North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on Friday, 6 March 2026 commencing at 10.00 am.

Councillor Peter Wilkinson in the Chair plus Councillors Alyson Baker, Caroline Dickinson (as substitute for Sam Gibbs), Michelle Donohue-Moncrieff, Mike Jordan, Cliff Lunn, David Noland, Andy Paraskos (as substitute for Angus Thompson), Dan Sladden and Neil Swannick.

Councillor Peter Kilbane (City of York Council).

David Portlock (Chair of the Pension Board).

In attendance: Kenneth Ettles (Aon), Nick Conroy (Aon), Leslie Robb (Independent Investments Adviser), Rachel Elwell (CEO – Border to Coast), Peter Gent (Head of Investment Advisory – Border to Coast), and Dave Knight (Customer Relationship Manager – Border to Coast).

Officers present: Gary Fielding (Treasurer to the Pension Fund), Tom Morrison (Head of Investments), Amanda Alderson (Senior Accountant), Phillippa Cockerill (Head of Pensions Administration), Jo Foster-Wade (Pension Employer Relationship Manager), Amanda Jones (Pension Employer Relationship Officer), and David Smith (Senior Democratic Services Officer).

Copies of all documents considered are in the Minute Book

Councillor Angus Thompson, Chair of the Pension Fund Committee, had given his apologies for the meeting. It was explained that, at the previous meeting of the Pension Fund Committee, it had been agreed to recommend to Full Council that Councillor Peter Wilkinson be appointed as Vice-Chair. It was reported that this recommendation had not yet been considered by Full Council.

Therefore, in the absence of a Chair or Vice-Chair, proposals were sought for who should Chair the meeting. A nomination for Councillor Peter Wilkinson was proposed and seconded. A vote was taken, and the motion was carried unanimously.

Resolved

That Councillor Peter Wilkinson be elected as Chair for the meeting.

142 Apologies for absence

Apologies were received from Councillor Angus Thompson, with Councillor Andy Paraskos attending as his substitute; Councillor Sam Gibbs, with Councillor Caroline Dickinson attending as his substitute; and from John Fletcher.

143 Exclusion of the public

Resolved

That the public are excluded from the meeting during consideration of Item 10: Border to Coast Investments and Item 11: Investment Pooling and Governance Arrangements, due to 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.

144 Minutes of the meeting held on 21 November 2025

Resolved

That the minutes of the meeting held on 21 November 2025 were confirmed as a correct record and signed by the Chair.

145 Declarations of interest

Councillor Alyson Baker declared an interest as she was in receipt of a widow's pension from North Yorkshire Council.

Councillor Cliff Lunn declared an interest as he was in receipt of a pension from North Yorkshire Council.

Councillor Mike Jordan declared an interest as he was in receipt of a private pension from Aon.

146 Public questions and statements

One public question was received.

Question from Richard Tassell on behalf of Fossil Free North Yorkshire:

> We ask that the committee make the climate model that has been used by North Yorkshire Pension Fund and the resulting market analyses public, so that pension fund members can gain a greater understanding of how the fund intends to respond to the impacts of climate breakdown.
>
> Supporting Evidence:
> Three reports published in the last two years by eminent and trusted experts demonstrate that the climate modelling that pension funds and others have been using is dangerously flawed. In ignoring climate science, assertions about the impact of rising temperatures in these models bear no relation to fact. In grossly underestimating impacts, pension funds have tended to under react to the risks and to continue to invest in the fossil fuel industry which is the major cause of global heating. We trust that you are familiar with these reports (1, 2, 3).
>
> Flooding in the UK that is now causing people's homes to be condemned and causing increasing alarm within the insurance industry; wildfires, such as those affecting the North Yorkshire moors last summer; drought conditions causing reduced crop yields and risks to farm animals — these are all impacts of an increasingly unstable climate. Our persistent wet weather over the past many weeks is made much more likely by temperature rise resulting from fossil fuel pollution (4).
>
> The climate is changing. This is a scientific certainty and the cause is fossil fuel use. Every fraction of a degree increase in temperature makes a difference. We have the technology to move away from fossil fuels and that would bring many other benefits to human health and wellbeing. But political will is lacking. Your will is lacking.

You have to do more to address this. You have the facility to direct substantial fund monies into positive projects that foster thriving and wellbeing instead of into corporations that are delaying the necessary transition and in the meantime providing expensive and unstably priced energy and causing unacceptably low air quality in all UK urban centres.

1. Loading the DICE against pension funds. Flawed economic thinking on climate has put your pension at risk.

2. The Emperor's New Climate Scenarios. Limitations and assumptions of commonly used climate change scenarios in financial services.

3. Recalibrating Climate Risk. Aligning Damage Functions with Scientific Understanding

4. Why is the UK so rainy this year and how is the climate crisis making matters worse?

On page 4 of the BCPP Climate Change Policy, it states: "We understand that scenario analysis can be useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change." Later, the document states: "We will be considering a 1.5°C disorderly scenario, 2.0°C scenarios (orderly and disorderly) and the 3.0°C 'Hot House World' scenario. We will initially conduct scenario analysis on our listed equity and investment grade credit funds."

Response to Richard Tassell:

Nobody doubts the seriousness of climate change. It is an issue that is discussed by the Committee often. This public statement is specifically about climate scenario models and the economic forecasts that they are based on.

The 2023 reports referred to in the question were discussed by the Committee at that time. They and the more recent report and article refer to economic projections on which climate models are based. As previously noted in our replies to public questions, these projections are just one source of information, where we recognise the limitations of their usefulness, and that they evolve over time.

The climate models used by our investment consultant Aon are their commercially sensitive intellectual property and therefore will not be made public. However, much of the output from the modelling, including the climate scenario analysis undertaken as part of the 2022 valuation, was included in the valuation report which is on the Fund's website. A similar level of detail will be included in the 2025 valuation report, which will be published on the website later this month.

The Fund's investment pooling company Border to Coast undertakes its own modelling as it relates to specific investment funds. Output from this is included in their Climate Change report, published on their website.

Richard Tassell asked a supplementary question, querying why the models could not be published publicly. Officers reiterated that the models are commercially sensitive intellectual property belonging to Aon and Border to Coast respectively and therefore could not be made public.

147 Pension Board Draft Minutes of 15 January 2026

David Portlock, Chair of the Pension Board, noted that the draft minutes of the Board meeting on 15 January 2026 were included in the papers. He highlighted the Board's discussions on the 'Fit for the Future' proposals and the forthcoming requirement for an independent adviser and a senior LGPS officer.

It was reported that, at its last meeting, the Board had considered an internal audit report on risk management. A substantial assurance opinion had been given, with one moderate finding relating to risk management training for Pension Fund Committee (PFC) members. The Board therefore considered that a pension fund-specific risk management workshop for PFC members, likely in Summer 2027, would be worthwhile. He emphasised that this would be distinct from the general risk management training provided to all councillors, as it would focus on risks associated with managing and investing the Fund.

It was also reported that the next internal audit review would focus on the role of the governing body.

Resolved

That the Pension Board draft minutes of 15 January 2026 are noted.

148 Pensions Administration Report

Phillippa Cockerill, Head of Pensions Administration, introduced the report, highlighting some of the work of the team.

- It was noted that the team maintain a two to three week work-in-progress position.
- It was reported that the new member platform, My Pension Online, had gone live on 15 January. Members of the former portal were required to re-register, and communications activity was underway to increase registrations.
- Regarding commendations and complaints, it was confirmed that no patterns had been identified. Two complaints related to the award of ill-health benefits, and no further action was required.
- The Committee were advised that the 2026 annual benefit statement exercise had begun, with a workshop arranged. The new online platform would allow statements to be displayed digitally rather than produced as documents, improving efficiency. The team had completed a comprehensive review of the online statements to ensure compliance.
- It was confirmed that no breaches had been reported in the quarter.
- It was reported that the triennial valuation was nearing completion, with employers to be notified of the new rates and payments monitored accordingly.
- An update was provided on the McCloud rectification phase. The number of pensioners who had received their uplifts, arrears and interest payments in February was reported, with a similar number planned for March. It was noted that the value of these payments varied significantly. Pensioner cases were expected to be completed by June, with a short pause in April to avoid overlap with the pension increase process. Deceased members and transfers out were expected to be completed by the end of the year.
- Three major regulatory changes expected during 2026 were outlined. The Fit for the Future reforms would significantly reshape LGPS governance and investment operations. Access and Fairness changes due from April would address historical inequalities in survivor benefits, death grants and unpaid leave; improve access to the scheme; support equality goals; and strengthen administrative accuracy and consistency. These were described as the most member focused regulatory improvements to LGPS benefits and protections in many years. Access and

Protections would further widen scheme access, strengthen member protections, and align the scheme with other public sector pensions, including changes such as the New Fair Deal. It was noted that these three significant areas of change would make it another busy year for the service.

In the discussion, the following points were made.

- The Committee commended officers for managing the workload, including tasks such as McCloud and the new platform. Officers were also commended for having no breaches.
- A question was asked about the management of the high number of telephone calls and how complex enquiries were handled. It was explained that all team members answered calls, and that staff refer complex enquiries to appropriate colleagues. Call volumes fluctuate but officers are able to progress their workload alongside dealing with queries. In addition to telephone enquiries, the team manages an inbox receiving a significant number of emails. The service had recruited additional personnel following a period where they were short-staffed and in response to a question about team size, it was reported that there were 41 staff across the systems, development and data, employer relationship, and member administration teams.
- The Committee asked about efforts to encourage members to use online options, noting that some might find it easier to contact by telephone. It was explained that a member platform had been in place for some time, enabling members to run their own estimates and update personal details, and that self-service continued to be promoted. It was reported that the new platform offered enhanced functionality and greater opportunities to automate processes. Work was also underway to implement 'Retire Online', allowing members to submit retirement requests through the portal rather than using a printed retirement pack, reducing time and cost. It was acknowledged that some members were less comfortable with online methods, although younger members generally preferred them. It was confirmed that online use was encouraged wherever possible, with alternative options remaining available.
- Details for the LGA Fundamentals training were requested and Officers said they would recirculate this information.
- An amendment to the November meeting date was noted, with the meeting now taking place on 13 November 2026.

Resolved

That the Committee notes the contents of the report and Breaches Log.

149 Business Plan, Budget and Cashflow

Tom Morrison, Head of Investments, introduced the report and highlighted the following points.

- The one outstanding activity on the 2025/26 Business Plan was noted.
- It was reported that significant activity was anticipated in 2026–27 in relation to investment pooling, changes to governance arrangements, and the continued development of self-service functionality. In relation to the forthcoming regulatory changes, officers indicated that they expected the regulations to be in place by 1 April 2026 and had a reasonable understanding of the likely content. It was noted that the changes would generate a substantial volume of work.
- It was reported that the budget for 2026/27 was broadly in line with the 2025/26 budget and aligned with expectations. It was noted that manager fees had been removed from the budget because most of these costs were now deducted directly from investment

values within Border to Coast and were therefore outside the Fund's direct control. Officers were considering how best to report these fees separately to allow comparison with the market, and further information would be brought back to the Committee in due course.

- The overspend on Pooling costs relating to the acquisition of a data platform required by Border to Coast to comply with the Fit for Future requirements was noted and had been discussed at the Committee meeting in November 2025.
- It was reported that the forecast indicated a growing negative cashflow position for operational purposes, estimated at between £60 million and £80 million per year. It was noted that this represented just over 1% of the Fund and was therefore not significant in the wider context. Officers informed the Committee that they had been exploring opportunities with Border to Coast to draw income from investments if required, taking account of the Fund's cash position and income received from other sources. It was confirmed that sufficient income was expected to be available to meet the shortfall for the foreseeable future.

During the discussion, the following points were made:

- Following a query relating to the forecasted worsening cashflow position, it was confirmed that there was sufficient income available but there was also sufficient flexibility to liquidate assets if required, to ensure continued pension payments. Officers highlighted that an increasing negative operational cashflow was part of the natural maturity of any pension fund. Arrangements for Border to Coast's public market investments typically allow trades to be placed with less than one week's notice. It was also noted that the increased allocation to index linked gilts following the recent strategy review would provide a hedge against short term inflationary pressures.
- Following a question about the removal of investment manager fees from the budget, it was explained that excluding them provided a clearer picture of controllable expenditure. It was confirmed that the fees are deducted from investment values and therefore are not in the Fund's direct control. Officers clarified that these costs would be separately reported to the Committee.
- A question was asked about the reduction in 'Other Admin Expenses' on page 55 of the papers. It was reported that this related to licensing costs for the pension software, which had been front loaded. Costs were now reducing but would increase again upon renewal in 2030.

Resolved

That the Committee:

a) Notes the progress made against the 2025/26 Business Plan.
b) Approves the draft 2026/27 Business Plan.
c) Approves the draft 2026/27 Budget.
d) Notes the 3-year cashflow projection for the Fund.

150 Quarterly Funding and Investments Report (incl. Investments Update) - AON

Kenneth Ettles and Nick Conroy from Aon introduced the report and provided an overview of key information, some of which is outlined below.

- It was reported that the Fund had returned 1.8% over the quarter, equivalent to an annualised return of 7.2%, which was above the discount rate. Positive absolute performance was noted across all periods, although there had been underperformance relative to the benchmark over one, three and five years. Over the longer term, performance was broadly in line with the benchmark.

- The portfolios that had underperformed relative to the benchmark were highlighted. It was noted that officers spent considerable time reviewing relative performance including through engaging with managers. It was reported that property managers had performed well, with both portfolios outperforming their benchmarks.
- It was noted that growth stocks, which had been performing strongly, had underperformed value stocks globally during the quarter. This resulted in poor performance of the Fund's equities investments.
- Within the Border to Coast portfolios, most active managers had underperformed their respective peer groups, with both growth and value managers lagging behind their peers.
- The Fund had been 1.5% behind benchmark overall for the quarter, but with a positive absolute return. Due to the strong absolute performance, the funding level was estimated to have improved to around 123%, an increase of approximately 3% since the valuation date.
- It was reported that the cumulative return on the portfolio since the valuation date had been 8.8%, which remained well above the discount rate.
- It was noted that some rebalancing had taken place, with assets moved from the Baillie Gifford Global Equities portfolio into the Border to Coast Index Linked Bond Fund. This transition had proved beneficial, as index linked gilts had outperformed the Baillie Gifford fund by approximately 13% over the quarter. It was highlighted that the most significant driver of overall returns was the Committee's decision on the strategic asset allocation.
- The expected long-term return on the portfolio at the end of December was 7.2% per annum, which remained well above the actuarial discount rate of 4.25%. The difference represented the margin for prudence built into the actuary's investment return assumption.
- It was reported that fixed income assets had delivered positive returns; however, credit spreads were at historically low levels – around 0.8% on investment grade credit. Aon noted that they would welcome consideration of this within the Border to Coast credit portfolios, and potentially an adjustment to reflect valuations in credit markets.
- It was reported that the value of the Fund had reached £5.1 billion, the highest level recorded.
- The current value at risk measure was noted to be approximately £940 million, broadly equivalent to the size of the Fund's surplus. It was also noted that the Fund had not previously reached a surplus of this level, having been in deficit for many years, and that this provided a strong cushion.
- It was advised that the five year performance figures incorporated the market effects of part of the COVID 19 period, and not the whole COVID-19 related cycle. Therefore, the three year and longer term numbers were considered more indicative of underlying performance.

In discussion, the following points were made:

- It was asked whether recent performance indicated that the Fund's equity approach needed to be reconsidered. In response, it was noted that the reduction in equities at the last strategy review had been appropriate and that the current allocation remained suitable. The next formal review of allocations was planned for 2028/29. It was explained that while passive equity investment was an option, the Fund had previously chosen active management aiming to add value over benchmarks. It was noted that the equity allocation would continue to require close monitoring.
- A question was asked about the Fund's approach to investing in UK infrastructure and what an appropriate level of allocation might be. The Fund's allocation to infrastructure was noted to be 15% of total assets. It was reported that investment in infrastructure

was regarded as positive, with significant global investment expected over the coming decades. A global approach was generally preferred, as limiting investment to UK projects could restrict opportunities, although the benefits of domestic investment and the Government's encouragement for UK pension funds to invest in UK assets were acknowledged. It was clarified that of the 15% overall allocation, 10% was invested in global infrastructure, 4% in global climate related opportunities, and 1% in UK opportunities.

- Clarification was sought regarding the climate opportunities and UK opportunities allocations. It was confirmed that the actual allocations at the end of December were approximately 2% and 0.2% respectively, while the strategy set targets of 4% for climate opportunities and 1% for UK opportunities. It was explained that both funds were relatively new products and that, although commitments had been made, the allocations would take time to build up. For example, it was noted that the climate opportunities allocation was a recent addition and was expected to take five to seven years to go from zero to the 4% target.

Resolved

That the Committee notes the report.

151 Border to Coast Investments

The Committee went into exempt session for the duration of Item 10 because it was deemed likely that exempt information relating to the financial or business affairs of any particular person (including the authority holding that information), as described in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, would be discussed.

A separate confidential minute has been produced for this item.

The Committee took a break between 11:27am and 11:36am.

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152 Investment Pooling and Governance Arrangements

The Committee went into exempt session for the duration of Item 11 because it was deemed likely that exempt information relating to the financial or business affairs of any particular person (including the authority holding that information), as described in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, would be discussed.

A separate confidential minute has been produced for this item.

Councillor Alyson Baker left the meeting at 12:00pm.

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153 Any other items

The Committee and the Treasurer recorded their thanks to Jo Foster-Wade for her contribution to the work of the Pension Fund and expressed their best wishes to her for a happy retirement.

154 Date of next meeting

Friday, 22 May 2026 at 10:00am.

The meeting concluded at 12.53 pm.