

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 4 June 2021 held as a live broadcast meeting commencing at 10 am under the process described at Minute 211.

Present:-

County Councillors John Weighell OBE (Chairman), Michael Chambers MBE, Cliff Lunn, Don Mackay, Patrick Mulligan, Helen Swiers and Angus Thompson.

Councillor Jim Clark - North Yorkshire District Councils.

Councillor Christian Vassie - City of York Council.

David Portlock - Chair of the Pension Board.

Brian Hazeldine – UNISON retired members

Apologies for absence were received from County Councillor Andy Solloway

Copies of all documents considered are in the Minute Book

211. Welcome and Introduction

The Chairman welcomed everyone to the live broadcast meeting of the Pension Fund Committee and announced that under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings would continue, with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach would be reviewed by full Council at its July meeting

212. Exclusion of the Public and Press

Resolved –

That on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public and press were excluded from the meeting during consideration of agenda item: 8 – Asset Allocation.

213. Minutes

Resolved -

That the Minutes of the meeting held on 5 March 2021 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity, subject to the following amendment:-

That in the attendance section “Brian Hazlehurst – UNISON retired members – observer” be amended to “Brian Hazeldine – UNISON”

214. Declarations of Interest

There were no declarations of interest.

215. Public Questions or Statements

There were no questions or statements from the public.

216. Death Grant

Considered -

The report of the Treasurer providing Members with information relating to the death of Mrs E in January 2021 in order that a decision could be made as to the beneficiary of the death grant now payable.

Members were reminded that it was an administering authority discretion under the regulations to decide to whom death grants are paid.

Background information was provided to enable Members to make a decision on this matter.

Having carefully considered the information, Members suggested that there were no demonstrable grounds for the original nomination papers provided by the scheme member to be changed.

Resolved –

That the member’s nomination of her sister to receive 100% of the death grant be upheld.

217. Pension Administration Report

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund in the quarter and updating 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 2021

Issues and Initiatives

GMP and Pensioner Data Reconciliation

Breaches Policy & Log

Administration System Project

Other Key Projects

McCloud

Outstanding Death Grant case

Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- An increased demand on the service and major projects currently underway, which had resulted in an effect on the target figure for work achieved during the reported Quarter, however, it was emphasised that payments were being made effectively and it was noted that these figures were improving.
- Work had now commenced on preparing the 2021 Annual Benefit Statements (ABS) with 170 data files, of 195, having been received at the time of the publication of the report. There were a number of queries on the data received and these had been logged with employers. Going forward it was expected that the move to monthly returns, through the new system, would ensure that all data would be provided and on time.
- The GMP and Pensioner Data Reconciliation projects were both nearing completion, with the data now being fed into the system and processed, with those affected being contacted in relation to pension reductions (over £5), pension increases and arrears being paid. Although there would be no reclamation of the overpaid pensions, there would be adjustments made to payments going forward, and suitable arrangements were being put in place to avoid members suffering financial hardship due to this.
- Details of the nature of a recent data breach was outlined, together with the action that had followed in relation to it. It was noted that the error occurred due to processes not being followed and related wholly to human error. Information has again been provided to staff to re-emphasise the process. It was noted that the issue had been reported to the Pension Board and it had been agreed that, due to the nature of the breach and the subsequent action taken, it be recommended to the Pension Fund Committee (PFC) that this should not be reported to the Pensions Regulator. The Chairman of the Pension Board confirmed the recommendation from the Board, as detailed.

- Employers were committing to the major changes taking place with administration systems and it was expected that the rollout would recommence by September 2021.
- The implementation of the Pensions Payroll system was progressing well. There had been a hitch with pensions paid to Building Society account holders having been paid twice, but this was being addressed with those affected being provided with an opportunity to either return the overpayment or miss the following month's payment.
- A contractor had been appointed to undertake the data gathering process for McCloud, and work, expected to last for around 12 weeks, would be starting shortly.
- The previous meeting had seen the deferral of a Death Grant case to allow further information to be obtained. Those details had not yet been provided, therefore, the matter would be brought to a subsequent meeting for consideration.
- A Member referred to a list of employers exiting the Fund contained within the report and asked why this was happening. In response it was stated a number of employers had contractors who were part of the Fund, but the contract had changed, some employed a very small body of people in the Fund who had left or retired, and in the case of Joseph Rowntree they had closed the Fund to their employees.
- It was requested that future versions of the report provide larger print in respect of the Breaches Log.
- A Member noted that the attendance at meetings details within the report were still inaccurate despite having highlighted the issue at the previous meeting. It was stated, in response, that these would be altered to reflect his attendance.
- In response to a Member it was clarified that the performance targets were not currently being met due to the implementation of new systems, major projects during the initial part of the year, coinciding with a significant rise in the demand for services. The figures were steadily improving and it was expected that the new systems would significantly enhance the performance of the service, going forward.
- The Administration System project continued to progress satisfactorily. The testing of the systems had commenced with good results. It was expected that this would ease the burden on year end processing as data would be fed in throughout the year.
- The migration to the new Pensions Administration Software to encompass an integrated system was expected to take place in March, with this then tested to ensure it was operating effectively.
- In respect of the McCloud judgement data collection was expected to take place in the first quarter of the coming year, with a third party operator undertaking this on behalf of the NYPF.
- A Member highlighted the significant challenges faced by the Administration Team during the previous and current year, and thanked them for the service delivered. This was echoed by the other Members of the Committee.

Resolved –

- (i) that the contents of the report be noted;
- (ii) that the contents of the Breaches Log be noted and the breach highlighted would not be referred to the Pensions Regulator;

(Members agreed to the alteration of the order of the agenda, due to technical difficulties, with item 10 (Report of the Pension Board Chair), item 9 (Performance of the Fund) and item 8 (Private item – Asset Allocation) being taken in that order.

218. Pension Board – report back by Chair on the meeting held on 8th April 2021

Considered -

The Minutes of the Pension Board held on 8th April 2021 together with a verbal update by the Chair of the Pension Board.

The Chair of the Pension Board, David Portlock, summarised the discussions at the meeting held on 8th April 2021 highlighting the following:

- A vacancy for a Scheme Member representative on the Pension Board remained despite ongoing attempts to fill this. Every effort would continue to be made to fill this.
- The Chairman asked whether there had been any development in respect of the reports that were to be provided in relation to Cyber Security, as discussed at the Board. In response it was stated that these were being developed by T&C at NYCC and would be circulated as soon as they were available.
- Issues in relation to the Death Grant and Breaches Log had been considered earlier at this meeting.
- Internal Audit work was a standing item on Pension Board agendas, and any concerns arising from those reports would be reported to PFC.
- The outcomes of the Hymans review of governance arrangements was still awaited, however, it was understood that there would be an expectation that PFC Members would be required to have a suitable level of understanding of the Fund, with appropriate training continuing thereafter, to serve on the Committee. The Treasurer emphasised that many Members of the PFC had extensive knowledge of the LGPS and received numerous briefings and information sessions, which addressed some of the requirements highlighted. The Pension Board Chairman acknowledged this factor and recognised the continual development provided for PFC Members.

Resolved -

That the details of the meeting outlined be noted.

219. Performance of the Fund

Considered –

Report of the Investment Consultant, AON, providing details of performance and asset allocation information for the Fund along with a background to the investment markets during the first calendar quarter of 2021.

The following issues were highlighted:-

- The Fund assets decreased in value by around £1m to £4,516 over the first quarter of 2021.
- In relative terms, the Fund outperformed the composite benchmark by 0.1% over the quarter.
- The composite benchmark was a weighted average made up of the individual manager benchmarks.
- The Fund outperformed its composite performance benchmark by 4.0% per annum over the 3-year period.
- No rebalancing was considered to be urgently required.
- The performance of the various Fund Managers, and the investments managed within the BCPP were outlined.

- Global equities continued to perform well over the quarter. The MSCI AC World posted a 6% return in local terms and a 3.7% return in sterling terms as sterling appreciated in a rally after a Brexit agreement was finally reached with the European Union at the end of 2020.
- UK investment grade credit spreads continued to contract as credit markets performed well. However, the return on the iBoxx Sterling Non-Gilt Index fell over Q1, driven by rising government bond yields.
- Overseas bond yields rose over the quarter, most markedly in the US on the back of economic recovery and inflation expectations fuelled by the new stimulus package. Meanwhile, the US Federal Reserve (Fed) continued to indicate that it would keep interest rates near zero until at least 2024 while upgrading its 2021 growth forecast to 6.5% from 4.2%. The European Central Bank (ECB) pledged to speed up its bond-buying program under its €1.9tn pandemic emergency purchase program (PEPP).

Members discussed the appended documents and the following issues and points were raised:-

- A Member stated that he had never seen the value of investments to be as static as they had been over the previous quarter and wondered about the outlook for investments post pandemic. In response the Fund's Independent Investment Advisor provided a summary of the potential for the economy as we come out of the pandemic, highlighting a number of issues, including:-
 - Value stocks would potentially perform better than growth stocks, as seen in recent market performance
 - Inflation could increase in the short to medium term
 - It was expected that the economy would grow more quickly than previously anticipated.

The Investment Consultants, AON, highlighted the following:-

- The previous year had seen a much stronger recovery in Stock Markets than was anticipated
 - Various geographies were beginning to show economic recovery, particularly in the USA
 - A fairly speedy recovery was now expected, in the short term, particularly as interest rates were currently low
 - High valuations could dampen short term returns
 - In the medium term there was a need to be cautious and to protect the solvency level of the Fund
 - Inflation needs to be carefully monitored, as supply issues coming out of the pandemic are likely to see this rise. The expectation was that inflation would temporarily rise, but not exceptionally high, in the short to medium term before falling again. There was some risk to the Fund's solvency level from this, however the new investment strategy should provide greater protection.
- A Member welcomed the cautious approach and the de-risking of the Fund's investments, going forward, and asked whether this would assist the focus to shift towards green infrastructure and green energy in the long term. In response it was stated that these factors were emerging in markets, with the USA beginning to take a more proactive approach following the change in administration. This was an important time for investments with an environmental aspect. Governments would be increasing spending to encourage economic recovery and there is expected to be a greater focus on green issues.

- A long standing Member of the Committee highlighted how the Fund had changed during his years of service, detailing the move from 35% to 125% funded, the fluctuations in the markets that had occurred, the risks that had been taken to get the Fund into its current position through its focus on equities and the economic pressures that will affect the Fund as it moves forward. He stressed that the focus should be on the long term future of the Fund and recognised the progress in protecting the current funding position through the change in the investment strategy.

Resolved –

that the contents of the report be noted.

Minute No.220 was considered as a private item (see Minute No. 212, above) and the public minutes below reflect that. Separate, confidential minutes have been produced in respect of this matter.

220. Asset Allocation

Considered -

The report of the Treasurer to the Fund regarding the following:-

- (i). Recommending an interim solution to the Fund's allocation to infrastructure pending drawdown of funds.
- (ii) Recommending a number of asset allocation changes aimed at moving closer to the Fund's long term asset allocation strategy.

Resolved:-

- (i) That an investment in Border to Coast's listed alternatives fund be agreed to in principle
- (ii) That the changes set out in paragraph 5.16 of the report, as detailed below, be agreed -
 - (a) Terminate the investment with Veritas
 - (b) Reinvest the proceeds in Border to Coast's corporate bond fund up to the target weighting of 7.5%
 - (c) Reinvest the balance of proceeds into PIMCO's diversified income fund
 - (d) Allow the remaining equity protection to expire
 - (e) Terminate the conditional currency hedging arrangement.
- (iii) That agreement be given to invest cash in excess of 0.5% of the value of the Fund into PIMCO's diversified income fund
- (iv) That the mandate with M&G be terminated and the proceeds reinvested into Border to Coast's government bond fund
- (v) That the proposed strategic benchmark allocations for the equity managers be noted, with a decision to be made once further consideration of the style balance has been undertaken.

The meeting concluded at 11.35am.

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