

# North Yorkshire County Council

## Pension Board

Minutes of the meeting of the Pension Board held on Thursday 8<sup>th</sup> April 2021 via Microsoft Teams commencing at 10am.

### **Present:-**

#### **Members of the Board**

David Portlock (Independent Chairman).

#### **Employer Representatives:**

Emma Barbery (Askham Bryan College) and Louise Branford-White (Hambleton District Council)

#### **Scheme Members:**

David Houlgate (Unison), Simon Purcell (Unison) and Gordon Gresty

#### **Observer:**

David Hawkins (York College) (Reserve Employer Representative).

#### **County Council Officers:**

Qingzi Bu, Steve Loach, Tom Morrison, Ian Morton and Jo Foster-Wade.

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

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### **272 Chairman's Welcome and Introductions**

The Chairman welcomed everyone to the formal, live broadcast, virtual meeting of the Pension Board. Members and officers introduced themselves for the benefit of the broadcast.

### **273(a) Apologies for Absence**

Apologies for absence were submitted by Councillor Anne Hook (City of York Council).

## **274(b) Vacancy for Scheme Member Representative**

It was noted that a vacancy remained for a Scheme Member Representative and efforts to recruit to that vacancy would continue.

### **Resolved -**

That the issue highlighted be noted.

## **275(a) Minutes**

### **Resolved -**

That the Minutes of the meeting held on 14 January 2021, having been printed and circulated, be taken as read and confirmed as a correct record and the Chairman would sign these at a convenient time;

## **275(b) Progress on Issues Raised by the Board**

Details had been outlined in relation to the Scheme Member representative vacancy (above).

The circulation of information from Border to Coast Pensions Partnership (BCPP), in particular the draft Strategic plan of BCPP, had been discussed at the previous meeting, with an agreement that this would be circulated to Pension Board Members when available. It was noted that this had now been agreed by the partner Funds and would be circulated to Board Members after the meeting.

The outcome of the Hymans Robertson report on the future governance of the Local Government Pension Scheme (LGPS) had now been submitted to MHCLG, and their response was awaited.

A discussion relating to the Pension Fund Committee's (PFC) skills audit took place at the recent PFC meeting. A training programme was to be developed, on specific, relevant issues, following the success of the internally produced event "Introduction to the LGPS" which had been well received by those that had taken part. Members welcomed the approach and praised the event referred to.

In respect of consideration given as to whether a breach should be reported to the Pensions Regulator, regarding late issue of Pension Saving Statements, it was stated that further details were yet to be received back from HMRC.

The reports on Cyber Security would be presented to the Pension Board as soon as they were available with no indication, as yet, when this would be.

The other issues were included on the agenda and would be updated during consideration of those items.

### **Resolved -**

That the report be noted and any further action highlighted be undertaken accordingly.

**276. Declarations of Interest**

There were no declarations of interest.

**277. Public Questions or Statements**

There were no public questions or statements.

**278. Pension Fund Committee meeting held on 5<sup>h</sup> March 2021**

The Chairman noted that the Minutes from the meeting were not available to distribute to Pension Board Members at the time of this meeting therefore he would do a brief summary of the issues raised, highlighting the following: -

◆ Public Questions/Statement

Two public questions/statements of a similar nature were submitted to the meeting, relating to the Fund's investments in fossil fuels, and calling for such investments to be redirected to renewable energy production. A Member of the Board highlighted his support for the statements. In response to the issues raised it was noted that while the NYPF still had investments within the oil and gas industry, there was already a move towards investments in green energy, and the oil and gas industry were heavily involved in that, having a significant role in the move to renewable and sustainable energy sources. It was not as simple as selling investments in oil and gas companies, therefore, as those companies are developing green energy solutions.

◆ Death Grant

The issue was withdrawn from consideration at the meeting., However, a Board Member when reading the documents from the PFC raised concerns that he could identify the person from the redacted, public papers, and suggested that content was reviewed for future cases.

◆ Performance of the Fund

Members noted that, the report to the meeting had indicated that the solvency of the Fund stood at approximately 120% as of December 2020, and it was asked whether the current position was similar. In response it was stated that the solvency was likely to have increased since then, with investments seeing an increase in that period.

◆ Other Business

The PFC's representative on the BCPP Joint Committee had raised concerns regarding the level of pay increase proposed for some Executive officers at the BCPP, which had been echoed by other Members of the PFC and had been conveyed to the BCPP. It was expected that further details on this matter would emerge in due course.

**Resolved -**

That the issues raised in relation to the PFC held on 4 March 2021 be noted.

## 279. Pension Administration

The Employer Relationship Manager, Jo Foster-Wade, 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 March 2021 meeting.

The following issues were highlighted:-

- ◆ PFC Report

The PFC report from their March 2021 meeting was provided as an Appendix.

- ◆ Breaches Log

The Breaches Log was attached at Appendix 2 to the report. There had been a new entry since the previous meeting of the Board and details of the nature of the breach, and the action taken to address this issue, were outlined. It was emphasised that, should the appropriate process have been followed, then the breach would not have occurred, and the process had been re-iterated to the member of staff involved. Members acknowledged that errors would occur from time to time, particularly with staff working from home for long periods, alone, due to the pandemic, and were satisfied that appropriate action had been taken.

Members considered whether the Breach should be reported to the Pensions' Regulator and given the nature of the incident, and the action taken following this, that it would not be necessary to report the breach.

In response to a Member's question it was noted that the Board had not referred any matters to the Regulator since its introduction in 2015.

- ◆ Annual Benefits Statements (ABS)

The process for the 2021 issuing of the ABS had now commenced and a number of data files had already been received. The deadline for submission was 30 April 2021.

- ◆ GMP Data Reconciliation Project

Around 500 overpayments had been identified, which would lead to their Pensions being reduced from April 2021. The issue had led to less than twenty queries and one formal complaint. No arrears would be collected in relation to overpayments.

There had been around 600 underpayments and arrears would be paid in these cases. The pensions payments of those affected would be increased from April 2021.

The In Advance payroll (approx. 400 members) which is paid on the 6<sup>th</sup> of April had been fully reconciled and all administration records had been corrected. There were still approximately 20,000 'in arrears' pensioner administration records to correct before the pension increase was applied.

The data would then be transferred to the payroll for payment at the end of April

◆ Pensioner Payroll

Following successful parallel processing for January and February it was agreed to go live on the interim system, Paylive, with effect from March. The interim system was in place to enable the controlled migration, reconciliation and payment of pensioners without affecting business. Pension increases would also be run on the interim system and the data would be merged back into the “live” environment in June.

During a discussion of the report the following issues and points were raised:-

- It was clarified that where reductions in pensions had occurred, following reconciliation processes, and the pensioner was facing significant financial difficulty, the NYPF was working closely with them to ensure that the decrease could be managed appropriately. It was stated that now the reconciliation had taken place, and databases had been updated and amended, this issue should not reoccur.

**Resolved -**

- (i) That the contents of the report be noted and any action identified be undertaken accordingly.
- (ii) That the contents of the Breaches Log be noted and the breach outlined should not be reported to the Pensions Regulator for the reasons outlined above.

**280. Internal Audit Reports**

Audit Manager, Ian Morton, provided the Pension Board with an update on Internal Audit activity.

The report highlighted the Audit Plan for 2020/21, previously approved by the Pension Board, as follows:-

- ◆ Income, Investments and Expenditure Audits were all underway
- ◆ Two actions from the 2019/20 Expenditure report, which were not due to be completed until April 2021 were detailed in Appendix 1 to the report.
- ◆ It was expected that there would be at least two of the audits completed by the time of the July meeting.

**Resolved -**

That the report be noted.

**281. Budget, Accounts and Business Plan**

Members considered a report of the Treasurer which provided an update on the Pension Fund budget for 2020/21 and 2021/22, cashflow projections and the

three year business plan for the Fund. The report taken to the March 2021 PFC Meeting was attached as an appendix to the report for Board members to consider.

The following issues were highlighted:-

- The latest forecast outturn position against the 2020/21 budget showed anticipated expenditure for the year of £31.5m, an overspend of £1.4m over the original budget. The majority of the overspend (£1.2m) could be attributed to increased fund manager fees due to the good performance of the Fund's investments.
- The updates in the cashflow forecasts had resulted in surplus positions in the overall cash position now being projected for 2020/21 and 2021/22. Due to the volatile nature of some of the income and expenditure incurred by the Fund, an element of fluctuation in the overall cashflow position was to be expected, and a small negative cashflow position was forecast for 2022/23.
- The 2021/22 budget had been submitted to the March meeting of the PFC alongside the three year business plan. The budget had been set at £3.8m higher than last year at £33.9m, in anticipation of increased Investment Manager fees, in view of anticipated performance. Appendix 3 to the report provided a complete breakdown of the budget allocation.

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

- A Member highlighted the significant increase in administration costs and asked for clarification of these. In response it was noted that new administration and payroll systems were being implemented, resulting in the higher costs for 2021/22, but it was expected that the more efficient and effective systems would generate longer term savings. It was emphasised that it was important for the NYPF to have up to date, efficient systems, going forward.
- A Member referred to the transition costs in relation to transferring investments to the BCPP MAC Fund and asked whether the figure was accurate. In response it was stated that this was a reasonable estimate, however, the exact costs were difficult to gauge, as much depended upon the position of the markets at the time of the transition.
- It was asked whether detailed monitoring was taking place in relation to investment costs to allow comparisons to be made in respect of pre and post pooling. In response it was stated that a comparison would be difficult as the investments were not 'like for like', however, details comparing the various costs would be fed back into the Board, going forward. It was emphasised that every effort would be made to ensure that the investments undertaken through pooling were as effective as possible as there was unlikely ever to be a return to Funds managing their own investments. It was expected that cost comparisons would commence as soon as meaningful data was available, with comparisons being undertaken at various stages, ie 3 years, 5 years, etc, to determine the cost effectiveness of the arrangements, the performance of investments and whether the expected pay back periods had been met.

#### Business Plan

The three year NYPF business plan had been considered at the March PFC meeting and was circulated to Board Members prior to the meeting. Included within the report were:-

- Updates on progress on the previous plan

- Key actions
- Details of revisions to the plan and a copy of the new three year plan.
- Addition of a further key action

Members discussed the plan and the following issues were highlighted:-

- A Member sought clarification of how the implementation of the business plan was undertaken and who had responsibility for monitoring that. In response it was stated that officers had a responsibility for implementing the plan, which was monitored through the various reports to the PFC and PB.

#### **Resolved -**

That the report be noted.

### **282. Investment Strategy Review**

The report provided details of the report considered by the PFC at its March meeting and the following issues were highlighted:-

#### **The New Investment Strategy**

Following the November 2020 Meeting of the Committee, Members had embarked on a series of Workshops to determine a new Investment Strategy for the Fund. Assistance with the process was provided by the Fund's Investment Advisers and NYPF officers. The aim of the Strategy was to maximise investment potential for growth while protecting the funding position and reducing risk. Consideration was also given to responsible investments and climate change.

As a result the new Strategy in terms of asset allocation, detailed below was agreed at the March 2021 PFC meeting:-

Equities – 50%  
 Infrastructure – 10%  
 Property – 7.5%  
 Private Credit – 5%  
 Multi Asset Credit – 5%  
 Corporate Bonds – 7.5%  
 Gilts – 15%

It was expected that this provide an appropriate return, in line with the Triennial Valuation assumptions and would reduce the risk from the current position.

Members raised the following issues:-

- Concern was raised in respect of investing in property at the current time, in view of the pandemic. In response it was emphasised that the success of these investments would depend upon the type and location of property invested in. BCPP were developing opportunities for investments in property, both in the UK and globally, and were developing a team with a high level of expertise in that field,

therefore, there was a good deal of confidence that a property portfolio will be developed that is appropriate to the NYPF.

- A Member noted that the PFC agreed an Investment Strategy in 2019 and asked why this was changing so soon after and whether it related to poor advice having been provided initially. In response it was noted that the PFC had suggested a reduction in equity investments in the 2019 Strategy Review to try and reduce risk, and maintain or improve the solvency of the Fund. Since then equities have continued to prove themselves as the main driver of returns and on reflection it was considered that the 2019 strategy review reduced the exposure to equities by too much. This led to the review earlier this year with a decision to seek equity investments of 50% rather than 45%. The PFC had also raised concerns regarding the number of investments in the strategy and had considered the need to have a less complicated Strategy. It was noted that the necessary implementation steps relating to the 2019 Strategy had brought out concerns for PFC Members which contributes to the detailed and thorough review taking place.

In terms of investments, the economies of scale of investing through BCPP were highlighted, with exposure to a much larger and varied selection of fund managers being available, which was bringing the diversification sought by the PFC, while reducing the costs of undertaking these investments compared to should the NYPF having pursued these alone. It was noted that all fees were visible in relation to investments taking place through BCPP and a comparison of costs would be fed back into both the PFC and the Board when there had been sufficient time for a meaningful comparison to be made.

#### **Options for new investments with BCPP – Private Credit and Infrastructure**

The PFC had decided that all new investments would be made through Border to Coast, where suitable opportunities were available, including private markets, where Border to Coast had a programme comprised of separate investment funds in private equity, private credit and infrastructure. The Fund's Investment Strategy included allocations to private credit and infrastructure, but not to private equity.

Due to the nature of private markets investments it was not possible to quickly allocate money and achieve target allocations, therefore, periodic commitments would be made over a number of years to gradually build up the allocations. Once the targets had been reached, further commitments would be made to maintain the values of the investments at or around the target levels.

The Fund's private credit and infrastructure programmes were in the process of being built up towards the targets but there was a long way to go.

The first quarter of each calendar year provided an opportunity to make new commitments to the BCPP private markets programme.



Extensive details of the Fund's current commitment, the desired investment levels, the expected progress of those investments and their compatibility with the new Investment Strategy for both private credit and infrastructure were provided in the report.

Initial commitment levels for both private credit and infrastructure for 2021 would be given further consideration, in line with the new Investment Strategy and decisions on commitments for later years would need to be made in the first quarter of each year.

### **Multi Asset Credit**

At the November 2019 meeting the PFC decided to invest in BCPPs Multi Asset Credit (MAC) fund, subject to further due diligence being satisfactorily completed.

Aon had been commissioned to do a final piece of due diligence, and concluded that there were no major concerns to going ahead with investing in Border to Coast's MAC fund.

Members agreed to give delegated authority to the Treasurer in consultation with the Chair of the Committee to make the final decision for the assets to be transferred to ensure that a decision could be made immediately prior to the transfer, based on a final assessment being made at the time assets were to be transitioned, which was unlikely to coincide with a Committee meeting.

### **Equity Protection**

At the November 2020 Meeting Members decided to allow the equity protection in place to January 2021 to come to an end, rather than be renewed. It was expected that the June 2021 PFC meeting would make a similar decision on the July 2021 tranche of protection.

### **Currency Hedging**

In September 2020 currency hedging was implemented through Legal and General as a temporary measure to help manage the risk to Sterling of a hard Brexit, as well as the risk that the UK economy struggled to recover over the medium term.

The Government had been able to negotiate a Brexit deal with the EU and as currency hedging was intended to be a short term tactical response to specific circumstances, its appropriateness would be periodically reviewed, with the intention of removing it, if it was considered that the reasons to maintain it were no longer strong enough.

A further review currency hedging, would be undertaken at the next meeting of the PFC.

The Chairman thanked all the officers involved for the excellent summary of the process undertaken to produce the new Investment Strategy and the implications for the NYPF.

**Resolved -**

That the report be noted.

**282. Training**

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

It was noted that the report providing details of training events attended, and activities undertaken by Pension Board Members was not now published as part of the report but did appear on the Meeting's web page and this was up to date.

The Chairman reminded Members of their requirement to have an appropriate level of knowledge and understanding of the relevant issues to serve on the Board. Although this was not currently a requirement to serve on the PFC it was expected that this position would change shortly. He stated that Members of the Board should reflect on what issues they would like to see covered in a training programme that could be delivered to both the PFC and the PB, and feedback on that.

A Member noted that Hymans Robertson provided a package of on-line training relevant to the LGPS. It was stated that their training package would be investigated for suitability and value for money to determine whether it was appropriate for Members.

A Member suggested that a training session on the Risk Register, and how that was developed and monitored, would be appreciated. Officers stated that they were developing a list of subjects that would be useful to Members in terms of providing specific training/information sessions, and would circulate this to Members following the meeting.

**Resolved -**

(i) That the report be noted

(ii) that the list of potential subjects in terms of providing specific training/information sessions be circulated to Members allowing feedback to be provided on these and to highlight any other relevant subjects that could be included.

**270. 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 until April 2022.

**Resolved -**

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

- (ii) That the dates of ordinary meetings as detailed in the report be noted as follows:-

Thursdays at 10 am

2021/22

8<sup>th</sup> July 2021

7<sup>th</sup> October 2021

13<sup>th</sup> January 2022

7<sup>th</sup> April 2022

## **271. Other business**

### **Continuation of Remote Meetings**

Members noted that the emergency legislation for the holding of remote meetings during the pandemic was due to lapse on 7<sup>th</sup> May 2021, with no intention for this to be renewed at this stage. It was stated that the County Council were currently considering how meetings would be undertaken following the 7<sup>th</sup> May, and a proposed way forward of remote meetings being delivered publicly, and live broadcast, on an informal basis, with the Chief Executive formally ratifying the required decisions, through existing emergency powers, would be the subject of a decision by full County Council in due course.

### **Resolved -**

That the issue highlighted be noted.

The meeting concluded at 11.55am.

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