to the stated intention by the North Yorkshire fund and the pension pool, BCPP (Climate Change report 2023/24 page 28) to which North Yorkshire's fund belongs to continue to engage with fossil fuel companies that are part of your investment portfolio.

We are encouraged that, together with other funds, you are at least pressing fossil fuel companies such as BP and Shell to align their future investments with the Paris 2015 climate agreement.

However at the current time this approach is proving notably unsuccessful; both companies are greatly increasing investments in exploiting new wells.

So at what point will you, as a committee, together with your investment advisors, decide that attempts to influence such companies by 'engagement' has proved to be unsuccessful and that it is safer short and longer term to divest and reinvest in alternatives to fossil fuels?

Do you have a time frame, an outer limit reaching which you will take such a decision? In relation to this we are also concerned that at the pension committee's March meeting Cllr Paul Haslam asked (later confirmed by him) that a record be kept by the committee of your successes in influencing fossil fuel company's policies in relation to reducing carbon emissions. This request does not appear in the published minutes of that meeting.

Why is this?

2. We understand that the Chancellor, Rachel Reeves has announced a review of the current arrangements for the Local Government Pension Funds.

Ms Reeves said in a Financial Times interview ((7th August 2024) that 'I want British schemes to learn lessons from the Canadian model and fire up the UK economy which would deliver better returns for savers and unlock billions of pounds of investment'

We understand that there are savings to be made amalgamating the 86 funds that currently compose the LGPS into a 'mega' fund.

What is the view of the committee in relation to these early proposals?

What impacts positive and negative do you think this would have on investment decisions, including as it would, a loss of local democratic oversight, and is it more or less likely that investments would go towards 'green' infrastructure under a new centralised system?

The following response was provided to the issues raised:-

Engagement

We believe that engagement and constructive dialogue with the companies we invest in is more effective than divestment, and that by remaining engaged we can effect change at those companies. This is a fundamental part of the responsible investment approach undertaken by Border to Coast on our behalf, and supported by their recent research work, is how we believe we can most effectively push for alignment with net zero goals in portfolio companies.

Their Responsible Investment Policy, which is available on their website, sets out the escalation process if engagements do not lead to the desired results. The methods of escalation vary, and depend on the circumstances, but include for example: voting against related agenda items at shareholder meetings, attending shareholder meetings in-person to raise concerns, making public statements, publicly pre-declaring voting intentions, and filing or co-filing shareholder resolutions.

The case-by-case nature of engagement and the many other investment criteria they consider, means that there is not a singular threshold for divestment. If engagement is unsuccessful or unsatisfactory, they assess both the feasibility of future engagement steps and the existing investment case. If they identify a fundamental weakening of the investment case, a decision may be taken to sell, or reduce our holding in, a company's shares.

Over the last two years Border to Coast has escalated engagement with BP and Shell. This has included voting against the re-election of both Chairs of the Board due to climate concerns, supporting independent shareholder resolutions aligned with the objectives of the Paris climate agreement, voting against management resolutions that present inadequate transition plans, and publicly pre-declaring our votes against management ahead of the AGMs to encourage other shareholders to do the same.

Cllr Haslam's comments

I've spoken to Democratic Services about this, and it was considered that he made a proposal that wasn't followed up by the Committee. Not everything is recorded as stated in meetings, as it would be impossible to do so. Unless there was a clear steer from Members, that they would support a proposal, it would be unlikely to feature in the minutes. In this case, the recollection is that there was not a clear steer from Members.

The consultation

The proposals are being considered by officers and in due course will be discussed by the Committee.

82. 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 (ABS) 2024

Breaches Policy & Log

Business Plan Update

Issues and Initiatives

Ongoing projects:-

- i-Connect (employer portal) rollout
- McCloud
- Pensions dashboard
- New The Pensions Regulator's (TPR) General Code of Practice
- Business Continuity Plan
- Common and Conditional data scores

Governance documents

Member Training

Meeting Timetable

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

- The Administration service continued to be busy, however a two week work in progress position had been maintained.
- There had been 11 complaints during the quarter.
- All of the 2024 Annual Benefit Statements (ABS) had now been issued, with work commencing on the 2025 Statements, as changes would be required to accommodate the McCloud information.
- There had been two new breaches of the Regulations during the quarter, relating to the late issuing of a Pension Savings Statement, which had been reported to HMRC and a response was awaited, and not issuing 100% of the ABS within the required timescale. The Chair of the Pension Board stated that the breaches had been reported to the October meeting of the Board and Members had agreed to recommend that the Pension Fund Committee did not refer the breaches to the Pensions Regulator given their nature.
- In respect of the Business Plan key actions, 1 had been completed and 9 were progressing.
- i-Connect continued to be rolled out with 43 remaining to be included, although quite a few were currently in progress.
- McCloud would need to be included in the 2025 ABS and data cleansing was taking place to ensure that information provided was relevant and appropriate.
- Meetings had taken place with the Integrated Service Provider for the Pensions Dashboard. The deadline for the provision of the Dashboard is October 2025 but the NYPF want this in place well ahead of that date to allow the system to be extensively tested before it goes live.
- A meeting was held in October to consider areas of development and to form an action plan in respect of the new TPR General Code of Practice. Fourteen areas had now been completed with one area of non-compliance. A further review would be taking place in December.
- The Business Continuity Plan had been separated into various policy areas, with packs created for each area. Action cards had been developed to provide details of what was required in each scenario. The first draft of the overall plan was now developed but would require checking against the overarching NYC plan before it is published, to ensure there are no anomalies or contradictions.
- The common and conditional data scores were provided for information. The common data score had dropped due to the number of members we have with 'gone away' addresses. These were now being data cleansed as part of the annual bulk tracing exercise with members being requested to check their personal details.
- Details of a Conflicts of Interest Policy were provided to enable Members to review the terms. This would then be adopted.

Members discussed the following in relation to the report:-

- Mention was made of the national knowledge assessment undertaken by Members and it was noted that a response was awaited from Hymans regarding the performance of the Fund, based on a response from Members who had undertaken the assessment. Members raised concerns regarding the difficulty of the assessment, the short notice given in terms of receiving this and it having to be completed and the preparation required to attempt the assessment. In response it was emphasised that the assessment had been deliberately challenging to ensure that an appropriate level of knowledge could be determined and training suggested as a result. It was stated that the forthcoming governance review for pension funds was likely to require a level of knowledge and training for Members of the Committee, as was the current position for the Pension Board, and the assessment was undertaken to pre-empt that requirement.

Resolved –

- (i) that the contents of the report be noted;
- (ii) that the contents of the Breaches Log be noted and that no report should be made to the Pensions Regulator

83. Budget and Cashflow - Report of the Treasurer

Considered –

The report of the Treasurer outlining the following:-

- (a) the 2024/25 budget and the cost of running the Fund
- (b) the cashflow projection for the Fund
- (c) update on the Fund's statutory accounts and Annual Report

The main variances were outlined in the report with an estimated total running cost of £38.7m against a budget of £38.8m, giving a forecast underspend of £0.1m.

The annual increase in pensioner numbers was expected to be around 3.7% based on historic trends and the latest information, inflation, CPI in September 2024 of 1.7% would be applied to benefit payments and accrued benefits from April 2025, with 2% assumed thereafter. The assumptions including inflation would continue to be reviewed and updated regularly.

The overall cashflow forecast was for a series of steadily increasing deficits from 2024/25 into the future which was to be expected as the Fund continued to mature. Discussions were being held with Border to Coast Pensions Partnership (BCPP) regarding income generating options to offset the negative cashflow position.

The 2022/23 Statement of Accounts had still not been completed but was expected to be very soon. The 2023/24 accounts were delayed due to a number of issues, including the knock-on effect from national accounting issues affecting the 2022/23 accounts, but these were also progressing well. It was intended that the NYPF Annual Report would be published by the deadline date of 1 December, with a note of explanation regarding the accounts.

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

- A Member noted the cashflow position and future projections and emphasised the need for discussions with BCPP regarding cash generating investments that the Fund could utilise to ensure there was sufficient cash to pay pensions.

He asked that a report be brought to a subsequent meeting of the Committee to provide a more in-depth analysis of this position. In response it was noted that the figures detailed within the report related to less than 1% of the overall Fund and income generating funds were being explored to take account of this. The Treasurer stated that a cashflow strategy for the Fund was already in place and details would be provided to the next meeting of the Committee to address the concerns raised.

Resolved –

That the contents of the report are noted.

84 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 third quarter of 2024/25.

Kenneth Ettles and Nick Conway of Aon presented the report and drew attention to the following points on what had been, overall, a positive quarter:

- Funding ratio was up 0.8% on the previous quarter with the funding level at 116%
- The investments were still overweight to equities in relation to the Strategy (currently 47% - Strategy 45%). It would be appropriate for the Committee to consider a further cut in exposure to equities in line with the Strategy.
- Details of the performance of asset allocations and fund managers during the quarter were provided.
- Issues relating to the development of the Investment Strategy and moving this forward were discussed at a recent workshop.
- An analysis of data was provided detailing outperformance against actuals.
- How to develop an Investment Strategy that would maintain the current funding level but reduce the volatility of an equities focussed portfolio with a variety of investments considered.
- The potential for alternative investment opportunities based on expected performance should the current exposure to equities be reduced.

A discussion of the issues raised highlighted the following:-

- A consensus to reduce the potential volatility of investments by reducing the exposure to equities but ensuring that an appropriate return was still achieved.
- Consideration was given to the current investment with Baillie Gifford and the review of the management of the Global Alpha fund managed by border to Coast.
- Concerns were raised relating to Baillie Gifford withdrawing as a signatory from Climate Action 100+. This decision appeared to be a result of some investors, mainly in the US, perceiving signatories as taking an ethical investment approach rather than a responsible investment approach, due to the tone of engagements by Climate Action 100+. It was emphasised that this did not mean that Baillie Gifford had changed their approach to investing. They had not. It was asked that arrangements be made to allow a direct discussion between representatives of Baillie Gifford and the Committee, which was agreed.

Resolved –

- (i) That the contents of the report from Aon be noted;

- (ii) That arrangements be made for a 2% disinvestment from Baillie Gifford's portfolio, to bring equities broadly in line with the Investment Strategy, with the funds being held in cash until a suitable investment opportunity is available.

85. Pension Board - Draft Minutes of 24 October 2024 and Annual Report 2023/24- Report back by the Chair of the Pension Board

Considered –

The draft minutes of the Pension Board meeting held on 24 October 2024 and the Annual Report 2023/24.

The Chair of the Pension Board highlighted the following:

- Internal Audit reported to all meetings of the Pension Board. Currently there were three reports outstanding in relation to audit work carried out in 2024, but it was expected that these would be reported to forthcoming meetings of the Board. Early indications were that the reports would provide substantial assurance in all areas that had been considered. The Chair noted that should any issues of concern arise through the Internal Audit reports these would be reported to the next available meeting of the Committee.
- The Board had agreed to appoint Eddie Brass to a vacant Scheme Member position on the Board and this had subsequently been approved by Full Council at its November meeting.
- The Annual Report of the board had also been approved at the November meeting of the Council.

Resolved –

That the contents of the Minutes and Annual Report be noted.

86. Investment Arrangements with Border to Coast Pensions Partnership - 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 BCPP.

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

- A Meeting of BCPP and representatives of the eleven partner funds had taken place to consider a co-ordinated response to the new Government's consultation on pensions.
- A number of issues were emerging in relation to how the LGPS could be managed, going forward, with the consultation describing further pooling to assist in generating additional funding for UK infrastructure and private equity opportunities.
- It was noted that the current valuation of the various Funds within the LGPS may have helped to revive the Government's interest in utilising LGPS money for investment in the UK.
- Concern was raised that there would be some risk for the LGPS should the Funds be used in this way particularly in terms of potential risk and returns for these investments.
- Members considered questions that could be put to the Pensions Minister at a forthcoming PLSA event in relation to the potential use of LGPS funds.
- The Fund's Independent Financial Advisor noted that BCPP could benefit from the Government's proposals, particularly if pooling was to be expanded, as they were in a good position to expand their existing service and could have a

different view than the partner Funds in respect of the consultation response. The Treasurer considered that it was in the interests of BCPP to reflect the views of the partner Funds.

- Councillor George Jabbour from North Yorkshire had been appointed as the Chair of BCPPs Joint Committee in June 2024 and Councillor Doug McMurdo from Bedfordshire was appointed as Vice Chair in September 2024.
- Investment reviews were currently taking place in the various Workshops organised by BCPP.

Members undertook a discussion on the potential for investing in BCPP's UK Property portfolio. These details were incorporated into a confidential appendix to the report and, therefore, were the subject of a separate, confidential minute.

Resolved –

- (i) That the contents of the report be noted.
- (ii) That subject to advising Members of the details contained within the review undertaken by AON, via a virtual meeting with Members, a final decision on investing in BCPP's UK Property fund be delegated to the Chair in consultation with the Treasurer

87. Investment Arrangements with Border to Coast – Appendices 2 and 3 (Confidential)

A discussion of appendix 3, relating to the BCPP UK Property portfolio was undertaken. This was confidential and was the subject of a separate, confidential minute.

Resolved –

That the contents of the exempt appendix be noted.

88. Investment Strategy Review - introduction – Presentation by AON

A discussion of this presentation was undertaken. This was confidential and was the subject of a separate, confidential minute.

Resolved –

That the contents of the presentation be noted.

89. 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 12.30 pm