

North Yorkshire Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 9 January 2025 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Steve Watson (North Yorkshire Council)

Councillor Martin Rowley (City of York Council)

Scheme Members:

Eddie Brass (Deferred Members)

David Houlgate (Unison)

Simon Purcell (Unison Retired Members)

Sam Thompson (North Yorkshire Council)

Council Officers:

Steve Loach, Phillippa Cockerill, Jo Foster-Wade, Tom Morrison and Chris Chapman

In attendance:

Councillor George Jabbour.

Copies of all documents considered are in the Minute Book

86. Welcome and apologies for absence

The Chair welcomed Scheme Member representative Eddie Brass to his first meeting since his appointment.

Apologies for absence were submitted by Emma Barbery (Askham Bryan College) and Stuart Cutts (Veritau).

87. Exclusion of Public and Press

Resolved -

There was no discussion of the exempt information in Minute no 91(b) – Draft Confidential Minutes of the Pension Fund Committee held on 22 November 2024 and so no exclusion of the public or press was required.

88(a) Minutes of the meeting held on 24 October 2024

Resolved –

That the Minutes of the meeting held on 24 October 2024, having been printed and circulated, be taken as read, confirmed as a correct record, and signed by the Chairman.

88(b) Progress on Issues Raised by the Board

The Government had commenced consultations on the Governance arrangements for the LGPS, taking account of the Good Governance review undertaken by Hymans and the potential for a second phase of pooling. It was considered appropriate, therefore, that these issues be removed from the future progress report.

The updating of the Business Continuity/Disaster Recovery Plan was continuing with good progress being made and a new stand-alone plan for the North Yorkshire Pension Fund (NYPF) was expected shortly.

Eddie Brass was appointed as Scheme Member representative filling the vacancy. Work would continue to recruit to the Employer Representative vacancy.

The 2022/23 Final Accounts had now been signed off and the Final Accounts for 2023/24 were making good progress.

Resolved -

That the report be noted.

89. Declarations of Interest

There were no declarations of interest.

90. Public Questions or Statements

There were no public questions or statements.

91. Review of Terms of Reference

The Terms of Reference were provided to Members as part of the Annual Review.

Members were asked to consider the inclusion of a substitution scheme for Board Members, following a recent request. The following issues were raised in relation to this:-

- There was an issue regarding the knowledge and skills for potential substitutes and whether any appointed substitutes would be able to demonstrate these necessary attributes.
- It was acknowledged that knowledge and skills were required to serve on the Board but it was suggested that establishing the principle of allowing substitutions when Members were unavailable may be beneficial, especially in terms of trying to recruit representatives in future.

It was noted that, as a collective group, the Board would still have the necessary skills and knowledge, should any substitute not have those, and there was an expectation that knowledge and skills were built over time, rather than be in place initially.

- The Councillor serving on the Board noted that they were representative of their specific Councils, rather than serving on the Board for their specific skills and knowledge, and a substitution scheme, when required, would enable that representation to remain in place.
- It was suggested that, rather than make a decision to introduce a substitution scheme at this time, further exploration of the situation be undertaken, including whether other Pension Boards had such a scheme and whether a scheme for all Members of the Board or just the Councillors be provided, with further discussion at the next meeting of the Board.

Resolved –

That no changes be made to the Terms of Reference at this stage, but further consideration be given to the introduction of a substitution scheme taking account of the issues raised above, at the next meeting of the Board.

92(a). Draft Minutes of the Pension Fund Committee held on 22 November 2024

Considered

The draft Minutes of the Pension Fund Committee (PFC) held on 22 November 2024.

Issues raised in respect of the public question/statement to that meeting in terms of the engagement between BCPP and fossil fuel companies were discussed. The following issues were raised:-

- It was stated that engagement continued but it was acknowledged that this was challenging particularly where some companies had gone back on some of their original commitments. However it was recognised that changes to global energy provision were required, although probably only in the short term, following an energy crisis sparked by the Russian invasion of Ukraine, with expectations being that further exploration of renewable energy would in time again become the main focus. It was emphasised that the duty of Pension Funds was to ensure that they got the returns needed on investments rather than to pursue non-financial or ethical agendas. It was noted that the Council had a commitment to being carbon neutral and investments in renewable energy would assist with this. In response it was stated that it was reasonable that the Pension Fund invested in areas that did not always align with the aims of the Council, with the primary focus being a return on investments for the Fund. It was emphasised that BCPP have a suite of policies relating to engagement and the management of risks including climate change and policies and reports are available on their website.

Reference was made to the influence held by Pension Funds as they were major stakeholders in many companies and should be able to use that to influence how these organisations behave. It was emphasised that despite various questions to both the Committee and the Board, these were from the same pressure group and, there was no evidence that views on divesting from oil and gas companies were widely shared.

- The Chair noted the breaches that had been previously reported to the Board and were outlined at the Committee. He stated that, in line with the Board's decision, he had recommended that the Committee did not refer the breaches to the Regulator. The Committee agreed that recommendation.

Resolved –

That the draft Minutes be noted.

92(b) Draft Confidential Minutes of the Pension Fund Committee held on 22 November 2024

Resolved –

That the draft Minutes be noted.

93. 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 November 2024 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from 22 November 2024 meeting was provided as an Appendix.

Breaches

There had been one new entry in the breaches log since the previous meeting of the Board relating to:

The issuing of information to two members of the Fund, with both receiving each other's details. The circumstances behind this were explained which had resulted from human error. The matter had been reported to Information Governance who considered the incident to be low level with no further action required. The circumstances had been discussed with the team to try and prevent this from happening again.

Annual Benefits Statements

Work had commenced on the 2025 annual benefits statements which have to include details relating to McCloud. It was expected that the data for this inclusion would be provided very late in the process, which could affect the date the statements are issued by.

Major projects

The i-Connect project continued to progress, with 238 employers onboarded. With 13 left to onboard, the target completion date to have all employers onboarded remained at 31 March 2025. In terms of the Pensions Regulator's (tPR) General Code of Practice a review meeting was held with Aon in October 2024 to consider current compliance and it was noted that a number of sections were fully compliant. Further engagement was to be undertaken to address areas of non-compliance, with further

updates provided in due course. It was noted that currently there was no deadline for full compliance.

The current focus for McCloud was ensuring that the data was correct for those members who had to have it included in their 2025 annual benefit statements. Following this, consideration will be given to any additional payments required and who should receive these.

Preparation work for the delivery of the Pensions' Dashboard continued with data cleansing being undertaken ahead of its implementation. The Fund was aiming to have this in place by the end of May 2025, ahead of the required date of the end of October 2025. The deadline for all pension schemes to connect is October 2026. It is anticipated that the dashboard will be available to the general public at some point after this.

The updated, Fund specific, Business Continuity Plan had now been drafted and was with the NYC Cyber Security Team to provide an overview of what has been developed. The results would then be fed into the Emergencies and Resilience Team for the Plan to be implemented which was expected to take place shortly.

Local Government Pensions Committee (LGPC) Bulletins Log

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

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

- It was clarified that the payments for McCloud were expected to be in place by the end of the year, with time, resources and the clarifying of data being the issues creating this timeframe. System changes would also be required for the annual benefits statements which would likely impact the issuing of these for 2025, however, all Funds will be in the same position in relation to this.
- It was asked what the priorities of the NYPF would be in terms of disaster recovery. In response it was stated that the main priority was ensuring that pensions were paid. If the process could not be operated appropriately and payment was due, records from the previous month would be utilised to make an interim payment with any required top ups provided subsequently. Lump sum retirement payments could be affected, but these could be delayed for a week, with an advance sent where required. These details were set out in the Business Continuity Plan.

Resolved –

- (i) That the contents of the report be noted.
- (ii) That the contents of the Breaches Log be noted and it be recommended to the PFC that no report should be made to tPR in connection with the latest Breach referred to above.

94. Review of Risk Register

Phillippa Cockerill, Head of Pensions Administration, provided Members with an update of the Risk Register. This was last reviewed at the PFC at their November meeting and it was noted that there had been no changes from the June review.

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

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- None of the risks were rated as red.
- The risk of losing key personnel was recognised by Members as a major concern. It was emphasised that the NYPF Administration Team had a low turnover of staff and were not encountering problems with the retention of staff that some other areas of the Council were, with a substantial turnover in some services since LGR.
- The 2023/24 Final Accounts were still ongoing with the external auditor but were due to be signed off shortly.
- Whilst there were no major concerns regarding risks indicated within the update a Member raised concern that Cyber security was not being flagged as such, particularly as cyber-attacks became more complex. It was emphasised that this was still recognised as a risk, hence its inclusion within the Register, however, lessons learnt from previous attacks and the measures put in place to combat these provided the current level of risk.

Resolved –

That the update of the Risk Register and feedback from Members be noted.

95. Internal Audit Reports

Stuart Cutts, Assistant Director – Audit Assurance for Veritau was unable to attend the meeting due to illness but had provided the Pension Board with an update on Internal Audit activity, including the completed reports on expenditure and income, with both giving substantial assurance. The report stated the investments audit was near to completion whereas the procedures and resilience audit would be starting shortly.

Members welcomed the substantial assurance given to both expenditure and income.

It was noted that the January meeting was usually provided with the audit plan for the coming year, but this had not been provided within the report. The Chair stated that he would contact Stuart Cutts outside of the meeting to determine the current position regarding that plan. Members noted that the same areas were audited each year and asked whether there was any plan to vary these. In response it was stated that despite the same headings being used for audits, different aspects of those areas were audited each year to vary the issues considered.

It was asked whether cyber security could be audited but it was noted that this would be included in an audit of NYC's Information Technology service. A copy of that report could be provided to Members if required. It was suggested that representatives of the cyber security team be invited to attend a subsequent meeting of the Board to discuss the action being taken.

Resolved –

- (i) That the report be noted;
- (ii) That Officers be congratulated on achieving substantial assurance for both the expenditure and income audits;
- (iii) That representatives of the cyber security team be invited to attend the next meeting of the Board to discuss the action being taken to prevent cyber-attacks;

- (iv) That the Internal Audit work plan be submitted to the next meeting of the Board.

96. Budget and Cash-flow

Tom Morrison, Head of Investments for the NYPF, presented a report updating Members on the:

- (a) 2024/25 budget and costs of running the Fund
- (b) the cashflow projection for the Fund
- (c) 2022/23 and 2023/24 Statutory Accounts and Annual Reports

A copy of the report presented to the November meeting of the Pension Fund Committee was provided as an appendix to the report. The underspend was primarily due to a reassessment of performance fees payable to one of the Fund's managers, partially offset by the fee for the external audit which will be significantly higher than budgeted following a review of audit fees by the PSAA (Public Sector Audit Appointments).

Budget

The forecast outturn position against the 2024/25 budget showed an estimated total running cost of £38.7m an underspend for the year of £0.1m.

Cash-flow

The overall cash flow position was reported to the PFC Meeting in November.

Additional arrangements were soon to be in place with BCPP to allow Funds to utilise income from various investments, to cover the operational shortfall.. It was noted that the Fund currently held around £100m in cash, which was generating around a 5% return, which was considered positive.

It was emphasised that the projected cash-flow deficit was relatively small in comparison to the size of the overall Fund, and although there was a need to continue to monitor the position, with action taken when required, this was not a major issue for the Fund.

2022/23 and 2023/24 Statutory Accounts and Annual Reports

The Final Accounts for 2022/23 had now been signed off. The 2023/24 Accounts continued to be checked but all the details were now with the External Auditor with a back-stop date for signing off given as 28 February 2025.

A triennial valuation of the Fund would be taking place in March 2025, with the overall valuation outcome established later in the 2025/26 financial year. The valuation process will determine employer contribution rates from April 2026.

It was noted that the Fund remained over 100% funded, in a similar position to the previous valuation, but caution should still be exercised relating to future contribution rates as financial markets worldwide remained volatile, which could affect the funding position in the run up to the valuation date. The PFC is currently considering the investment strategy with a significant focus on guarding against that volatility whilst protecting the funding position. Further discussions would be undertaken at both the PFC and the Board as the details of the valuation emerged.

Resolved -

That the content of the report, and updates provided, be noted.

97. Government Pensions Review and Pooling update

Tom Morrison, Head of Investments for the NYPF, presented a report setting out the legal requirement to pool pension fund assets and how NYPF is addressing this through Border to Coast. He also updated the Pension Board on Government pronouncements on fund consolidation, domestic investment, and other aspects of the LGPS.

The report highlighted the issues that had been outlined to the Board at the previous meeting and matters that had arisen since then. The following issues were highlighted:-

- Discussions had been held with the partner funds within BCPP, with the BCPP Joint Committee producing a response to the Government's consultation to which all of the Funds had signed up.
- Each individual fund had also submitted its own response to the consultation to reflect the differences of circumstance that exist across the partner funds. A deadline of the 16th January had been set for the responses to be received, therefore, the November meeting of the PFC, this meeting of the Board and a virtual meeting for members of both the Committee and the Board on 15 January will be utilised to gather any comments in respect of the NYPF response.
- New regulations and guidance which are expected to be published in due course, would need to be adopted accordingly and the required changes considered by the PFC and the Board in due course. It was unclear, at this stage, whether the recommended proposals for governance alterations would be implemented in total, or whether a variation of those would be proposed. It was noted that one of the recommendations related to the separation of the financial accounts for LGPS Funds from those of the Administering Authority Councils, which would be welcomed by Members.
- The timescales for the Government's response to the consultation have not yet been established.

A discussion of the report highlighted the following:-

- It was asked whether all the various Fund's investments had to be under the control of a pool by the set time period. In response it was clarified that not all investments had to be pooled by then but the Government is expected to take into account of how the Funds are progressing.
- Issues relating to the expenses involved in transferring the property portfolio into the pool were discussed and it was noted that a full assessment of the potential costs will be undertaken and the costs of implementation will be closely monitored.
- NYPF had made substantial progress on pooling its investments, whereas some other Funds in England were yet to transfer any investments into pools, therefore, it is not expected that the Government's concerns will have a material impact on NYPF.
- BCPP is considered to be operating in line with the Government's expected requirements for pooling and is, therefore, expected to be in a good position when the further regulations and guidance are published.

- It was emphasised that the best interests of NYPF continued to be balanced against the move for 100% pooling, hence the continued investment with Baillie Gifford.

Resolved -

- (i) That the report, and issues raised, be noted.
- (ii) That further reports be submitted to the Board once the Government's response to the consultation is available.

98. Training

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board member training.

Tom Morrison, Head of Investments for the NYPF, stated that the results of the knowledge assessment are currently being collated but, from the initial returns, Members of the Board have shown a good level of knowledge and skills. In areas where knowledge and skills were lower the upgraded Hymans training platform would be utilised in the first instance. Joint training for both the PFC and Board would also be organised where appropriate. A full discussion on the results of the assessment of Board Members would be undertaken at the April meeting.

It was suggested that the absent Member be contacted following this meeting to determine whether she had any further feedback relating to the assessment.

Resolved -

- (i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly.
- (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 the knowledge assessment at the next meeting of the Board, with an action plan developed to address any gaps in knowledge and skills identified;
- (iii) That the report, and issues raised, be noted.

99. 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 2025/26

The Chair noted that "deep dive" reviews by individual Board Members had been put on hold a number of years earlier due to resource implications in respect of officers' time. It was stated that the time was still not right for these to recommence, but further consideration would be given to their re-introduction, going forward.

Resolved -

(i) That the Work Plan, detailed in Appendix 1 to the report and as amended above, be noted.

(ii) That the remaining date of ordinary meetings for 2024/25, as detailed in the report be noted as follows:-

Thursday 3rd April 2025 at 10am

(iii) That the dates of ordinary meetings for 2025/26, as detailed in the report be noted as follows:-

Thursdays at 10am

3rd July 2025

23rd October 2025

15th January 2026

2nd April 2026

100. Other Urgent Business

There were no items of other business.

The meeting concluded at 11.40pm.