

## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 19 July 2018 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

**Members of the Board**

David Portlock (Independent Chairman).

**Employer Representatives:**

Councillor Ian Cutherbertson (City of York Council) and County Councillor Mike Jordan (North Yorkshire County Council).

**Scheme Members:**

Gordon Gresty and Simon Purcell (Unison).

**In attendance:-**

County Council Officers: Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton, Jo Foster-Wade and Adam Tennant.

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

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**147. Exclusion of the Public and Press**

**Resolved -**

That the public and press be excluded from the meeting during consideration of Minute No. 149(b) on the grounds that this 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.

**148(a) Apologies for Absence**

Apologies for absence were received from Louise Branford-White (Hambleton District Council), Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

**148(b) Vacancy for an Employer Representative**

The Chairman reported that, at the time of the closing date for applications, none had been received in respect of the Employer Representative vacancy. Officers were now attempting to identify suitable candidates as potential Employer Representatives for the Pension Board and that process was ongoing.

**Resolved -**

That the position detailed be noted.

**149(a) Minutes**

**Resolved -**

That the Minutes of the meeting held on 12 April 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

**149(b) Confidential Minutes**

**Resolved -**

That the confidential Minutes of the meeting held on 12 April 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

**149(c) Progress on Issues raised by the Board**

In respect of the appointment of a Scheme Member representative, through a co-option process, to the Joint Committee of the Border to Coast Pensions Partnership (BCPP), it was noted that the Joint Committee had now agreed, in principle, for a Scheme Member representative to be part of the Committee. It was stated that a report would be submitted to the November meeting of the Joint Committee to determine how that representation would take place and, therefore, further details would be submitted to the Pension Board as this issue was progressed.

In relation to the issue of a meeting being arranged between representatives of the various Pension Boards and the representatives of the BCPP, the Chairman stated that the Treasurer for North Yorkshire Pension Fund (NYPF) was liaising with senior officers of the Pool and further details would be provided once arrangements were in place.

Issues relating to Internal Audit reports, Pension Board projects and training were on the agenda for the meeting and would be discussed at the appropriate time.

In relation to the Pension Board receiving details relating to the pooling arrangements, the Chairman stated that he had held discussions with the Treasurer of the Pension Fund around those details and also in relation to the issues raised within the confidential Minutes agreed earlier in the meeting. Issues discussed with the Treasurer included:-

- ◆ The meeting of representatives of the various Pension Boards representing the Pension Funds within the Pool and representatives of the Pool - arrangements were being developed in respect of this.
- ◆ The preparation of a separate Risk Register for the Pool - this had now been provided for Members to consider, however, it was suggested that as this had only recently been provided to Members, consideration should be undertaken outside of the meeting with any issues communicated to the Chairman for

further discussions at the next Pension Board meeting. It was noted that the Risk Register was confidential at this stage.

- ◆ Set-up costs - an additional £75k had been required from each of the participating Pension Funds on top of the initial sum of £350k in respect of the set-up funds, although it was now expected the final set-up costs would be slightly lower than had been anticipated when the additional funding was requested.
- ◆ Final governance arrangements - these would be discussed under the pooling item later on the agenda.
- ◆ Monitoring the costs of investments/management fees - this position would become clearer as investments transferred over to the Pool.
- ◆ Staffing structure - a copy had now been provided to Members of the Board and would be considered during the pooling agenda item.
- ◆ Operational budget - this had not been provided as yet as it had not been given shareholder approval. Once available it would be circulated to Board Members.
- ◆ The reduction of investment costs going forward - it was noted that, during to the initial set-up, costs would increase initially. Economies of scale were expected to decrease the costs of investments over time.
- ◆ Scheme Member representation on the Joint Committee - this issue had been addressed, above, and Members welcomed the developments being made on this.

**Resolved -**

That the report, and updates provided, be noted.

**150. Declarations of Interest**

There were no declarations of interest submitted.

**151. Public Questions or Statements**

There were no questions or statements from members of the public.

**152. Minutes of the Pension Fund Committee meeting held on 24 May 2018 and draft Minutes of the meeting held on 5 July 2018**

The Chairman outlined the highlights from the Minutes of the Pension Fund Committee meeting and provided details of the issues discussed at the 5 July 2018 meeting, the Minutes not yet being available for consideration, but would be provided for the next meeting of the Pension Board. He also noted that a special meeting of the Pension Fund Committee had been held on 18 July 2018, and he provided an update in relation that.

The following issues and points were raised:-

- ◆ A Member noted the discussion that had taken place in relation to hidden fees and the move to make these more transparent. Clarification was provided as to what was meant by hidden fees and which fees were involved. It was noted that a Code of Transparency had been developed and attempts were being made to ensure that Fund Managers signed up to that Code. Concern had been expressed by Members of the Pension Fund Committee that not all Fund Managers had signed up to that Code and further reports were to be submitted to subsequent Pension Fund Committee meetings with more details relating to hidden fees being outlined. As the situation developed the information would also be provided to the Pension Board.
- ◆ Clarification was provided in relation to how pooling would work in terms of the NYPF setting its Investment Strategy and the investment management within the Pool. It was expected that the transfer of funds from NYPF would commence next year when externally managed sub-groups were in place, in line with the requirements of the NYPF Investment Strategy. A main difference to the current arrangements and the pooling arrangements was that the Pension Fund Committee would not be choosing the Investment Managers, nor monitoring their performance directly. It was stated that the NYPF would carry out due diligence in terms of the sub-groups into which the investments would be made. A Member suggested that the Pension Board would have a responsibility to the Pension Fund Committee to report issues should they feel that the pooling arrangements were not operating satisfactorily, however, it was emphasised that it was expected that the Pensions Regulator would take action if this were the case.
- ◆ The Chairman highlighted the issues that had been discussed at the 5 July Pension Fund Committee meeting, noting that the consideration of the draft Final Accounts and Governance documents had taken place at that meeting. In terms of the draft Final Accounts these were approved by the Pension Fund Committee, although ultimate approval would take place at the forthcoming meeting of the Audit Committee which would be taking place next week. Reference had been made to the 109% funding position of the Fund at the end of the 2017/18 financial year and the substantial improvement that had developed since 2009 when the Fund had been just over 30% funded. Members noted that payment holidays that had taken place in the 1980/90s had contributed to that poor funding position.
- ◆ The Pension Fund's Governance Framework and documents were also reviewed at the meeting. Details of these had been circulated to Pension Board Members and would be discussed later in the meeting.
- ◆ An update was provided in relation to pooling and it was noted that the BCPP had gone live on 2 July 2018. Following the meeting a presentation was provided to Pension Fund Committee Members, in relation to the transition plan and timetable, by the Chief Investment Officer of the BCPP.
- ◆ In response to a Member's question it was noted that internally managed investments had commenced, with appropriate staff having been TUPE transferred across to the BCPP to manage those. It was noted that investments could be transferred from the NYPF to the internally managed funds, if required, as long as those investments complied with the Investment Strategy of the Pension Fund.

- ◆ The Chairman noted that an Investment Strategy workshop had taken place following the meeting on 5 July whereby consideration had been given as to how to further de-risk the investments of the NYPF. As the workshop was not a formal meeting a decision could not be made on that position, therefore, a special meeting of the Pension Fund Committee was held on 18 July 2018 where the decisions on investments were ratified.

**Resolved -**

That the Minutes and updates of the additional meetings, together with the issues raised in relation to those, be noted.

**153. Draft Annual Report**

Considered -

A copy of the North Yorkshire Local Pension Board draft Annual Report for 2017/18 was provided for Members' comments.

It was noted that the Pension Board costs for 2017/18 had been omitted from the report and required adding in.

**Resolved -**

- (i) That the details identified as missing be added into the report, which would then be sent to the Chairman for final approval;
- (ii) That, subject to the addition of the information identified, Members approve the Annual Report; and
- (iii) That, following the signing off by the Chairman, the Annual Report be submitted to the Administering Authority and the Monitoring Officer.

**154. Pensions Administration**

Considered -

Members considered the report of the Pensions Administration which provided details on the following:-

- ◆ Breaches Log
- ◆ Annual Benefit Statements
- ◆ Letter Review Project
- ◆ LGPS Amendment Regulations 2018

The following issues and points were raised in relation to the report:-

- ◆ Some Saturday working had been introduced to assist with removing the backlog of work and it was noted that a number of staff were willing to undertake this. It was noted that, of late, the Pensions Administrations Team had lost a number of experienced members of staff, therefore, this had presented some difficulties to the section which were being addressed through the additional hours. Recruitment was underway to fill the vacant posts, however, identifying potential officers, with the necessary experience,

was difficult. It was noted that the potential loss and unavailability of key personnel was identified as a risk within the NYPF Risk Register.

- ◆ A Member referred to the current projects taking place in relation to the review of letters and asked whether that was having a knock-on effect in terms of work required by the Administration Team. The Head of Pensions Administration stated that, where possible, a continuation of the letters reduction project was taking place, however, she emphasised that some issues did take a precedent but the project would continue when resources were available for this.

**Resolved -**

- (i) That the contents of the report be noted;
- (ii) That the contents of the Breaches Log be noted;
- (iii) That the Pension Board pass on its compliments to the Pensions Administration team for the excellent work it delivers

**155. Employer and Administering Authority Discretions - Review**

Considered -

The report highlighted how all employers within the Local Government Pension Scheme were required to formulate a Discretions Policy in accordance with Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 60 of the Local Government Pension Scheme Regulations 2013.

It was noted that there were a number of employers who had either not formulated a policy or had not provided the Fund with a copy of that policy in relation to both the 2008 (final salary) scheme and the 2014 (CARE) scheme.

The LGPS (Amendment) Regulations 2018 introduced new rules for scheme members who left before 31 March 2014 and councillor members. This meant that they no longer needed former employer's consent to take their pension benefits between the ages of 55 and 60. The change, along with other anomalies, led to an updated policy template and a new guidance document being developed. The template had both the 2008 and 2014 discretions in it and was colour coded to categorise the discretions as follows:-

- ◆ Compulsory
- ◆ Recommended
- ◆ Less common

A guidance document was also being developed to assist employers when formulating their Discretions Policy.

It was hoped that the final version of the template and guide would be ready for distribution by early autumn. It was expected that this would be tested with the larger employers, initially, before being rolled out to all employers.

Members discussed the purpose of the discretion documents, how these were currently implemented, how the new system was to be rolled out and how these would be maintained in the future.

It was expected that a further update would be provided to the next meeting of the Pension Board.

**Resolved -**

That the report be noted and actions outlined be undertaken accordingly.

**156. Internal Audit Reports**

Considered -

Veritau Audit Manager, Ian Morton, presented the report highlighting the Audit Plan 2017/18, which had now been completed and actions agreed.

Members discussed the completed audits and the following issues and points were raised in relation to these:-

Pension Fund Governance Arrangements - Substantial Assurance

The audit found that the arrangements for managing the risk were good with a few weaknesses identified. An effective controlled environment was in operation but there was scope for further improvement in a small number of areas. These included:-

- ◆ Not being able to confirm an interest form had been completed by the NYPF Pension Board Members.
- ◆ The Annual Report had not included all information that stakeholders may want to know to be confident that the Fund was being managed effectively.
- ◆ Annual Benefits Statements were not made available to Members within timescales, with employers not being penalised when they fail to provide accurately and timely information.
- ◆ Not providing the Secretary of State with a copy of the agreed Pension Administrations Strategy.

It was noted that a register of interests for Pension Board Members was now in place.

In relation to penalties for employers not providing information, it was noted that this matter was being investigated with the possibility of penalties being introduced shortly, however, every effort was made to try and mitigate the problem through mediation. Members considered that those that had undertaken mediation previously, and continued to not supply information in a timely manner, should be the subject of penalties. It was noted that a report was to be submitted to a meeting of the Pension Fund Committee later in the year with a view to developing a system of penalties in such circumstances.

In relation to this matter it was also noted that the NYPF could be reported to the Pensions Regulator should it not comply with regulations in relation to the publication

of Annual Benefit Statements. However, should a fine be imposed and this related to the non-production of information by employers, then the financial penalties would be passed on to the employers concerned. It was again noted that this issue would be outlined in the report to be submitted to the Pension Fund Committee.

#### Pension Fund Income - Reasonable Assurance

The arrangements for managing risks were satisfactory with a number of weaknesses identified. An acceptable control environment was in operation but there are number of improvements that could be made. These included:-

- ◆ Issues around correct and timely payments from some smaller employers.
- ◆ Greater clarity required in relation to whether reconciliations were performed for the correct purposes and whether they provided suitable controls to ensure all payments were received correctly and promptly.
- ◆ Timeliness of receipts from some employers was poor and not identified early enough and not monitored or escalated in an effective manner.
- ◆ The NYPF Pensions Administrations Strategy allows for a penalty system, however, there did not appear to be a formal process for recovering or escalating issues to the Pension Fund Committee.
- ◆ The processes for raising debtor accounts were not efficient with some duplication and delays.
- ◆ Debtors' invoices were not raised for transfers into the scheme.

Members raised concerns regarding the issues identified in relation to the periodic reconciliation to monitor the invoicing for strain on the Fund. It was stated that the matter was being addressed and appropriate processes were to be introduced. Members suggested that the issue should be raised with the Pension Fund Committee, via the Chairman's report back on the Pension Board, at the Pension Fund Committee's next meeting.

Members also raised concerns that a number of the issues identified related to the business support function of NYCC. Members noted, with concern, the lack of direct management control for the Business Support operatives within the NYPF administration and it was asked that officers provide responses in relation to those issues, as Members did not believe that the dual system was working effectively for the NYPF.

#### Pension Fund Expenditure - Reasonable Assurance

Arrangements for managing the risk were satisfactory with a number of weaknesses identified. An acceptable control environment was in operation but a number of improvements could be made. These included:-

- ◆ The development of a Service Level Agreement between the NYPF and NYCC ESS, identifying the responsibilities and expectations of each party.



- ◆ There were a number of areas where the Pension Administrations team made requests to ESS for actions but there was no process to check whether these actions had taken place.
- ◆ No checks were carried out to ensure people in receipt of dependant pensions over the age of 18 were still attending courses once the initial confirmation had been received.
- ◆ ESS would only suspend a pensioner record on Resourcelink once they had received notification from the Tell Us Once website or had been provided with a copy of the Death Certificate impacting upon the subsequent recovery of any overpayment or the settlement of the estate when there was an underpayment.
- ◆ The NYPF or the Pensions Administrations Team were not notified of outstanding invoices for the repayment of overpaid pension raised on their behalf by ESS.

It was noted that ESS were in the process of developing an SLA between them and the NYPF and it was expected that there would be communications between the two service areas to ensure that this was mutually agreed.

Members considered there were some fundamental issues in relation to the reconciliation process highlighted in the key findings of the report that should be addressed. Officers indicated that the recommendations within the report would be addressed accordingly.

#### 2018/19 Draft Internal Audit Plan

This was approved by NYCC's Audit Committee on 21 June and included an allocation of 50 days for the NYPF. Details were attached to the report and it was noted that the plan covered the main areas of operation for the Pension Fund looking at investments, income and expenditure. The specific areas to be covered had been determined following discussions with Officers.

#### **Resolved -**

That the report be noted and actions identified, above, be undertaken accordingly.

#### **157. Risk Register and Governance Documents - Review**

The governance documents, and Risk Register, for the NYPF had been circulated to Members when these were submitted for consideration to the Pension Fund Committee held on 5 July 2018. Details of the consideration of those documents had been highlighted during discussion of the Minutes from that meeting, earlier in this meeting.

Members had no further comments in relation to those documents.

#### **Resolved -**

That the NYPF governance documents and Risk Register be noted.

## 158. Pension Board Projects

### Management, Administration and Governance Process and Procedure

It was noted that Mandy Swithenbank, who was leading on this project, but was unable to make today's meeting, had indicated that, due to personal and work commitments, she had been unable to make progress on the project since the last meeting.

### Development of Improved Customer Services/Scheme Member and Employer Communications

Project leaders Councillor Ian Cuthbertson and County Councillor Mike Jordan stated that they had met with the Head of Pensions Administration to determine how the projects should be progressed.

The reduction of the number of letters used by the NYPF remained a target for the projects and it was noted that there had been a significant reduction to date. Service priorities and staffing issues were barriers to the progress of the projects, however, the lead Members would ensure that their work co-ordinated with officers' availability. Other processes to be considered through the projects included the development of the website and the publication of the Annual Benefit Statements.

It was expected that further progress on each of the projects would be provided to the next meeting of the Pension Board.

#### **Resolved -**

That the progress on projects highlighted be noted.

## 159. Pooling

#### **Considered -**

A report detailing the progress made towards the LGPS pooling arrangements was provided. Highlights included:-

- ◆ The BCPP went live on 2 July 2018 and the first internally managed sub fund had been launched.
- ◆ The current areas of focus for the BCPP were the set-up and launch of the upcoming sub funds, in particular, those due to launch in the next quarter and the transition planning for future sub funds.
- ◆ The interim CIO attended an informal briefing session with the Pension Fund Committee at their meeting on 5 July 2018 and provided further details of the Pool's transition plan and approach.
- ◆ The Pool's Joint Committee meeting, held on 10 July 2018, appointed the Chair and Vice-Chair of the Joint Committee and the two shareholder representative roles on the BCPP Board.
- ◆ The meeting also saw the draft governance charter presented which set out the roles and responsibilities for each of the stakeholders of BCPP.

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

- ◆ It was expected that the initial transition of the NYPF funds into the Pool would take place in Quarter 1 of the next calendar year.
- ◆ Developments within the NYPF's Investment Strategy, and how that would affect the transition position in terms of the Pool, were highlighted.
- ◆ It was noted that Pension Boards were mentioned in the governance charter, which was welcomed.
- ◆ The circulated, confidential documents providing details of the staffing structure and Risk Register for the BCPP were discussed. Clarification in relation to whether there would be any additional clerical support within the structure would be sought and provided to Members.

**Resolved -**

That the report be noted.

**160. Board Evaluation and Skills Matrix Questionnaires**

Considered -

Details of the questionnaires completed by Members of the Pension Board, evaluating the performance of the Board and highlighting the skills held by Board Members, were provided and discussed.

It was noted that the questionnaires generated a variety of results and, in view of that, it was difficult to determine an overall position in terms of an overall evaluation of the Board and of skills held by Board Members.

In view of that it was suggested that a further exercise be undertaken, with questionnaires developed to be more appropriate for Pension Board Members. The questionnaires would be circulated and a further evaluation undertaken.

**Resolved -**

- (i) That the responses provided be noted;
- (ii) That the questionnaires be developed to ensure that they are relevant for Pension Board Members, enabling the exercise to be repeated, with appropriate responses generated.

**161. Training**

The report provided details of Pension Board Members training and courses attended.

Simon Purcell provided details of the training course he had recently attended in respect of his position as Scheme Member representative on the Pension Board.

**Resolved -**

- (i) That the report be noted; and
- (ii) That Members continue to identify training and courses they wish to attend and provide details they wish to be included on the Training Record.

**162. Work Plan**

Considered -

The report detailing the areas of planned work by the Pension Board, including the current issues that were being undertaken as projects by Pension Board Members, as detailed earlier in the meeting, was considered.

**Resolved -**

That the report be noted.

The meeting concluded at 12.25 pm

SL/JR

DRAFT

**North Yorkshire County Council**

**Pension Board**

**11 October 2018**

**Progress on issues raised by the Committee**

**Report of the Assistant Chief Executive (Legal and Democratic Services)**

**1.0 Purpose of the report**

**1.1 To advise Members of:-**

- Progress on issues raised at previous meetings;
- Issues that may have arisen, relating to the work of the Board, since the previous meeting

**2.0 Background**

2.1 This report is submitted to each meeting listing the Board's previous Resolutions where further information is to be submitted to future meetings. The table below represents the list of issues which were identified at previous Pension Board meetings and which have not yet been resolved.

Date	Minute No and subject	Resolution/Action	Comment/completed
20 April 2017 /12 October 2017/ 18 January 2018/ 12 April 2018/ 19 July 2018	Minute no. 89 – LGPS Pooling update / Minute no. 110 Draft minutes of Pension Fund Committee – Scheme Member representation on the Joint Committee	To consider the appointment of Scheme Member representation, through a co-option process, to the Joint Committee.	This matter was considered at the Meeting of the Pension Fund Committee held on 14 September 2017 and details reported to the Pension Board (12 October 2017). Disappointment was expressed in respect of the PFC's stance on this matter. The Chairman of the Pension Board would re-visit the issue with PFC Members. The matter was discussed at the Pension Fund Committee meeting held on 13 September 2018, the draft Minutes of which will be considered at this meeting.  The issue would continue to be monitored by the Pension Board.

18 January 2018 / 12 April 2018/ 19 July 2018	Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 145 - Pooling	Arrange a meeting between representatives from the various Pension Boards of those Pension Funds involved in BCPP and the Chief Executive Officer of BCPP to discuss the development of the Pool.	The Chairman to liaise with the Treasurer of NYPF as to how that would be co-ordinated.
18 January 2018/ 19 July 2018	Minute No 124 – Vacancy for Employer representative	A recruitment exercise was undertaken but no applicants were forthcoming.	A potential candidate has been identified – details to be provided at the meeting.
20 July 2017/18 January 2018/ 19 July 2018	Minute No 100 – Risk Register and Minute No 123 – Annual discussion with Treasurer of NYPF	That Pension Board Members be provided with the background documents/ staffing structure/ financial information in relation to pooling. Following that, a structure was required to determine how reports were to be provided, going forward.	The Board was provided with details of the relevant information, to enable them to monitor the development of the pooling arrangements. An appropriate reporting mechanism has yet to be established and further information in relation to this was awaited.
18 January 2018 / 12 April 2018/ 19 July 2018	Minute No 130 – Pension Board projects	Development by Members of the Pension Board of the following areas of work as detailed in in the work programme:-  Management, administration and governance process and procedure; Development of improved customer services; Scheme Member and employer communications.	Updates to be provided at today's meeting

19 July 2018	Minute no 156 – Employer and Administering Authority Discretions - review	It was anticipated that the final version of the template and guide would be ready for distribution in early autumn.	A further update on progress to be provided at this meeting.
19 July 2018	Minute no 160 – Board Evaluation and Skills Matrix Questionnaires	TPR’s skills-matrix and evaluation forms had been circulated to Pension Board Members, however, there had been a mixed response due to the relevance of the forms to Board Members.	That the questionnaires be developed to ensure they are relevant to Board Members, are then re-circulated and the exercise repeated.

### 3.0 Recommendation

3.1 That the report be noted and further action be undertaken where required.

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

October 2018

Background Documents – None

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the Meeting held on 13 September 2018 at County Hall, Northallerton commencing at 10 am.

**Present:-**

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

Councillor Chris Steward (as substitute for Councillor Ian Gillies) - City of York Council.

Councillor Jim Clark - North Yorkshire District Councils.

David Portlock - Chair of the Pension Board.

**In attendance:-**

County Councillor Don Mackay, Brian Hazeldene (Unison) and Peter Scales (Independent Observer to the North Yorkshire Pension Fund).

Apologies were received from County Councillors John Blackie and Andy Solloway, together with Councillor Ian Gillies (City of York).

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

**75. Minutes**

**Resolved -**

That the Minutes of the meeting held on 5 July 2018 and the special meeting held on 18 July 2018, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**76. Declarations of Interest**

There were no declarations of interest.

**77. Public Questions or Statements**

There were no questions or statements from members of the public.

**78. Pensions Administration Report**

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year to date and providing an update on key issues and initiatives which impact the Administration Team.

The following updates were provided in relation to the report:-



- ◆ The Administration Team remain focused on reducing outstanding work and ensuring day to day business as usual was being processed within agreed timescales.
- ◆ The number of academy conversions has steadied, which assisted with the day to day planning of work.
- ◆ There had been four complaints during the period 1 April 2018 to 30 June 2018, with no discernable trend.
- ◆ In terms of Annual Benefit Statements issued the current figures were, 99% deferred and 83% actives.
- ◆ Included in the Governance report, later in the agenda, were details in relation to the re-introduction of penalties for employers providing late or inaccurate data alongside the creation of a Charging Policy document which provided details of the basis, structure and level of charging being introduced. It was noted that alongside the charging of employers, from April 2019, a re-engagement exercise would be undertaken to offer support and training with a view to improving relationships and engagement with all employers across the Scheme.
- ◆ GMP reconciliation - the project was continuing and, although this had extended beyond the proposed timescales, the contract for the process being undertaken by ITM would not lead to any further costs as this was a fixed price contract.
- ◆ The project relating to the reduction in the number of standard letters was continuing, however, resources had been required elsewhere due to demand within the Team which had resulted in this slowing down for a period of time.

The Treasurer reiterated the issues around the principles for re-introducing a charging policy for employers and stated that the report sought Members' approval to the principal of charging employers for the provision of poor quality data, late data and late payment of contributions. He emphasised that the charging regime was not intended as a profit making enterprise for North Yorkshire Pension Fund, but was to address a growing problem in terms of these issues.

A Member highlighted the availability of the Pensions Regulator to work alongside Pensions Administration Officers in terms of penalties for employers who were not providing data appropriately. In response it was emphasised that, initially, client relationship management and support would be provided with a view to addressing the matter without penalty. Should employers then continue to provide late or inaccurate data then the appropriate sanctions would be put in place, including the involvement of the Pensions Regulator if necessary.

It was noted that there had been a reduction in active members and it was asked whether this trend was likely to continue. In response it was stated that a large amount of outstanding work had been cleared during the period which had affected the figures and it was not known whether this would be a continuous trend. Members noted that there had been some surprise, previously, that active figures had not dropped dramatically despite the reduction of staff working within the public sector in the area. In relation to this

it was noted that figures had been effected by auto-enrolment and by people having a number of part-time positions which affected the actives' figures.

**Resolved -**

- (i) That the contents of the report be noted.
- (ii) That the contents of the breaches log be noted.
- (iii) That Members approve, in principle, the re-introduction of employer charging for the provision of poor quality data, late data and late payment of contributions.

**79. Budget/Statistics**

Considered -

The report of the Treasurer on the following:

- (a) 2018/19 Budget - cost of running the Fund.
- (b) The three year cash-flow projection for the Fund.

2018/19 Budget

The forecast outturn was estimated to be in line with the 2018/19 budget at £22.6m.

Three Year Cash-flow Projection

The projection included the contribution income and benefits payable, the main inflow and outflow of the Fund, which would determine when the Fund would turn cash-flow negative. The estimated cash-flow for the Fund in 2018/19 was a £6.8m deficit which had increased from the last quarter where a £4.6m deficit was reported. The deficit position is mainly due to the £13m pre-payment of deficit contributions, relating to 2018/19, in 2017/18. In view of this it was expected that the Fund would be back in a surplus cash position during 2020/21.

The following issues were raised:-

- ◆ It was asked whether the £10m included in the budget for investment management base fees was an estimate. In response it was stated that the figure was based on the size of the Fund and the actuals for 2017/18, therefore, this was an estimate but based on expected figures. It was noted that Fund Managers had been requested previously to provide exact details in terms of fees and further contact would be made with them to ensure these details were provided accordingly. Members emphasised the details were required to ensure that the monitoring of the effectiveness of the pooling arrangements were appropriate going forward.
- ◆ Issues around the initial charges, in relation to the establishment of the pooling arrangements, were queried. In response it was stated that it was expected that the set-up costs would be in line with what had been reported previously and that they had been divided equally between the twelve Pension Funds involved. It was noted that the Customer Relationship Manager for the Pool would be attending a meeting with Pension Fund Members on 14 September 2018 and detailed questions could be submitted to him.

**Resolved -**

That the report be noted.

**80. Governance of the Fund**

Considered -

The report of the Treasurer:-

- (i) Requesting Members to review a range of governance documents and to approve or note as appropriate:
  - ◆ NYPF Business Plan
  - ◆ Pensions Administration Strategy
  - ◆ Employer charging policy
  - ◆ NYPF Annual Report and Accounts.
- (ii) Updating Members on progress made on the following governance documents:
  - ◆ Admissions and Terminations Policy
  - ◆ Statement of Compliance with the UK Stewardship Code.
- (iii) Updating Members on the Annual Governance Review of the Fund undertaken by the Fund's Independent Professional Observer.
- (a) NYPF Business Plan

The Treasurer stated that this was a new governance document, in line with recommendations from the Pensions Regulator. The Plan would be used to manage the Scheme effectively and enable Scheme Members to get good outcomes. The Plan would also enable the Committee to plan ahead and improve their ability to comply with legal requirements. A draft of the Plan was provided and Members were asked to comment.

The following issues were raised:-

- ◆ It was asked why there were no timescales in relation to the key actions within the Plan. In response it was stated that all the actions outlined were expected to be undertaken during the current year, however, it was acknowledged that a timescale for when the action completed was not detailed. It was noted that the Plan would be reviewed at the end of each year and major actions would continue to roll forward until they were completed. It was noted that the Plan would be monitored and would be submitted to the Committee to outline progress. It was acknowledged that a year on the cover of the Business Plan should be included and details of progress on actions should be provided at future PFC meetings..

The Fund's Independent Professional Observer, Peter Scales, highlighted the following:-

- ◆ He noted that the Plan was still developing.
- ◆ The Plan reflected the Pension Regulator's guidance and good practice elsewhere.
- ◆ There was no mention of risk management in the objectives or a link to the Risk Management Policy and Register.
- ◆ There was no indication as to how activities would be tracked over the following years.
- ◆ It was worth considering developing the work plan alongside that of the Pension Board.
- ◆ It was noted that the Pension Board and Pension Fund Committee had tried to align their work so as not to overburden officers with duplication of work.

The Treasurer stated that he would take account of the issues that had been raised when further developing the Business Plan.

(b) Pensions Administration Strategy

It was explained that normally the Pensions Administration Strategy would have been provided with other governance documents at the July meeting of the Committee, however, the Employer Charging Policy was still under development at that time and, therefore, as that document sat alongside the Pensions Administration Strategy it was considered appropriate to bring them both to this meeting.

The Independent Professional Observer highlighted the following:-

- ◆ The Strategy complied with the appropriate regulation.
- ◆ He suggested that the Strategy Statement should reflect the yearly performance, as outlined in the Annual Report.

In response to the issues raised the Treasurer suggested that alterations to the Statement be delegated to officers, rather than bringing the issue back to the Committee, allowing Members to approve the document subject to the alterations taking place.

(c) Employer Charging Policy

As stated above, an Employer Charging Policy had been created which set out the Fund's policy regarding charging employers. It was noted that the client relationship management initiative would be undertaken before the policy was imposed on employers, with a view to encouraging them to change current practices with data being submitted correctly and on time. It was proposed, therefore, that the policy would be implemented from April 2019 onwards.

The following issues were raised:-

- ◆ It was suggested that the Charging Policy was clear in providing details of when charges would be imposed. It was noted that charges could already be issued, however, the creation of the Policy indicated to

employers that the NYPF was taking positive action to deal with continuing problems.

- ◆ It was noted that thresholds were in place in terms of when fees would be implemented, but it was emphasised that a small error could still have a large scale impact.
- ◆ It was acknowledged that the NYPF Administration Team had not adequately developed relationships with some of the employers recently and were unaware of changes that may affect the supply of data, therefore, the re-establishment of those relationships was being sought through the client relationship management initiative. It was noted that some very small employers may be experiencing difficulties with their Pension's administration and the initiative would assist in identifying that and rectifying the situation without imposing charges. It was also emphasised, however, that dealing with pensions' issues was part of the Service Level Agreement between the employer and the Fund and, therefore, there should be a good level of competency in place when dealing with those matters.

The Chairman of the Pension Board noted that should there be significant delays in publishing Annual Benefit Statements, due to employers not supplying data appropriately, then the Pension Board would need to consider whether the matter was a reportable breach. The Treasurer emphasised the need to ensure that employers were complying with the necessary requirements and appropriate action was being taken to rectify the situation.

(d) Annual Report

The Treasurer provided details of the 2017/18 Annual Report. He noted that the Final Accounts, included within the report, had been signed off by the External Auditor, and had been approved by the County Council's Audit Committee. Details of changes to the accounts since publication of the draft accounts were provided for Members to note.

He noted that the Annual Report would return to the External Auditor for their final opinion, subject to Members' approval, and would then be published on the NYPF website.

The Independent Observer to the Fund was invited to comment, and he outlined the following:-

- ◆ The Annual Report complied with CIPFA guidance, and it was for the Committee to decide how much of the information suggested by CIPFA was included.
- ◆ Details of employer contributions – information within the link did not show the actual contributions paid by the employer. CIPFA suggested that a breakdown of the figures should be provided.
- ◆ Performance on paying contributions on time – it would be useful to provide an indication of the scale of late payments, the action being taken to recover those and any interest charged.
- ◆ Providing details of the attendance of Members at Pension Fund Committee Meetings should be considered.

- ◆ A statement of compliance with the CIPFA Code of Practice should be included.
- ◆ There were no details in respect of employer performance against the standards set in the Pensions Administration Strategy.
- ◆ Consideration should be given to including the Annual Report of the Pensions Board.

The issues raised were acknowledged. It was noted that the County Council operated a separate system in relation to the reporting of attendance at Committees, but it would not be detrimental to include those details in the Annual Report. There is currently a link to committee attendance in the report.

The Treasurer welcomed the comments and, noting that the current report was fully compliant with the appropriate guidance, suggested that the issues were taken account of and addressed when subsequent Annual Reports were compiled.

(e) Admissions and Terminations Policy/Statement of Compliance with UK Stewardship Code

The report provided updates in relation to these issues.

(f) Fund Governance Review - Report of the Independent Professional Observer

The Independent Professional Observer, Peter Scales, highlighted the following in relation to the governance of the Fund and the related governance documents:-

- ◆ The Pension Fund and Pension Board were both operating well with high standards of governance. The governance standards were being maintained and improved and were consistent, if not to a higher standard, than other comparator Funds.
- ◆ He noted that the recent Internal Audit report provided an overall conclusion that arrangements for managing risk were good and that controls within the system provided substantial assurance.
- ◆ In terms of any issues/control weaknesses identified through Internal Audit and Pension Board consideration, these were not significant and could be easily rectified.
- ◆ Audit assurance assisted the Pension Board to help members meet their responsibilities and test the robustness of internal controls.
- ◆ Policy documents were found to be compliant with the appropriate regulations.
- ◆ In terms of the Governance Compliance Statement it was noted that this had been carefully worded to reflect all aspects of the regulations and guidance. It was suggested that it would be helpful to indicate that the Pension Board was not a committee in legal terms and that the Chair of the Pension Board attended meetings of the Pension Fund Committee in a non-voting capacity.

- ◆ The purpose of the governance roles and responsibilities document was not apparent.
- ◆ The Governance Compliance Statement complied with the appropriate regulations and was appropriate.
- ◆ The Funding Strategy Statement would be reviewed as part of the 2019 triennial valuation.
- ◆ In terms of the Communications Policy he noted that this was under development, but was unclear as to whether the Policy, in relation to the format, frequency and method of distributing information or publicity complied with the appropriate regulation. He noted the move to electronic based communications and the need to reference this within the policy statement.
- ◆ He welcomed the relatively simple framework in place for the existence, use and understanding of risks. He considered the Risk Register to be fully compliant with the regulation, but suggested that the work of the Pension Board should feature as part of the mitigating process.
- ◆ His consideration of other documents had been outlined earlier in the meeting.
- ◆ The introduction of pooling arrangements represented a major change for LGPS funds and it was recognised there were still a number of detailed governance issues to be resolved, particularly in the transition to a new structure, through which the Committee and Board could continue to meet their responsibilities. A major issue, which had been discussed by both Committee and Board was the introduction of Member representation on the Pool's Joint Committee (JC). The matter had been recognised by the Scheme Advisory Board and had been discussed at a number of events. It was noted that there was a growing expectation that Scheme Member representatives would be involved.
- ◆ An Appendix to the report outlined issues in relation to the involvement of local Pension Boards in the pooling arrangements.
- ◆ Other issues highlighted in the report which had been considered by the Scheme Advisory Board were outlined as follows:-
  - The separation project - to identify issues deriving from the current Scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and Scheme Manager role.
  - A project to identify regulations which may be better cited within statutory guidance and assist with the drafting of revised regulations and guidance.
  - A project to assist administering authorities in meeting the Pension Regulator's requirements for monitoring and improving data.

The following issues were raised in relation to the Independent Observer's report:-

- ◆ The Treasurer stated that the issues raised by the Independent Observer in relation to the key projects identified by the Scheme Advisory Board, together with a number of other details identified, would be the subject of a subsequent report to the Pension Fund Committee, providing greater details of the issues and the possible effect these would have on the Fund.
- ◆ The Chairman noted that discussions had been taking place at BCPP in relation to the appointment of a Scheme Member representative on the JC, however, it was recognised and acknowledged that this would be a sensitive matter, particularly in relation to identifying representatives to cover all of the Funds involved in the Pool, without increasing the size of the JC to unmanageable levels.
- ◆ Issues around investments, the drive to ensure that responsible investment strategies were in place and that these were not subject to political influences, was discussed. Members noted the difficulty faced in terms of identifying appropriate investments that did not conflict with others ideologies was proving more and more difficult. It was emphasised that the North Yorkshire Pension Fund made every effort to ensure that it undertook responsible investments, but the Strategy also looked to maximise returns for investments. It was noted that this would be a challenge for the pooling arrangements, going forward.
- ◆ The Treasurer stated that account would be taken of the issues raised by the Independent Observer and a number of the governance documents would be amended during the next review to take account of the significant points that had been raised within his report.

**Resolved -**

- (i) (a) That the NYPF Business Plan be approved.
- (b) That the Pensions Administration Strategy be approved, subject to the alterations highlighted being delegated to Officers to undertake.
- (c) That the Employer Charging Policy be approved.
- (d) That the NYPF Annual Report be approved.
- (ii) That the changes made to the NYPF Statement of Accounts be noted.
- (iii) That the progress made on the Admissions and Terminations Policy and the Statement of Compliance with the UK Stewardship Code be noted.
- (iv) That the content of the Annual Governance Review undertaken by the Independent Professional Observer be noted and subsequent changes be made to the governance document in respect of the issues raised before the next review of those documents.

**81. Pension Fund Training**

Considered -

The report of the Treasurer requesting Members to:-



- (i) approve the draft Training Policy of the North Yorkshire Pension Fund;
- (ii) agree to adopt the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills;
- (iii) agree to adopt the CIPFA Knowledge and Skills Framework and its circulation to all Committee Members to assess their own knowledge and skills on an annual basis.

The Treasurer stated that, in line with a recognition of the importance of providing training to Committee Members, Board Members and officers in relation to Pension Fund matters, ensuring that the relevant skills and knowledge to carry out their roles and responsibilities to the Fund were in place, a training policy had been drafted for PFC Members and officers, and was attached as an Appendix to the report. It was noted that the Pension Board had their own training policy that was reviewed annually and the intention was to create something similar for the Pension Fund Committee, which would be reviewed as part of the Annual Governance Review.

As best practice it is recommended by the Pensions Regulator that Members of the Pension Fund Committee carry out regular skills and knowledge reviews.

CIPFA had developed a Code of Practice on Public Sector Pension Finance Knowledge and Skills in 2013 and details were set out in the report. CIPFA had also published the Pensions Finance Knowledge and Skills Framework in 2010 and details of that were also provided.

The Skills and Knowledge Framework for Committee Members was attached as an Appendix to the Training Policy, which Members were asked to adopt.

It was also suggested that Members undertake an individual self-assessment annually against the framework. Using the results of the self-assessment against the CIPFA Knowledge and Skills Framework an annual training programme would be produced with the progress made against the programme being reviewed each quarter at Pension Fund Committee meetings.

Should Members agree to adopt the CIPFA Framework this would be circulated for completion and the results of self-assessments would then be used to produce the 2019/20 Training Programme, which would be brought to the February PFC meeting along with the Business Plan and budget, for approval.

The following issues and points were raised in relation to the report:-

- ◆ A Member suggested that it was ironic that the policy was being introduced just as the investments were about to move to the pool, with less involvement for the Committee. In response the Treasurer stated that the complex issues that would be in place for the Committee, going forward, including their involvement in the pooling arrangements, were appropriate reasons for introducing the policy.
- ◆ A Member considered that it should be identified why the training was required by Members and a tailor-made policy provided so as not to introduce training for training sake. The Treasurer acknowledged this and considered that the training would be purposeful.
- ◆ The Independent Professional Observer considered it appropriate for the Pension Fund Committee to have a Training Policy. He emphasised that the Pension Fund Committee would remain responsible for the Investment

Strategy, going forward, and the training would be appropriate to meeting those requirements in terms of skills and knowledge. He considered that a toolkit had been established by the Pensions Regulator which was more suitable for public sector schemes and suggested that this was adopted for training purposes by the Pension Fund Committee. He noted that there were two such toolkits, with the first being more appropriate for private sector schemes. In relation to this the Treasurer stated that the training would include the public sector scheme toolkit, and would also incorporate important elements of the other toolkit referred to. Details would be provided to Members accordingly

- ◆ Noting the Pension Board's policy in terms of training, which was compulsory for Pension Board Members, the Chairman of the Pension Board stated that it had been agreed that knowledge of the toolkits would be covered collectively through the membership of the Board, rather than individually. He highlighted the training undertaken by Pension Board Members and recognised the importance of being able to identify a knowledge and skills base in terms of decisions made. The Treasurer acknowledged the group coverage of skills and knowledge undertaken by the Pension Board, but suggested that each Member of the Pension Fund Committee would need to undertake the necessary training as the Committee Members each had a vote on investment and governance issues.
- ◆ The Chairman emphasised the new direction that the Committee would need to take following the implementation of pooling arrangements and for Members to be appropriately trained to undertake those duties.
- ◆ Members expressed their disappointment in relation to the position going forward in terms of no longer having meetings with Fund Managers to consider investments, as that responsibility would be moving over to the Pool.
- ◆ It was asked whether there would be a Training Policy for the Pool. In response the Treasurer stated that officers in the Pool had a Training Policy, but did not face the same issues as the Pension Fund Committee and emphasised that the Training Policy would be designed to ensure that Members had the appropriate skills and knowledge to undertake the duties required of them. Members emphasised that it should be ensured that Councillors were not discouraged from taking a position on the Pension Fund Committee through the requirements of the Training Policy, however, it was recognised that there was a public perception that training should be in place for Members in respect of their service to the Committee.
- ◆ The Committee's financial consultants, AON Hewitt, stated that they would be happy to provide support for Members undertaking the various training modules identified.
- ◆ The Treasurer stated that, should Members agree to adopt the policy, the most relevant toolkit modules would be developed into a cohesive training programme, which would require a commitment from Members to it being completed.

#### **Resolved -**

- (i) That the Training Policy for the Fund be approved.
- (ii) That the adoption of the CIPFA Code of Practice and the CIPFA Knowledge and Skills Framework be agreed.

- (iii) That the circulation of the CIPFA Knowledge and Skills Framework, to all Committee Members, allowing them to assess their own knowledge and skills, annually, be agreed.
- (iv) That the Training Policy be referred to the Pension Board for their consideration.

## 82. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer reporting the investment performance of the overall Fund and of the individual Fund Managers for the period up to 30 June 2018.

The report indicated that the absolute overall return for the quarter (+5.8%) was above the customised benchmark for the Fund (+4.1%) by 1.7%.

The 12 month absolute rolling return was +12%, +5.1% above the customised benchmark of 6.9%.

The report provided details of individual Fund Managers' performance in respect of the following asset classes:-

- ◆ Overseas equities
- ◆ Global equities
- ◆ UK equities
- ◆ Fixed income
- ◆ Property
- ◆ Diversified growth funds
- ◆ Private debt
- ◆ Insurance linked securities

Details relating to risk indicators, solvency, re-balancing and proxy voting were also provided.

The Fund's investment consultants, AON Hewitt, produced an analysis of the performance of the Fund during the quarter and the following issues were highlighted:-

- ◆ The quarter had been very positive in terms of investments, with an increase of £190m, raising the asset value of the Fund to £3.5bn (there had been subsequent increases during the present quarter with the value of the Fund being £3.6bn currently).
- ◆ The majority of asset classes had shown a positive performance during the quarter with only slight negatives for GARS and bonds.
- ◆ The funding level had risen from 107% to 110%.
- ◆ There had been strong performances from Baillie Gifford, Veritas and Newton.
- ◆ Updates were provided in terms of manager news for L&G and Hermes. It was noted that the issues raised did not suggest a movement away from those investments.
- ◆ It was emphasised that the Fund remained over committed in terms of its Investment Strategy towards equities (60.4% with a benchmark of 52%). In

view of that AON Hewitt were recommending that a re-balancing of asset allocations be undertaken to ensure that the strategic target was being met, accordingly.

A discussion of the report was undertaken and the following issues and points were raised:-

- ◆ Concern was raised that despite the excellent performance of some of the Fund Managers, the investments in those would need to be reduced to meet the equities' asset allocation in line with the Investment Strategy. The continued excellent delivery by Baillie Gifford, well above the benchmark, on a continuing basis was highlighted. Concern was also expressed that the pooling arrangements may not bring as much benefit to the investment position, as the current arrangements for global equities and reducing those investments, at this time, could be detrimental to the Fund.
- ◆ It was noted that an Investment Strategy workshop would be taking place on the day following this meeting and the investment consultants stated that they would obtain appropriate information to discuss the issues raised in respect of the performance of Baillie Gifford and the need to move the equities asset allocation towards the appropriate benchmark. Further discussions on that matter could take place at the workshop.
- ◆ The Chairman noted that the Customer Relationship Manager for BCPP would also be attending for discussions and issues in relation to the investments, going forward, could be discussed with him.
- ◆ Members acknowledged the excellent performance of a number of Fund Managers during the quarter reported and the unprecedented funding position that had resulted. It was recognised that there was a need to de-risk, however, this was at odds with the inner feelings in relation to wanting the Fund to grow further. The Treasurer understood the issues raised by Members and emphasised that holding onto the current position, by de-risking, was what was being sought, but he emphasised that it was important that the Investment Strategy did not begin to "coast" as that would quickly lead to a deterioration in the funding position. It was again stated that the matter would be discussed in detail at the forthcoming Investment Strategy workshop.

#### **Resolved -**

- (i) That the investment performance of the Fund for the period ending 30 June 2018 be noted; and
- (ii) That further consideration be given to the re-balancing of the equity portfolio.

### **83. Pooling Arrangements**

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposals to pool the assets of LGPS Funds.

Issues outlined included:-

- ◆ The most recent Joint Committee meeting had been held on 10 July 2018.

- ◆ Details of the proposed timetable for the transition of Funds to the Pool over the upcoming months were outlined. It was noted that, to be included in the initial transition into each sub-fund, a decision to invest would be required during the quarter before the sub-fund launch. The PFC would be provided with due diligence information for each sub-fund allowing a decision, in principle, to invest in the sub-fund to be undertaken.
- ◆ It was expected that the NYPF would transfer into the global equity sub-funds and a decision in relation to that would be considered at a forthcoming meeting.
- ◆ It was noted that the Customer Relationship Manager from BCPP would be meeting with Members at the forthcoming Investment Strategy workshop and at future meetings of the Committee. Members would be able to discuss pooling developments with him at those events.
- ◆ The Annual BCPP Conference was due to take place in Leeds on 8 and 9 November 2018 and Members were invited to inform the Treasurer if they wished to attend.
- ◆ Issues around the staffing structure for BCPP were discussed and Members suggested that the development of the structure should continue to be monitored.

**Resolved -**

That the report be noted.

**84. Pension Board Annual Report**

Considered -

The report of the Treasurer detailing the Annual Report of the Pension Board.

The Chair of the Pension Board stated that the terms of reference for the Pension Board required that an Annual Report was submitted to the Administering Authority each year. The process required the report to be presented to the Pension Fund Committee, and then to the Executive and full Council.

Members were asked to note the report and were invited to provide feedback.

**Resolved -**

That the Annual Report of the Pension Board 2017/18 be noted.

**85. Pension Board - Draft Minutes of the Meeting held on 19 July 2018**

Considered -

The draft Minutes of the Pension Board held on 19 July 2018.

The Chair of the Pension Board highlighted the following significant issues that had been discussed at that meeting:-

- ◆ Internal Audit reports - a detailed discussion had been undertaken in relation to Veritau reports that had been submitted to the meeting in relation to Pension Fund governance arrangements, Pension Fund income, Pension Fund expenditure and the 2018/19 draft Internal Audit Plan.

- ◆ Governance arrangements for the Pool - Members of the Board were seeking details in relation to the governance arrangements that would be in place for the Pool and details of those were still awaited.
- ◆ Efforts were being made to identify an appropriate representative to fill the current vacancy for an employer representative on the Pension Board. It was noted that there was likely to also be a vacancy for a Scheme Member representative shortly, however, that position needed verifying before the vacancy was advertised.

**Resolved -**

That the minutes be noted.

The meeting concluded at 11.55 am.

SL/JR

DRAFT

**North Yorkshire County Council****Pension Board****11 October 2018****Administration Report****1. Purpose of the Report**

To provide Pension Board members with an update on key initiatives undertaken by the administration team of the North Yorkshire Pension Fund.

**2. Breaches Log**

Included at **Appendix 1** is the North Yorkshire Pension Fund's Breaches Log for review. There is one new entry relating to the Annual Benefit Statement exercise.

**3. Annual Benefit Statements**

The majority of the 2018 Annual Benefit Statements have now been issued as follows:

Active statements: Issued 26,442 out of 30,563 = 86.52%

Deferred statements: Issued 36,153 out of 36,242 = 99.76%

The 4,121 Active statements not issued are as a result of a number of reasons as follows:

2,399 – are as a result of incorrect year end data being supplied (2,000 CoYC, 399 NYCC)

1,721 – are as a result of either a calculation error or the record has been marked as not requiring a statement, i.e. because the member has not worked in that employment.

The 89 Deferred statements not issued are as a result of either a calculation error or the member not requiring a statement as their benefits are nil.

All these are now being investigated by the team and statements are being issued as the problems are corrected.

**4. Letter Review Project**

Work has progressed with a suite of letters being developed for the Aggregation process. This means we now have 10 letters in the new format which have replaced 29 existing letters. We currently have a further 147 letters to develop but as can be seen the new letters will streamline and significantly reduce the suite of letters needed.

Unfortunately there has been a setback regarding letters due to the delivery of the new version of Altair, our administration platform, which has resulted in the new letters no longer working correctly. We are working with Heywoods to find a solution so we can move to the new version and still have letters that work correctly.

## **5. Employer Discretions Policy**

Included at **Appendix 2** is the first draft of the revised employer discretions policy for review and comment.

The next stage is to work with our largest two employers to establish their discretions and ensure what has been developed works as expected. Once this has been confirmed the policy will be rolled out to all employers.

## **6. Pension Fund Committee Appendices**

Included at **Appendix 3** are the attachments which formed part of the administration paper for the Pension Fund Committee. These have been included for completeness for Pension Board members who may not have access to them electronically.

## **7. Recommendation**

- 7.1 That Pension Board members note the contents of this report.
- 7.2 That Pension Board members note the contents of the Breaches Log.
- 7.3 That Pension Board members provide feedback on the Employer Discretions Policy.

Phillippa Cockerill  
Head of Pensions Administration  
County Hall  
Northallerton

02 October 2018  
Background Papers - Nil



Date	Category	Description of Breach	Cause of Breach	Effect of Breach & Wider Implications	Response to Breach	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator	Progress Review 1	Progress Review 2	Progress Review 3
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targeted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identified in real time rather than at year end.	14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N	30/11/2017	28/02/2018	30/05/2018
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error	2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N	30/04/2018	31/08/2018	30/09/2018
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error	Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC			
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated		11/10/2018					

Academy Conversions - 18 'in progress'

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
Easingwold School	NYCC	Outwood Grange Academies Trust	1.4.2018	Complete
Tadcaster Grammar School	NYCC	Star Multi Academy Trust	1.5.2018	Complete
Monk Fryston CofE VC School	NYCC	Star Multi Academy Trust	1.5.2018	Complete
Saxton CofE Primary School	NYCC	Star Multi Academy Trust	1.5.2018	Complete
Riverside CP School	NYCC	Star Multi Academy Trust	1.5.2018	Complete
York High School	COYC	South Bank MAT	1.5.2018	Complete
Hob Moor Oaks School	COYC	Ebor Academy Trust	1.5.2018	Complete
Hob Moor CP School	COYC	Ebor Academy Trust	1.5.2018	Complete
Sherburn Hungate CP School	NYCC	Star Multi Academy Trust	1.6.2018	Complete
South Milford CP School	NYCC	Star Multi Academy Trust	1.6.2018	Complete
Wheldrake with Thorgnaby CE School	COYC	South York Multi Academy Trust	1.7.2018	Complete
Appleton Roebuck Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Complete
Kellington Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Complete
Kirk Fenton Parochial CofE VC Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Complete
All Saints CE Primary School	NYCC	Yorkshire Causeway Schools Trust	1.7.2018	Complete
Osbalwick Primary School	COYC	Ebor Academy Trust	1.7.2018	Complete
Baldersby St James CoE Voluntary Controlled Primary School	NYCC deemed to be employer	Hope Learning Trust	1.9.2018	Actuarial calculations provided to Trust. Original conversion date was 1.4.18, conversion delayed until 1.9.2018
Ainderby Steeple CoE Primary School	NYCC	Dales Academies Trust	1.9.2018	In progress
Tadcaster East Community Primary School	NYCC	Ebor Academy Trust	1.9.2018	In progress

<b>Name of School</b>	<b>Local Education Authority</b>	<b>Multi Academy Trust (MAT) Name</b>	<b>Conversion Date</b>	<b>Current Position</b>
Stakesby Community Primary School	NYCC	Enquire Learning Trust	1.9.2018	In progress
Braeburn Primary & Nursery School	NYCC	Ebor Academy Trust	1.10.2018	Delayed from 1.9.2018. Will be progressed nearer the time
Archbishop of York's CoE Junior School	COYC	South York Multi Academy Trust	1.11.2018	Delayed from 1.9.2018. Will be progressed nearer the time
Danesgate Community School	COYC	South York Multi Academy Trust	1.1.2019	Will be progressed nearer the time
George Pindar School	NYCC	Hope Learning Trust	1.1.2019	Will be progressed nearer the time
Graham School	NYCC	Hope Learning Trust	1.1.2019	Will be progressed nearer the time
Sherburn High School	NYCC	Star Multi Academy Trust	1.8.2019	Will be progressed nearer the time
Naburn CoE Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.10.2018. Will be progressed nearer the time
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.11.2018. Will be progressed nearer the time
Fishergate Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.12.2018. Will be progressed nearer the time
Escrick CoE VC Primary School	NYCC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
St Oswald's CE Primary School	COYC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
Elvington CoE Primary School	COYC	South York Multi Academy Trust	Not known	Actuarial calculations provided based on conversion date of 1.7.18. Conversion delayed, new date not yet known
Langton Primary School	NYCC	Evolution Schools Learning Trust	Not known	Original conversion date was 1.10.2016 but MAT advised it has been delayed. New date not yet known.
Thirsk School & Sixth Form College	NYCC	Arete Learning Trust	Not known	Original conversion date was 1.2.2018. MAT has advised no definite agreement in place at present

**Admission Bodies – 4 ‘in progress’**

<b>Name of Employer</b>	<b>Name of Contractor</b>	<b>Staff Transfer Date</b>	<b>Current Position</b>
Pathfinder Multi Academy Trust (Clifton with Rawcliffe School)	ISS	27.7.2017	Complete
City of York Council (Poppleton Road CP School)	ISS	27.7.2017	Complete
Pathfinder Multi Academy Trust (Hempland Primary School)	ISS	27.7.2017	Complete
Pathfinder Multi Academy Trust (Tang Hall School)	ISS	27.7.2017	Complete
Forest of Galtres Anglican Methodist Primary School - academy in the Hope Learning Trust	Absolutely Catering Limited	1.4.2018	Complete
City of York Council <ul style="list-style-type: none"> <li>• (Copmanthorpe County Infant/Junior School</li> <li>• Dunnington C E Primary School</li> <li>• Elvington C E Primary School</li> <li>• Fishergate Primary School</li> <li>• Lord Deramore's Primary School</li> <li>• Our Lady Queen of Martyrs Primary School</li> <li>• St George's Primary School</li> <li>• St Wilfrid's R C Primary School)</li> </ul>	Caterlink	27.7.2017	Complete
Ebor Academy Trust Camblesforth Community Primary School	Hutchison Catering Ltd	1.4.2018	Complete
Ebor Academy Trust (Filey Infants school)	Hutchison Catering Ltd	1.4.2018	Complete
Manor CE Academy (Hope Learning Trust)	Hutchison Catering Limited	20.7.2018	Complete
City of York Council (Short breaks for adults with learning disabilities)	Lifeways	1.8.2018	Complete
City of York Council	York Mind	1.9.2018	Draft admission agreement provided
Yorkshire Coast Homes		TBC	Possible merger with Coast & Country Housing Ltd. Working with the Fund's lawyers to determine options available.

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
City of York Council (Haxby Hall Care Home)	Contract not awarded yet	18.12.2018	Future Service Rate provided, admission agreement will be progressed nearer the time
Barlby High School (Hope Learning Trust)	Hutchison Catering Ltd	1.4.2019	Will be progressed nearer the time

#### Exiting Employers – 5

Name of Employer	Date exited the Fund
Joseph Rowntree Charitable Trust	31.12.17.
Superclean Services Limited	16.7.17
Be Independent	TUPE transferring back to the City of York Council wef 1.8.18. Exit calculation will be requested at that time
York Arts Education (Community Interest Company)	Only two members, last one left 31.3.2018. Exit calculation required. Waiting for members to decide on course of action with benefits before an exit calculation can be requested.
OCS Group UK Limited	Only one member who left 31.3.17 (only told March 18), TUPEd to SecuriGroup. Contacted the City of York Council to find out if member has been offered a 'broadly comparable' scheme as the new contractor hasn't requested admission body status

Employer	Date received	Number of EE's on File	Charging Total	Minor Issues			Major Issues			
				Missed Deadline	Incorrect Formatting	Missing or Incorrect Data	Missing Return for Active Members	Missing Reason for Pay Increase or Decrease	Missing Starter Forms	Missing Leaver Forms
North Yorkshire County Council	01/06/2018	24359	£500.00	£500.00	work not finalised					
City of York Council	22/06/2018	5041	£10,625.00	£400.00	£0.00	£0.00	£1,565.00	£7,585.00	£280.00	£795.00
NY Chief Constable	19/06/2018	1300	£1,145.00	£200.00	£35.00	£25.00	£90.00	£335.00	£335.00	£125.00
Harrogate Borough Council	30/04/2018	1281	£190.00	£0.00	£0.00	£0.00	£55.00	£25.00	£40.00	£70.00
Scarborough Borough Council	27/04/2018	641	£25.00	£0.00	£5.00	£0.00	£5.00	£10.00	£5.00	£0.00
York St John University	30/04/2018	578	£240.00	£0.00	£0.00	£0.00	£55.00	£50.00	£115.00	£20.00
York College	30/04/2018	549	£380.00	£0.00	£5.00	£0.00	£150.00	£10.00	£155.00	£60.00
Yorkshire Causeway ST	25/04/2018	524	£135.00	£0.00	£0.00	£0.00	£90.00	£10.00	£15.00	£20.00
Hambleton District Council	10/05/2018	512	£385.00	£100.00	£0.00	£0.00	£205.00	£0.00	£80.00	£0.00
Pathfinder MAT	24/04/2018	478	£540.00	£0.00	£5.00	£0.00	£85.00	£205.00	£145.00	£100.00
Askham Bryan College	27/04/2018	474	£875.00	£0.00	£30.00	£75.00	£150.00	£130.00	£325.00	£165.00
Red Kite Learning Trust	27/04/2018	465	£225.00	£0.00	£0.00	£0.00	£35.00	£0.00	£130.00	£60.00
Selby District Council	14/05/2018	320	£185.00	£100.00	£0.00	£0.00	£40.00	£5.00	£20.00	£20.00
York Museums & Gallery Trust	02/07/2018	310	£405.00	£100.00	£5.00	£0.00	£110.00	£5.00	£35.00	£150.00
Craven College	30/04/2018	273	£120.00	£0.00	£0.00	£0.00	£10.00	£25.00	£80.00	£5.00
Craven District Council	27/04/2018	269	£200.00	£0.00	£0.00	£5.00	£60.00	£15.00	£80.00	£40.00
New NY PCC	29/05/2018	255	£285.00	£100.00	£0.00	£0.00	£50.00	£40.00	£45.00	£50.00
Richmondshire District Council	07/04/2018	253	£260.00	£0.00	£10.00	£15.00	£70.00	£10.00	£95.00	£60.00
Ryedale District Council	30/05/2018	237	£270.00	£100.00	£0.00	£0.00	£25.00	£30.00	£90.00	£25.00
South Bank Multi Academy Trust	23/04/2018	218	£160.00	£0.00	£5.00	£5.00	£40.00	£40.00	£45.00	£25.00
Elevate MAT	20/04/2018	211	£80.00	£0.00	£0.00	£0.00	£0.00	£0.00	£80.00	£0.00
All Saints	17/05/2018	202	£505.00	£100.00	£0.00	£0.00	£0.00	£0.00	£370.00	£35.00
Dales Acadamies Trust	11/04/2018	165	£170.00	£0.00	£0.00	£0.00	£70.00	£55.00	£10.00	£35.00
North Yorkshire Fire & Rescue Service	10/05/2018	149	£155.00	£100.00	£0.00	£0.00	£15.00	£0.00	£0.00	£40.00
North York Moors National Park	25/04/2018	142	£35.00	£0.00	£0.00	£0.00	£0.00	£5.00	£30.00	£0.00
Yorkshire Dales National Park	24/04/2018	142	£50.00	£0.00	£10.00	£15.00	£0.00	£10.00	£15.00	£0.00
Robert Wilkinson Academy Trust	06/08/2018	138	£100.00	£100.00	work not finalised					
Selby College	20/04/2018	135	£80.00	£0.00	£5.00	£0.00	£25.00	£10.00	£25.00	£15.00
YCAT	15/05/2018	133	£240.00	£100.00	£0.00	£0.00	£20.00	£0.00	£85.00	£35.00
Yorkshire Coast Homes	15/05/2018	120	£110.00	£100.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00
York Libraries & Arc's	30/05/2018	114	£240.00	£100.00	£35.00	£20.00	£20.00	£0.00	£35.00	£30.00
South York MAT	30/05/2018	110	£100.00	£100.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
The Woodlands Academy	25/04/2018	98	£40.00	£0.00	£0.00	£0.00	£10.00	£15.00	£5.00	£10.00
Rossett School	24/04/2018	94	£190.00	£0.00	£5.00	£10.00	£25.00	£15.00	£95.00	£40.00
Manor CE School	30/05/2018	93	£275.00	£50.00	£25.00	£0.00	£0.00	£0.00	£155.00	£45.00
Bishop Wheeler Academy Trust	30/04/2018	93	£260.00	£0.00	£5.00	£10.00	£5.00	£5.00	£125.00	£110.00
Huntington School	12/04/2018	93	£10.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00	£0.00
Ringway	26/04/2018	88	£15.00	£0.00	£0.00	£0.00	£0.00	£15.00	£0.00	£0.00
Scalby Learning Trust	30/05/2018	85	£155.00	£50.00	£5.00	£0.00	£50.00	£0.00	£40.00	£10.00
Yorkshire Endeavour LAT	11/05/2018	83	£55.00	£50.00	£0.00	£0.00	£0.00	£0.00	£5.00	£0.00
South Craven School	27/04/2018	78	£95.00	£0.00	£5.00	£5.00	£5.00	£50.00	£20.00	£10.00
Stokesley School from ESS	28/04/2018	73	£90.00	£0.00	£0.00	£0.00	£20.00	£25.00	£25.00	£20.00
Richmond School	28/04/2018	71	£110.00	£0.00	£0.00	£0.00	£90.00	£0.00	£0.00	£20.00

Employer	Date received	Number of EE's on File	Charging Total	Minor Issues			Major Issues			
				Missed Deadline	Incorrect Formatting	Missing or Incorrect Data	Missing Return for Active Members	Missing Reason for Pay Increase or Decrease	Missing Starter Forms	Missing Leaver Forms
Scarborough 6th Form College	13/06/2018	68	£165.00	£50.00	£25.00	£15.00	£10.00	£45.00	£20.00	£0.00
Haxby Road Primary ( Ebor Trust )	19/07/2018	66	£170.00	£50.00	£0.00	£0.00	£50.00	£0.00	£45.00	£25.00
Norton College	30/05/2018	64	£155.00	£50.00	£25.00	£5.00	£20.00	£10.00	£40.00	£5.00
Skipton Girls High School	24/04/2018	63	£120.00	£0.00	£0.00	£10.00	£5.00	£15.00	£80.00	£10.00
Veritau Ltd	11/05/2018	61	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Ripon College	14/05/2018	61	£155.00	£50.00	£5.00	£15.00	£5.00	£5.00	£25.00	£50.00
Poppleton Ousebank School	30/05/2018	59	£165.00	£50.00	£5.00	£0.00	£5.00	£0.00	£60.00	£45.00
Barlby High School	30/05/2018	55	£110.00	£50.00	£15.00	£0.00	£5.00	£0.00	£30.00	£10.00
Greenwich Leisure Ltd	14/06/2018	54	£55.00	£50.00	£0.00	£0.00	£0.00	£0.00	£5.00	£0.00
Harrogate High School Academy	24/04/2018	53	£120.00	£0.00	£15.00	£10.00	£30.00	£30.00	£25.00	£10.00
SLM Ltd Scarborough Leisure	01/05/2018	50	£205.00	£50.00	£15.00	£10.00	£35.00	£5.00	£85.00	£5.00
East Whitby Academy	25/04/2018	50	£40.00	£0.00	£5.00	£0.00	£0.00	£0.00	£35.00	£0.00
Selby Educational Trust	11/05/2018	49	£75.00	£50.00	£0.00	£0.00	£0.00	£0.00	£20.00	£5.00
Be Independent	01/05/2018	46	£65.00	£50.00	£0.00	£0.00	£0.00	£5.00	£0.00	£10.00
Vale of York Academy	30/05/2018	46	£210.00	£50.00	£25.00	£0.00	£35.00	£15.00	£55.00	£30.00
Stokesley Primary Academy	25/04/2018	43	£125.00	£0.00	£25.00	£0.00	£5.00	£25.00	£25.00	£45.00
Brayton Academy	24/04/2018	41	£30.00	£0.00	£0.00	£0.00	£0.00	£5.00	£20.00	£5.00
Staynor Hall Academy	04/07/2018	40	£90.00	£50.00	£15.00	£0.00	£10.00	£0.00	£15.00	£0.00
Roseberry Academy	25/04/2018	39	£90.00	£0.00	£5.00	£0.00	£0.00	£5.00	£70.00	£10.00
Ebor Academy Filey	31/05/2018	39	£125.00	£50.00	£25.00	£0.00	£30.00	£0.00	£20.00	£0.00
Huntington Primary School	15/05/2018	38	£110.00	£50.00	£0.00	£0.00	£0.00	£0.00	£60.00	£0.00
University of Hull	17/04/2018	35	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Ralph Butterfied School	15/05/2018	35	£75.00	£50.00	£0.00	£0.00	£0.00	£0.00	£25.00	£0.00
ISS Mediclean Ltd	30/04/2018	30	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
The Skipton Academy	20/04/2018	30	£15.00	£0.00	£0.00	£0.00	£5.00	£10.00	£0.00	£0.00
Hookstone Chase Primary	24/04/2018	30	£55.00	£0.00	£0.00	£5.00	£15.00	£30.00	£0.00	£5.00
Burton Green Academy	30/05/2018	30	£155.00	£50.00	£20.00	£10.00	£10.00	£0.00	£35.00	£30.00
Thomas Hinderwell Primary Academy	24/04/2018	29	£25.00	£0.00	£5.00	£0.00	£0.00	£15.00	£5.00	£0.00
Forest of Galtres School	30/05/2018	29	£130.00	£50.00	£5.00	£0.00	£40.00	£0.00	£10.00	£25.00
Park Grove Primary School	31/05/2018	29	£90.00	£50.00	£5.00	£0.00	£10.00	£0.00	£5.00	£20.00
Filey CE Nurs & Inf Academy	31/05/2018	25	£150.00	£50.00	£5.00	£0.00	£75.00	£0.00	£20.00	£0.00
Tockwith C of E Primary School	31/05/2018	23	£70.00	£50.00	£20.00	£0.00	£0.00	£0.00	£0.00	£0.00
Greystone CP School	14/05/2018	23	£75.00	£50.00	£15.00	£5.00	£5.00	£0.00	£0.00	£0.00
Camblesforth CP School	02/07/2018	22	£140.00	£50.00	£25.00	£0.00	£0.00	£10.00	£0.00	£55.00
Human Support Group Limited	30/04/2018	18	£65.00	£0.00	£40.00	£10.00	£0.00	£5.00	£0.00	£10.00
Brotherton & Byram	02/07/2018	18	£90.00	£50.00	£10.00	£5.00	£5.00	£5.00	£10.00	£5.00
Scarborough UTC	01/05/2018	15	£60.00	£50.00	£5.00	£5.00	£0.00	£0.00	£0.00	£0.00
Enterprise	15/05/2018	13	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Selby Town Council	27/04/2018	12	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sheffield International Venues.	13/06/2018	12	£80.00	£50.00	£30.00	£0.00	£0.00	£0.00	£0.00	£0.00
New Park Primary	24/04/2018	12	£15.00	£0.00	£0.00	£0.00	£0.00	£5.00	£5.00	£5.00
Fulford Parish Council	16/03/2018	10	£15.00	£0.00	£5.00	£10.00	£0.00	£0.00	£0.00	£0.00
Richmondshire Leisure Trust	05/04/2018	10	£10.00	£0.00	£5.00	£0.00	£0.00	£5.00	£0.00	£0.00

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Housing and Care 21	03/04/2018	9	£10.00	£0.00	£10.00	£0.00	£0.00	£0.00	£0.00	£0.00
Cater link Limited		9	£0.00	£0.00	Return not yet received					
Skipton Town Council	18/07/2018	8	£55.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£5.00
Mellors	12/04/2018	8	£25.00	£0.00	£5.00	£0.00	£10.00	£5.00	£0.00	£5.00
City of York Trading Ltd	30/04/2018	8	£5.00	£0.00	£0.00	£0.00	£0.00	£5.00	£0.00	£0.00
abm catering limited	03/05/2018	8	£65.00	£50.00	£10.00	£0.00	£5.00	£0.00	£0.00	£0.00
The Grove Academy	18/04/2018	8	£20.00	£0.00	£0.00	£10.00	£0.00	£5.00	£0.00	£5.00
Ripon City Council	01/05/2018	7	£75.00	£50.00	£15.00	£5.00	£5.00	£0.00	£0.00	£0.00
Foss (2008) Internal Drainage Board	21/03/2018	7	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Northallerton Town Council	11/04/2018	7	£15.00	£0.00	£5.00	£10.00	£0.00	£0.00	£0.00	£0.00
Chartwells Compass	15/05/2018	7	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Dolce Ltd	10/04/2018	7	£30.00	£0.00	£5.00	£0.00	£20.00	£0.00	£0.00	£5.00
Bulloughs Cleaning Ltd	27/04/2018	7	£20.00	£0.00	£0.00	£0.00	£15.00	£0.00	£5.00	£0.00
Hutchison Catering Ltd	25/04/2018	6	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Whitby Town Council	11/04/2018	5	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Wigan Leisure & Culture Trust	11/04/2018	5	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Great Smeaton Primary School	23/04/2018	5	£10.00	£0.00	£5.00	£0.00	£0.00	£0.00	£5.00	£0.00
Consultant Cleaners Ltd	12/04/2018	5	£10.00	£0.00	£5.00	£5.00	£0.00	£0.00	£0.00	£0.00
Make It York	19/04/2018	5	£20.00	£0.00	£5.00	£15.00	£0.00	£0.00	£0.00	£0.00
Welcome to Yorkshire	03/05/2018	4	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Grosvenor Fac Man	12/04/2018	4	£15.00	£0.00	£5.00	£0.00	£5.00	£5.00	£0.00	£0.00
Lifeways Community Care Ltd	10/04/2018	4	£20.00	£0.00	£10.00	£5.00	£0.00	£0.00	£0.00	£5.00
Independent Cleaning Services Ltd	08/05/2018	4	£70.00	£50.00	£5.00	£5.00	£0.00	£0.00	£0.00	£10.00
Gough & Kelly Ltd	14/05/2018	4	£75.00	£50.00	£0.00	£5.00	£0.00	£20.00	£0.00	£0.00
Nun Monkton School	26/04/2018	4	£15.00	£0.00	£10.00	£5.00	£0.00	£0.00	£0.00	£0.00
Filey Town Council	01/05/2018	3	£65.00	£50.00	£15.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sutton in Craven Parish Council	12/04/2018	3	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Norton on Derwent Town Council	12/04/2018	3	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Knaresborough Town Council	19/04/2018	3	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Tadcaster Town Council	27/03/2018	3	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Malton Town Council	27/03/2018	3	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Haxby Town Council	12/03/2018	3	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Elite	07/08/2018	3	£50.00	£50.00	work not finalised					
Veritau North Yorkshire	30/04/2018	3	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Align Property Partners Ltd	18/05/2018	3	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Great Ayton Parish Council	11/04/2018	2	£15.00	£0.00	£5.00	£10.00	£0.00	£0.00	£0.00	£0.00
Northallerton & Romanby Bur. bd	11/04/2018	2	£25.00	£0.00	£10.00	£10.00	£0.00	£0.00	£0.00	£5.00
Pickering Town Council	18/04/2018	2	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Easingwold Town Council	04/04/2018	2	£5.00	£0.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00
Superclean	22/02/2018	2	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Churchill Security Solutions	30/04/2018	2	£20.00	£0.00	£0.00	£5.00	£15.00	£0.00	£0.00	£0.00
Catering Academy Ltd		2	£0.00	£0.00	Return not yet received					
Sanctury Housing	30/04/2018	2	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00



Employer	Date received	Number of EE's on File	Charging Total	Minor Issues			Major Issues			
				Missed Deadline	Incorrect Formatting	Missing or Incorrect Data	Missing Return for Active Members	Missing Reason for Pay Increase or Decrease	Missing Starter Forms	Missing Leaver Forms
Caterservice Limited	20/04/2018	2	£25.00	£0.00	£5.00	£20.00	£0.00	£0.00	£0.00	£0.00
York Arts Education	15/05/2018	2	£55.00	£50.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Absolutely Catering Limited	05/06/2018	2	£55.00	£50.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
York Archaeological Trust Ltd	05/04/2018	1	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Glusburn Parish Council	22/05/2018	1	£70.00	£50.00	£10.00	£10.00	£0.00	£0.00	£0.00	£0.00
Ainsty (2008) Internal Drainage Board	21/03/2018	1	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vale of Pickering IDB	25/04/2018	1	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Richmond Town Council	18/04/2018	1	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Humanby Parish Council	05/04/2018	1	£15.00	£0.00	£0.00	£15.00	£0.00	£0.00	£0.00	£0.00
Springfield Home Care Services Ltd.	18/04/2018	1	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
Northern Care	29/05/2018	1	£50.00	£50.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sewell Facilities Management	20/04/2018	1	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Streamline Taxis	20/03/2018	1	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Schools Plus Limited	09/04/2018	1	£10.00	£0.00	£5.00	£5.00	£0.00	£0.00	£0.00	£0.00
The Wilberforce Trust	26/04/2018	1	£5.00	£0.00	£5.00	£0.00	£0.00	£0.00	£0.00	£0.00
		<b>TOTALS</b>	<b>£25,350.00</b>	<b>£4,500.00</b>	<b>£830.00</b>	<b>£445.00</b>	<b>£3,730.00</b>	<b>£9,025.00</b>	<b>£4,105.00</b>	<b>£2,715.00</b>

**North Yorkshire County Council**

**Pension Board**

**11 October 2018**

**Internal Audit update**

**Purpose of Report**

To provide the Pension Board with an update on internal audit activity

**Audit Plan 2017/18**

All work in the Internal Audit Plan for 2017/18 has been completed and reported to the Pensions Board. The implementation of agreed actions for 2017/18 audits is shown in summary in Appendix 1. This also includes details for the Expenditure 2016/17 audit that has not previously been reported to the pension board. Details for the individual audits are shown in Appendix 2

**Audit Plan 2018/19**

The audit plan for 2018/19 was approved by the Pensions Board on 19 July 2018. The current status of each audit is as shown below

	<u>Days</u>	<u>Status</u>
Pension Fund Investments	15	Held pending feedback from CIPFA Investments Workshop and Lincolnshire review
Pension Fund Income	15	
Pension Fund Expenditure	15	In Progress

**Recommendation**

Pension Board Members are asked to note this report

Ian Morton,

Audit Manager,

Veritau Ltd.

Audit	Finding	Agreed date	Responsible Officer	Name of Officer	Action completed?
Pension Fund Expenditure 16/17	1	31/03/2018	Head of Pensions	Phillipa Cockrill	Done 28/09
	2	31/03/2018	Head of Pensions	Phillipa Cockrill	To follow up from 2017/18 report
	3	31/03/2018	Head of Pensions	Phillipa Cockrill	To follow up from 2017/18 report
Pension Fund Expenditure 17/18	1	31/03/2019	Head of Pensions	Phillipa Cockrill	
	2	31/03/2019	Head of Pensions	Phillipa Cockrill	
	3	31/03/2019	Head of Pensions	Phillipa Cockrill	
	4	31/08/2018	Head of Pensions	Phillipa Cockrill	Done 28/09
	5	30/11/2018	Head of Pensions	Phillipa Cockrill	
	6	31/05/2018	Head of Pensions	Phillipa Cockrill	Done 28/09
	7	31/03/2019	Head of Pensions	Phillipa Cockrill	
	8				Completed at the time of audit
	9	31/03/2019	Head of Pensions	Phillipa Cockrill	
Pension Fund Income 17/18	1	30/09/2018	Head of Pensions/Senior Accountant	Phillipa Cockrill/Amanda Alderson	Done 24/09
	2	30/09/2018	Senior Accountant	Amanda Alderson	Done 24/09
	3	30/09/2018	Senior Accountant	Amanda Alderson	No due to resources
	4	31/07/2018	Head of Pensions	Phillipa Cockrill	Done 24/09
	5	31/03/2019	Head of Technical	John Raine	
	6	01/04/2020	Head of Pensions	Phillipa Cockrill	
	7	31/03/2019	Senior Accountant	Amanda Alderson	
	8	31/12/2018	Senior Accountant	Amanda Alderson	
	9	31/12/2018	Senior Accountant	Amanda Alderson	
Pension Fund Governance Arrangements 17/18	1	31/10/2018	Assistant Chief Executive (legal & democratic)	Barry Khan	
	2	31/10/2018	Senior Accountant	Amanda Alderson	
	3	31/10/2018	Head of Pensions	Phillipa Cockrill	
	4	31/08/2018	Head of Pensions	Phillipa Cockrill	Delayed to 31/03/19

**Pensions Fund Expenditure 16/17****Directorate : Central Services****Audit Area : Pension Fund Expenditure****Audit Opinion : Reasonable Assurance****Responsible Officer : Head of Pensions Administration****Date Final Report Issued : 9 October 2017**

Ref	Recommendations / Agreed Actions	Priority	Agreed Timescale for action	Responsible Officer	Actioned? Yes/No	Date Actioned	Summary of Action Taken
1	Agreed. The following will be implemented: 1. Ensure ESS Manager has implemented clear documented guidance detailing purpose of the exception reports and the checking required on each. 2. Establish process for provision of the monthly "Employee between 16 and 21 on an incorrect NI Category" exceptions to the Administration Team via the shared area.	2	31/03/2018	Head of Pensions Administration	Yes	31/03/2018	Have been reassured by ESS Manager that documented guidance exists and staff are aware of requirements of exception reports.
					Yes	31/03/2018	Monthly report now being provided

**Completed by: Phillippa Cockerill****Position: Head of Pensions Administration****Date: 20/09/2018**

**Pensions Fund Expenditure 17/18**

**Directorate : Central Services**

**Audit Area : Pension Fund Expenditure**

**Audit Opinion : Reasonable Assurance**

**Responsible Officer : Head of Pensions Administration**

**Date Final Report Issued : 27 June 2018**

Ref	Recommendations / Agreed Actions	Priority	Agreed Timescale for action	Responsible Officer	Actioned? Yes/No	Date Actioned	Summary of Action Taken
4	<ol style="list-style-type: none"> <li>1. A monthly report is now provided by ESS to enable reconciliation</li> <li>2. A process map and working instructions have been created</li> <li>3. Another member of the team will be trained and undertake the work with the team leader undertaking the checking</li> <li>4. ESS will be required to respond to the email requests</li> </ol>	3	31/08/18	Head of Pensions Administration	<p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p>	<p>31/03/2018</p> <p>31/03/2018</p> <p>30/09/2018</p>	<p>A monthly report is now provided by ESS to enable reconciliation</p> <p>A process map and working instructions have been created</p> <p>Not actioned due to workload and resource issues within the team. It is still on the action plan to happen.</p> <p>Requested Team Leader to ensure email requests are acknowledged by ESS.</p>
6	<ol style="list-style-type: none"> <li>1. Procedures changed to ensure one of first actions is to suspend</li> </ol>	3	31/05/2018	Head of Pensions Administration	Yes	31/05/2018	Procedures changed to ensure one of first actions is to suspend pensioners on Resourcelink

	pensioners on Resourcelink 2. Procedures changed to ensure one of first actions is to notify ESS				Yes	31/05/2018	Procedures changed to ensure one of first actions is to notify ESS
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**Completed by: Phillippa Cockerill**

**Position: Head of Pensions Administration**

**Date: 20/09/2018**

**Pensions Fund Income 17/18**

**Directorate : Central Services**

**Audit Area : Pension Fund Income**

**Audit Opinion : Reasonable Assurance**

**Responsible Officer : Head of Pensions Administration**

**Date Final Report Issued : 25 June 2018**

Ref	Recommendations / Agreed Actions	Priority	Agreed Timescale for action	Responsible Officer	Actioned? Yes/No	Date Actioned	Summary of Action Taken
1	There is a plan in place to review the charging for late payments and incorrect paperwork provided by Employers. The charging schedule will go into the Pension Administration Policy that will go to Pension Fund Committee for approval in the September meeting.	3	30/09/2018	Head of Pensions Administration/ Senior Accountant	Yes	13/09/2018	Paper presented to PFC at September meeting and approval given for re-introduction of charging wef 01/04/2019
4	<ol style="list-style-type: none"> <li>1. Process will be amended to incorporate a shared data transfer area where report will be exported and saved to and the Business Support Administrator will pick up and action.</li> <li>2. Reconciliation will not be undertaken as it was agreed it</li> </ol>	2	31/07/2018	Head of Pensions Administration	Yes  No	31/07/2018	Shared are created and files being managed via this process  No action required

	<p>is not our responsibility to manage other sections within NYCC.</p> <p>3. Nil returns are now provided already.</p>				Yes	31/07/2018	Nil returns already being provided
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**Completed by: Phillippa Cockerill**

**Position: Head of Pensions Administration**

**Date: 20/09/2018**



**Pensions Fund Income 17/18**

Directorate : Central Services

Responsible Officer : Senior Accountant

Audit Area : Pension Fund Income

Date Final Report Issued : 25 June 2018

Audit Opinion : Reasonable Assurance

Ref	Recommendations / Agreed Actions	Priority	Agreed Timescale for action	Responsible Officer	Actioned? Yes/No	Date Actioned	Summary of Action Taken
1	There is a plan in place to review the charging for late payments and incorrect paperwork provided by Employers. The charging schedule will go into the Pension Administration Policy that will go to Pension Fund Committee for approval in the September meeting.	3	30/09/2018	Head of Pensions Administration/ Senior Accountant	Yes	13/09/18	An employer charging policy and schedule was taken to the Pension Fund Committee on 13 <sup>th</sup> September where it was approved. Charging of employers, where necessary, will be implemented from April 2019. Alongside the re-introduction of charging employers from April 2019 we propose to re-engage with them and offer support and training to improve our relationship and engagement with all employers within the scheme.
2	There has been a new Employer Contributions spreadsheet produced for 2018/19 that addresses the points made above. On the point around presenting information on late payments to PFC, officers can suggest that this happens quarterly going forward and agree the criteria for presenting to PFC (e.g. a minimum monetary value, repeat offenders, number of days/weeks late).	3	30/09/2018	Senior Accountant	Yes		Now that there is a Charging Policy in place, repeat late payment offenders can be reported to the PFC on a quarterly basis within the Administration report.

3	Corrections to coding are currently carried out at year end only due to resourcing issues. The benefits of undertaking corrections at the time of reconciliation will be reviewed against the additional resource requirement.	3	30/09/2018	Senior Accountant	No		Due to resource issues this will continue to be carried out at year end. This will periodically be reviewed.
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Completed by: Amanda Alderson Position Senior Accountant Date: 21/09/2018

**Pension Fund Governance**

**Directorate : Central Services**

**Audit Area : Pension Fund Governance Arrangements**

**Audit Opinion : Substantial Assurance**

**Responsible Officer : Head of Pensions Administration**

**Date Final Report Issued : 4 July 2018**

<b>Ref</b>	<b>Recommendations / Agreed Actions</b>	<b>Priority</b>	<b>Agreed Timescale for action</b>	<b>Responsible Officer</b>	<b>Actioned? Yes/No</b>	<b>Date Actioned</b>	<b>Summary of Action Taken</b>
4	<ol style="list-style-type: none"><li>1. The Pension Administration Strategy document will be circulated to employers for comment and feedback at each annual review wef 2018.</li><li>2. The final approved version will then be issued to employers and sent to the Secretary of State.</li></ol>	3	31/03/2018	Head of Pensions Administration	Yes	By 31/03/2019	The strategy document will be circulated along with the charging policy when we notify Ers of charging. It will be circulated annually thereafter.
					Yes	By 31/03/2019	The final version will then be published on the website and Ers will be notified it's available.

**Completed by: Phillippa Cockerill**

**Position: Head of Pensions Administration**

**Date: 20/09/2018**

**North Yorkshire County Council****Pension Board****11 October 2018****External Audit Report****1.0 Purpose of the Report**

- 1.1 To consider the External Audit Report in relation to the audit of the Pension Fund's 2017/18 financial statements.

**2.0 Background**

- 2.1 The External Auditors undertake an audit of the Pension Fund's financial statements annually. The audit of the 2017/18 financial statements has been undertaken by KPMG; this has been their final audit of the Fund. In future years the external audit will be undertaken by Deloitte.

**3.0 Recent Activity**

- 3.1 The final audit has concluded and the accounts were signed off by the Audit Committee on 26 July 2018. KPMG has issued an External Audit Report, attached as **Appendix 1**, which provides an unqualified opinion for the Pension Fund. This report was considered by the Audit Committee at its meeting on 26 July 2018.
- 3.2 Pension Board members may wish to discuss the content of KPMG's External Audit Report and raise any issues or queries with the Fund's officers, including in relation to regulatory compliance and best practice standards.

**4.0 Recommendation**

- 4.1 That the Pension Board notes the contents of KPMG's Report.

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

October 2018

Background Documents – attached.



# External Audit ISA260 Report 2017/18

**North Yorkshire  
County Council  
North Yorkshire  
Pension Fund**

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July 2018

# Summary for Audit Committee

**This document summarises the key findings in relation to our 2017-18 external audit at North Yorkshire County Council ('the Council') and North Yorkshire Pension Fund ('the Pension Fund').**

**This report covers both our on-site work which was completed in June and July 2018 on the Council's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.**

## Organisational and IT control environment

Our work on the Council's control environment, including its IT controls, did not identify any significant matters. Non-material matters were reported to management relating to IT administrator passwords.

## Controls over key financial systems

Our testing of key controls in financial systems did not identify any significant matters to report to the Council. We have recommended two improvements to the controls operating over the bank reconciliation and payroll reconciliation processes. Recommendations are included in Appendix 1.

## Accounts production

The Council successfully met the challenges of the earlier deadlines for accounts production in 2017/18. The draft financial statements were available on 30 May 2018.

## Financial statements

**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Council's financial statements before the deadline of 31 July 2018.**

Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see pages 10-13):

- Valuation of PPE;
- Pensions Liabilities;
- Faster Close of Financial Statements.

We have identified 3 audit adjustments with a total value of £68.1 million. See page 16 for details. These adjustments result in a net increase of £16.8 million in the reported deficit on provision of services but no change in the general fund balance.

Based on our work, we have raised 2 recommendations. Details of our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit. The following work is still to be completed:

- Receipt of final signed financial statements and management representation letter.

# Summary for Audit Committee (cont.)

## Pension Fund financial statements

### **We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 31 July 2018.**

Based upon our initial assessment of risks to the Pension Fund financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our interim visit) we did not identify any significant risks (excluding those mandated by International Standards on Auditing).

Our audit work on the Pension Fund identified 1 adjustment which has increased the Net Assets of the Fund by £25.4m.

The following work is still to be completed:

- Review of the Pension Fund Annual Report;
- Receipt of final signed financial statements; and
- Receipt of management representation letter.

## Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Council has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **We therefore anticipate issuing an unqualified value for money opinion.**

See further details on pages 21-23.

## Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their help with our audit work this year which is our final year of providing the Council and Pension Fund external audit.

**Section one**

# Control Environment





# Organisational and IT control environment

We have identified no significant issues with the Council's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

We have noted an area for improvement relating to the password controls for staff with administrator access to the Council's network and IT systems.

## Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Council's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Council relies on information technology ('IT') to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

## Key findings

We consider that your organisational and IT controls are effective overall, but our testing identified one area for further improvement:

- Our testing of password controls identified that staff with administrator access to the Council's network and systems were able to set their passwords without complying to the Council's password complexity policies. The Council was unaware of this circumvention which appears to have been an oversight in the set up of the IT policies. The Council corrected the weakness promptly after we identified it, and we have confirmed that the 'administrators' now have to apply the Council's password complexity policies. As this issue has been rectified during 2018/19 we have not raised a recommendation.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2
System changes and maintenance	3
Development of new systems and applications	3
Computer operations and end-user computing	3

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

# Controls over key financial systems

**Our testing of key financial systems did not identify any material weaknesses and we obtained the assurance we planned for regarding the design and operation of the key controls.**

**We have reported to management two areas for improvement relating to the bank reconciliation process and the payroll reconciliation process.**

## Work completed

We review the outcome of internal audit’s work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy. Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final visit. Our assessment of a system will not always be in line with your internal auditors’ opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially correct figures for inclusion in the financial statements.

## Key findings

Based on our work we have determined that the controls over the key financial systems are designed and operated to prevent and detect material mis-statements in the financial statements. We noted two areas for improvement relating to the bank reconciliation and payroll reconciliation processes:

- The Council does not retain the evidence that it has reconciled the payroll system to the general ledger for more than 3-4 months after the reconciliation has been completed. In testing the June 2017 reconciliation during our interim audit in March 2018 we were not able to confirm that the Council had reconciled the two systems. We were able to re-perform the reconciliation to confirm that the two systems did reconcile, but it is important for the Council to retain the evidence for the full year.
- The Council did not complete the bank reconciliation process in June and July 2017. The reconciliation in August 2017 reconciled June and July as well as August and therefore any irregularities would have been identified through that later reconciliation. However not promptly completing the reconciliation process after the end of a month increases the risk that irregularities are not promptly identified and corrected.

We have included recommendations in Appendix 1.

Key financial system	Assessment
Council	
Property, Plant and Equipment	3
Cash and Cash Equivalents	2
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	2
Pension Fund	
Pension Fund contributions	3
Pension Fund benefits payable	3
Pension Fund investments and cash	3

Key	
1	Significant gaps in the control environment
2	Non-significant gaps in individual controls
3	Generally sound control environment

An overhead photograph of four business professionals (two men and two women) sitting around a white conference table. They are dressed in business attire. Two laptops are open on the table. The scene is brightly lit, with shadows cast across the floor and table. A blue horizontal bar is overlaid across the middle of the image, containing the text.

**Section two**

# Financial Statements

# Accounts production and audit process

**Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Council's accounting practices and financial reporting.**

**We also assessed the Council's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.**

**The Council's overall process for the preparation of the financial statements is adequate.**

**The Council has implemented the recommendation in our 2016/17 ISA260 External Audit report.**

### Accounts practices and production process

The Council incorporated a number of measures into its closedown plan to further improve the project management of this complex process. Specifically, the Council recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerged.

Despite the Council having to manage a number of staff changes in 2017/18, they produced draft financial statements by 30 May 2018 and provided most of the required supporting working papers within the first two weeks of June 2018.

The findings from our audit work indicate that the Council has appropriate overall processes for preparing its financial statements.

We also consider that the Council's accounting practices are appropriate.

### Going concern

The financial statements of both the Council and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Council or the Pension Fund to continue as a going concern.

### Implementation of recommendations

We raised one medium priority recommendation in our 2016/17 ISA 260 External Audit Report. The Council has implemented the recommendation relating to the financial statements in line with the timescales of the action plan.

### Completeness of draft accounts

We received a complete set of draft accounts on 30 May 2018 which was in before the statutory deadline.

### Quality of supporting working papers

We issued our Accounts Audit Protocol to the Council and Pension Fund on 4 April 2018. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide to support our audit work. This helps the Council and the Pension Fund to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

# Accounts production and audit process (cont.)

## **Response to audit queries**

We are pleased to report that officers took a proactive approach to assisting our audit and dealt with our queries and requests for further information in a prompt manner which did not cause any delays to the audit process.

## **Group audit**

The Council produces group accounts, incorporating its interests in its significant subsidiary companies:

- NYnet Limited (turnover of £4.1m and net liabilities of £7.3m); and
- Yorwaste Limited (turnover of £40.3m and net assets of £10.5m).

To provide our audit opinion on the Council's consolidated financial statements we carry out work on the consolidation process and substantively test elements of the group financial statements. We do not seek assurance from the subsidiary's component auditors, this is consistent with previous years, and reflects our efficient approach to obtaining group accounts audit evidence.

There are no specific matters to report pertaining to the group audit. We are also pleased to report that there were no issues to note in relation to the consolidation process.

## **Pension Fund audit**

The audit of the Pension Fund was completed in the first couple of weeks of June 2018, in advance of the main Council audit. The audit progressed smoothly and the audit work was largely completed by 15 June 2018. Pension Fund officers took a proactive approach to the audit, answering our queries promptly and providing all request information without delay. This enabled us to complete the majority of our audit work before starting the Council audit work.

# Specific audit areas

**We anticipate issuing an unqualified audit opinion on the Council's 2017-18 financial statements and those of the Pension Fund by 31 July 2018. We will also report that your Annual Governance Statement is not misleading and is consistent with other information we are aware of from our audit of the financial statements.**

**For the year ending 31 March 2018, the Council has reported a deficit on the provision of services of £65.3m. After accounting for the statutory adjustments, the Council's General Fund & Earmarked Usable Reserves decreased by £3.3m to £213.7m. Within this total the General Fund has remained at £27.3m.**

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

## 01

### Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

## 02

### Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Council and Pension Fund's financial statements.

# Specific audit areas

## Significant Audit Risks – Council

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Council.

<b>Risk:</b>	<b>Valuation of PPE</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
<b>Our assessment and work undertaken:</b>	<p>We reviewed the approach that the Council adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>In addition, we considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values had moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate.</p> <p>We also assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).</p> <p>As a result of this work we determined that the valuation of Council land &amp; buildings are in line with the requirements of the Code and are materially correct. Other than some disclosure and presentational adjustments to the notes to the accounts, we have not identified any issues to report from our work.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant &amp; Equipment at page 14.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Council (cont.)

<b>Risk:</b>	<p><b>Pension Liabilities</b></p> <p>The net pension liability represents a material element of the Council’s balance sheet. The Council is an admitted body of North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<b>Our assessment and work undertaken:</b>	<p>As part of our work we reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council’s process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Aon Hewitt.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Aon Hewitt.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets. We obtained assurance from our KPMG Actuaries on the method of allocating the Pension Fund Assets to the Council.</p> <p>Our work has also considered the accounting treatment that the Council has adopted for the lump sum payment of £25.2m it made in April 2017 to pay the pension deficit as assessed by the Actuary in their 2016 triennial valuation to the Pension Fund.</p> <p>As a result of our work we concluded that adjustments were needed to the accounts to correctly account for the lump sum pension deficit payment. These have the effect of reducing the Short Term Debtors in the Council balance sheet, increasing the Pension Asset (and hence reducing the Net Pension Liability, and increasing the negative Pension Reserve. This also impacts on entries in the other main statements as set out on page 16 and Appendix 3. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15, noting that overall the actuarial assumptions are in line with our expectations.</p>



# Specific audit areas (cont.)

## Significant Audit Risks – Council (cont.)

<b>Risk:</b>	<p><b>Faster Close</b></p> <p>In prior years, the Council has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>During 2016/17, the Council started to prepare for these revised deadlines and advanced its own accounts production timetable. Whilst this was an advancement on the timetable applied in preceding years, further work was still required in order to ensure that the statutory deadlines for 2017/18 were met.</p> <p>In order to meet the revised deadlines, the Council may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"> <li>— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li> <li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li> <li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li> <li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li> </ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Council’s Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Our assessment and work undertaken:</b>	<p>We liaised with officers in preparation for our audit in order to understand the steps that the Council was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>We received draft financial statements before the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years.</p>

# Specific audit areas (cont.)

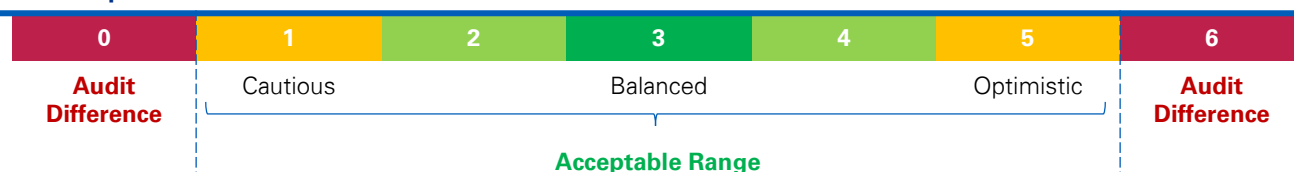
## Significant Audit Risks – Council (cont.)

<p><b>Risk:</b></p>	<p><b>Accounting treatment of the Allerton Waste Recovery asset</b></p> <p>The 2017/18 financial statements will be the first to include the asset relating to the Allerton Waste Recovery Public Private Partnership (PPP) contract which was entered into by the Council in 2014.</p> <p>This contract has complex terms which are different to other contracts to which the Council is party. The Council will need to determine the appropriate accounting treatment, as well as a fair value valuation of any assets and liabilities, an appropriate recognition of income and expenditure, and required disclosures.</p>
<p><b>Our assessment and work undertaken:</b></p>	<p>We reviewed the Council’s accounting treatment in advance of our main audit visits. This enabled us to confirm that the proposed treatment was in line with accounting standards and the CIPFA Code before the accounts preparation phase commenced.</p> <p>We gained an understanding of how the financial and accounting model relating to the project has been produced by considering the key assumptions as well as the terms included in the project agreement.</p> <p>We reviewed the valuation of the PFI asset and liability in the balance sheet and we reviewed the disclosures with regards to the PFI scheme in the financial statements.</p> <p>As a result of our work we concluded that adjustments were needed to the accounts to correctly reflect the Council’s share of the value of the asset and related liability. The Council had included £49m relating to the value of income which the operator would receive from third parties, should the Council and City of York Council not use the full capacity of the waste recovery facility. In our view, including this income within the calculation of the value of the asset and related liability is not consistent with the requirements of the Code guidance notes, which reflect the current view on the treatment of third party income when accounting for PFI assets. The Council have adjusted the value of the asset and related liability to remove the £49m.</p>

# Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

**Level of prudence**



Subjective area	2017-18	2016-17	Commentary
Provisions (Council)	3	3	Our testing of Provisions has not identified any matters to report. The basis on which provisions have been calculated is consistent with previous periods. We believe this basis to be balanced and reasonable.
Accruals (Council)	3	3	Our testing of the Council’s approach to estimating its year end accruals has not identified any matters to report. The Council has made judgements regarding its accruals policies to enable it to achieve the earlier closedown deadlines. We have not identified any issues with the approaches adopted in 2017/18.
Property Plant & Equipment (Council)	3	3	As reported on page 10 the Council’s valuation of its Land & Buildings was a significant risk for our audit. The Council’s valuer, Align Property Partners Ltd, has carried out detailed valuation calculations and our work has concluded that the valuer has taken a balanced and reasonable approach to valuing the assets.  We consider that the Council’s judgements on the useful lives of its assets has led to balanced and reasonable lives which leads to reasonable depreciation charges.
Valuation of pension assets and liabilities (Council)	3	3	The Council continues to use Aon Hewitt to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.1% change in the discount rate would change the gross pension obligation liability by £32 million.  Continued overleaf

# Judgements (cont.)

Subjective area	2017-18	2016-17	Commentary																								
Valuation of pension assets and liabilities (Council)	3	3	The actual assumptions adopted by the actuary fell within our expected ranges as set out below:																								
			<table border="1"> <thead> <tr> <th data-bbox="651 447 791 474">Assumption</th> <th data-bbox="958 447 1046 503">Actuary Value</th> <th data-bbox="1100 447 1179 503">KPMG Range</th> <th data-bbox="1210 447 1353 474">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 524 791 551">Discount rate</td> <td data-bbox="958 524 1029 551">2.60%</td> <td data-bbox="1079 524 1200 551">2.35-2.65%</td> <td data-bbox="1275 524 1293 551">2</td> </tr> <tr> <td data-bbox="651 571 779 598">CPI inflation</td> <td data-bbox="958 571 1029 598">2.10%</td> <td data-bbox="1079 571 1200 598">1.91-2.41%</td> <td data-bbox="1275 571 1293 598">2</td> </tr> <tr> <td data-bbox="651 619 836 646">Net discount rate</td> <td data-bbox="958 619 1029 646">0.5%</td> <td data-bbox="1079 619 1200 646">-0.06-0.74%</td> <td data-bbox="1275 619 1293 646">2</td> </tr> <tr> <td data-bbox="651 667 801 694">Salary Growth</td> <td data-bbox="958 667 1029 694">3.35%</td> <td data-bbox="1079 667 1200 694">2.10-4.10%</td> <td data-bbox="1275 667 1293 694">3</td> </tr> <tr> <td data-bbox="651 714 901 803">Life expectancy Current male / female Future male/female</td> <td data-bbox="943 741 1043 803">22.9/26.4 25.1/28.7</td> <td data-bbox="1086 741 1186 803">22.1/23.9 23.5/25.4</td> <td data-bbox="1275 741 1293 768">4</td> </tr> </tbody> </table>	Assumption	Actuary Value	KPMG Range	Assessment	Discount rate	2.60%	2.35-2.65%	2	CPI inflation	2.10%	1.91-2.41%	2	Net discount rate	0.5%	-0.06-0.74%	2	Salary Growth	3.35%	2.10-4.10%	3	Life expectancy Current male / female Future male/female	22.9/26.4 25.1/28.7	22.1/23.9 23.5/25.4	4
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Unquoted investments (Pension Fund)	3	3	Our testing has found an effective control environment in place with regards to investments, including the fund managers and custodian engaged by the fund. We consider there to be robust review of unquoted investment valuations within these relationships.																								



# Proposed opinion and audit differences - Council

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Council's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2018.**

## Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality for the audit of the Council financial statements for this year's audit was set at £15million (see Appendix 4). Audit differences below £0.75million are not considered significant.

Our audit identified a total of 3 significant audit differences, which we set out in Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables below illustrate the total impact of audit differences on the Council's movements on the General Fund for the year and balance sheet as at 31 March 2018. The tables show that there has been no impact on the General Fund, and that Net Assets have decreased by £14 million as at 31 March 2018. This is mainly the result of the following amendments:

- Reduction in the value of the asset and liability related to the Allerton Waste Treatment Plant; and
- Adjustments related to the accounting treatment of the lump sum pension deficit payment.

In addition, we identified some non significant and presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of any significant presentational adjustments in Appendix 3. We understand that the Council has addressed these in the final financial statements.

Movement on the General Fund 2017-18			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Deficit on the provision of services	(65.2)	(82.1)	1
Adjustments between accounting basis and funding basis under regulations	61.9	78.8	1
Transfers from earmarked reserves	3.3	3.3	
<b>Increase in General Fund</b>	<b>0</b>	<b>0</b>	

Balance Sheet as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Property, Plant & Equipment	1,718	1,671	2 & 3
Other long term assets	79	79	
Current assets	406	390	1
Current liabilities	(195)	(195)	
Long term liabilities	(959)	(910)	2
<b>Net Assets</b>	<b>1,049</b>	<b>1,035</b>	
General Fund	27	27	
Other useable reserves	213	213	
Unusable reserves	809	795	1, 2 & 3
<b>Total Reserves</b>	<b>1,049</b>	<b>1,035</b>	

<sup>1</sup> See referenced adjustments in Appendix 3.

# Proposed opinion and audit differences - Council (cont.)

## **Annual governance statement**

We have reviewed the Council's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

## **Narrative report**

We have reviewed the Council's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Council.



# Proposed opinion and audit differences - Pension Fund

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2018.**

## Pension Fund audit

Our audit of the Pension Fund identified one material audit adjustment relating to the accounting for the lump sum pension deficit contributions paid by scheduled bodies.

The final materiality for the audit of the Council financial statements for this year's audit was set at £25 million (see Appendix 4). Audit differences below £1.25 million are not considered significant.

We have set out the significant audit difference in Appendix 3 and it is our understanding that this will be adjusted in the final version of the financial statements.

In addition as in 2015/16 and 2016/17, the Pension Fund has accounted for benefits payable on a cash basis rather than accruing benefit liabilities which are due at the year end but not yet paid. This issue was reported in the previous years and we have not included any specific recommendations or actions for the Fund as a result.

The benefits paid after 31st March 2018 which should have been accrued into 2017/18 were £1,150,000. The corresponding figure for 2016/17 was £925,000, meaning that the unadjusted difference this year is £225,000. This amount is below our significant differences threshold, and we have not reported this in Appendix 3, nor have we required the amount to be corrected in the accounts.

Fund account as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Opening net assets of the scheme	3,036	3,036	
Contributions received	139	164	1
Benefits paid	(115)	(115)	
Management expenses	(2)	(2)	
Return on investments	245	245	
<b>Closing net assets of the scheme</b>	<b>3,303</b>	<b>3,328</b>	

Net assets as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref <sup>1</sup>
Net investments	3,311	3,311	
Net current assets/(liabilities)	(8)	17	1
<b>Net assets of the scheme</b>	<b>3,303</b>	<b>3,328</b>	

<sup>1</sup> See referenced adjustments in Appendix 3.

## Annual report

We have not yet reviewed the Pension Fund Annual Report. When we receive a copy we will review it to be able to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

Once this review is complete we will issue our opinion on the Pension Fund Annual Report. We anticipate this will be after the Pension Fund Committee in September, and hence will be after we have issued the opinion on the Pension Fund financial statements.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's 2016/17 financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

## Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North Yorkshire County Council and North Yorkshire Pension Fund for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and North Yorkshire County Council and North Yorkshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

## Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Corporate Director – Strategic Resources for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

We have not identified any matters over which we are seeking specific management representations.

## Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Council's 2017-18 financial statements.



**Section three**

# Value for Money Arrangements



# Specific value for money risk areas

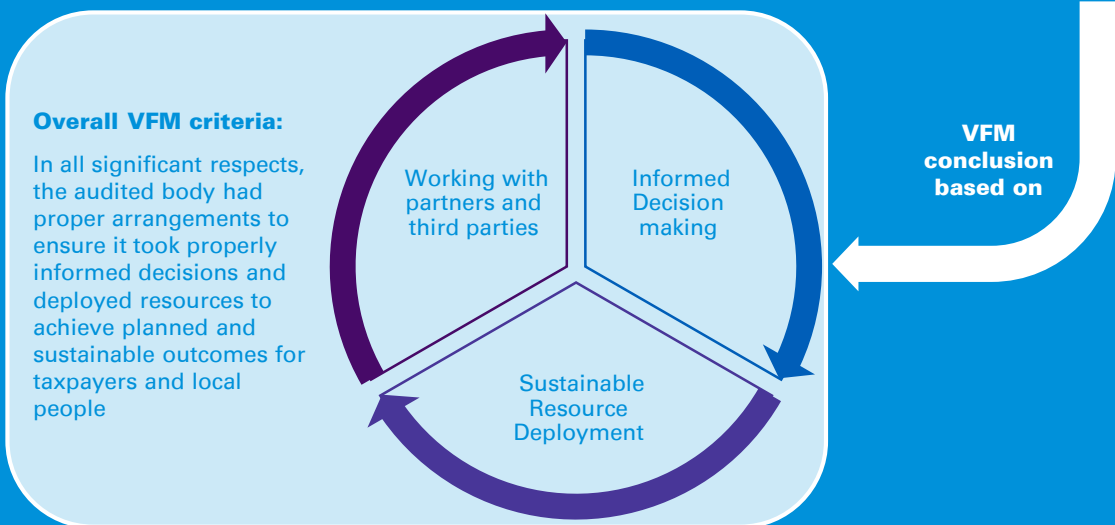
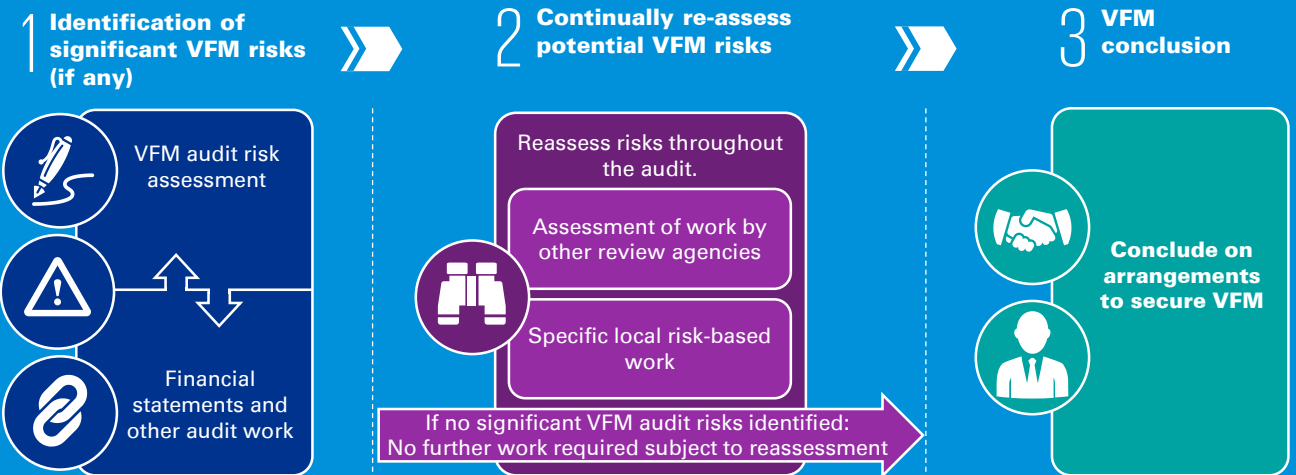
Our 2017-18 VFM conclusion considers whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Council 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



# Specific value for money risk areas (cont.)

The table below summarises our assessment of the Council’s overall VFM arrangements.

## Overall VFM conclusion

	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Overall arrangements	✓	✓	✓

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have:

- Assessed the Council’s key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Considered the results of relevant work by the Council, inspectorates and review agencies in relation to these risk areas.

## Key findings

Having completed our detailed planning work, we did not identify any significant risks to our VFM conclusion.

In concluding this, we particularly considered the following key elements:

- The Council’s approach to medium term financial planning. The 2020 North Yorkshire Council Plan sets out the Council’s strategy for delivering against the significant financial challenges. The Council has a clear strategy for delivering against the significant financial challenges. These challenges are reported and monitored in the corporate risk register and the Council is clearly devoting significant resources to putting in place mitigating arrangements to manage those risks. The challenges and risks are significant for the medium term, but from our review we are satisfied that the Council has arrangements in place to respond to these challenges, and we have no issues to report. At the end of 2017/18 the Council’s General Fund balance was £27.3m and usable reserves earmarked for specific purposes were £186.4m. The Council’s 2018/19 financial plan assumes the use of £3.7m of reserves to balance the budget, and includes a savings requirement of £15.5m. Over the medium term period 2018/19 to 2021/22 the Council’s financial plan is based on delivering £44m of savings. In the 2018/19 budget the Council reported that £10.7m of this £44m was yet to be identified and was a savings gap.
- The Council’s approach to partnership working. This year has been a challenging year with regards to working with local NHS organisations, but the Council has adequate arrangements to deliver services and apply the ‘improved Better Care Fund’ in working with local partner organisations. The Council is aware of the significant challenges and risks with this closer integration, and we are satisfied that the Council’s arrangements to manage these challenges are appropriate and adequate.
- Governance arrangements. The Council continues to deliver change programmes designed to address the financial and operational challenges in the medium term. In addition it continues to be innovative in considering the opportunities to strengthen its financial position, for example in identifying potential significant revenue savings from paying its employer pension contributions in advance. From our review of the arrangements in place, we are satisfied that the Council has continued to have in place appropriate governance arrangements to support effective decision making.

We have also considered the Council’s recent focused Ofsted inspection, which is due to be reported in July 2018.

# Specific value for money risk areas (cont.)

## **Overall conclusion**

In consideration of the above, we have concluded that in 2017-18, the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

# Appendices

# Key issues and recommendations

Our audit work on the Council's 2017-18 financial statements has two low priority issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Council should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

## Priority Rating for Recommendations

<b>1</b>	<p><b>Priority One:</b> Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<b>2</b>	<p><b>Priority Two:</b> Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<b>3</b>	<p><b>Priority Three:</b> Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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No.	Risk	Issue & Recommendation	Management Response
1	3	<p><b>Retention of payroll reconciliation evidence</b> <i>Risk</i></p> <p>Our testing identified that the Council only retains evidence that it has reconciled the payroll system to the general ledger system for 3-4 months. Not retaining evidence that key reconciliations have been carried out increases the risk that the Council cannot assure itself that the controls have operated throughout the year.</p> <p><i>Recommendation</i></p> <p>Retain evidence that the reconciliation of the payroll system to the general ledger system has been carried out for the full financial year.</p>	<p>The County Council agrees to retain evidence that the payroll system has been reconciled to the general ledger system for the full financial year.</p> <p><i>Responsible Officer</i></p> <p>Senior Accountant Statutory Accounts</p> <p><i>Implementation Deadline</i></p> <p>July 2018</p>
2	3	<p><b>Timely completion of bank reconciliations</b> <i>Risk</i></p> <p>Our testing identified that the June &amp; July 2017 bank reconciliations were not completed. The August 2017 reconciliation covered all three months. Not promptly completing the bank reconciliations increases the risk that irregularities are not identified and corrected swiftly.</p> <p><i>Recommendation</i></p> <p>Ensure that bank reconciliations are completed promptly after the month end.</p>	<p>The County Council agree to ensure that bank reconciliations are completed promptly after the month end.</p> <p><i>Responsible Officer</i></p> <p>Senior Accountant Statutory Accounts</p> <p><i>Implementation Deadline</i></p> <p>July 2018</p>

# Follow-up of prior year recommendations

The Council has implemented the recommendation raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our External Audit *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

**Number of recommendations that were**

Included in the original report	1
Implemented in year or superseded	1
Outstanding at the time of our interim audit	0

No	Risk	Issue & Recommendation	Management Response	Status as at July 2018
1	2	<p><b>Fixed asset register</b></p> <p>As part of the year-end closedown processes the Council's Fixed Asset Register, which generates the Property, Plant &amp; Equipment accounting entries contained a number of errors, including:</p> <ul style="list-style-type: none"> <li>• Duplicate assets, for example where schools had merged, had not been removed;</li> <li>• De-commissioned assets had not been revalued and recategorised as Surplus Assets;</li> <li>• The valuation of assets subject to a 'desktop' revaluation in year had not been calculated using the correct formula; and</li> <li>• Accumulated depreciation relating to assets disposed of in year had not been correctly removed.</li> </ul> <p><b>Recommendation</b></p> <p>Ensure that the quality assurance of the financial statements includes a review of the fixed asset register to ensure that all errors and omissions are identified during the closedown period.</p>	<p><b>Management Response</b></p> <p>Accepted</p> <p>The methodology by which the desktop revaluations are applied to fixed assets has been corrected. Additional measures will be implemented, as part of the closedown preparatory process and actual closedown timetable, to ensure fixed assets which have been de-commissioned, merged or re-categorise are fully identified with assistance from the Property Team and their accounting treatment amended accordingly.</p> <p><b>Responsible Officer</b></p> <p>Senior Accountant – Capital &amp; Treasury Management</p> <p><b>Implementation Deadline</b></p> <p>31 May 2018</p>	<p>Our testing of the Council's Fixed asset register in 2017/18 did not identify any of the issues identified in 2016/17 and we have concluded that the recommendation has been implemented.</p>

## Appendix 3:

# Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements.

### Adjusted audit differences – Council

The following table sets out the significant audit differences identified by our audit of North Yorkshire County Council's financial statements for the year ended 31 March 2018. These have been adjusted by the Council.

**Table 1: Adjusted audit differences – Council (£'000)**

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Cost of Services Expenditure £16,798	Cr Adjustments between accounting and funding basis (£16,798)	Cr Short Term Debtors (£16,798)		Dr Pension Reserve £16,798	Pension deficit lump sum payment corrections, removing the prepayment from Current Assets and increasing the (negative) Pension Reserve
2			Cr Property, Plant & Equipment (£49,096)	Dr PFI Liability £49,096		Removing the operator third party income from the value of the PFI Waste Treatment Plant asset and related liability
3			Dr Property, Plant & Equipment £2,666		Cr Revaluation Reserve (£2,666)	Including the revaluation of two Council buildings which had been omitted from the Fixed Asset Register
	<b>£16,798</b>	<b>(£16,798)</b>	<b>(£63,228)</b>	<b>£49,096</b>	<b>£14,132</b>	<b>Total impact of adjustments</b>

### Unadjusted audit differences

There were no significant audit differences which were not adjusted by the Council.



### Appendix 3:

# Audit differences (cont.)

## Adjusted audit differences – Pension Fund

The following table sets out the significant audit differences identified by our audit of North Yorkshire Pension Fund's financial statements for the year ended 31 March 2018.

**Table 3: Adjusted audit differences – Pension Fund (£'000)**

No.	Fund Account	Assets	Liabilities	Reserves	Basis of audit difference
1	Cr Contributions – Deficit (£25,375)		Dr Non Investment Creditors £25,375		Deficit payments made by Scheduled bodies in the year should be accounted for as Contributions and not included as a 'receipt in advance'.
2	Dr Returns on Investments £55	Cr Investment Assets (£55)			The private equity institution has been wound up, the Council's investment has been revalued from £55k to Nil.
	<b>£25,430</b>	<b>(£55)</b>	<b>£25,375</b>		<b>Total impact of adjustments</b>

## Unadjusted audit differences

There were no significant audit differences which were not adjusted by the Pension Fund.

## Appendix 3:

# Audit differences (cont.)

### Presentational adjustments - Council

We identified a number of presentational adjustments required to ensure that the Council's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified a some adjustments of a more significant nature and details of these are provided in the following table.

**Table 5: Presentational adjustments – Council**

No.	Basis of audit difference
1	The Council has amended the entries in the Cash Flow Statement to reflect the actions agreed in 2015/16 relating to the treatment of capital creditors and debtors in the Statement.
2	The Council has disclosed an additional Post Balance Sheet Event (Note 37) relating to the impact of the fire at Sherburn High School.
3	The Audit Fees (Note 11) has been amended to more accurately reflect the elements of the fee paid by the Council and the rebate received from Public Sector Audit Appointments.

### Presentational adjustments – Pension Fund

We also identified a number of presentational adjustments required to ensure that Pension Fund's financial statements for the year ending 31 March 2018 are fully compliant with the Code.

The following table sets out those presentation adjustments relating to the Pension Fund's financial statements that are considered to be significant.

**Table 6: Presentational adjustments – Pension Fund**

No.	Basis of audit difference
1	Financial instruments disclosure of the Hierarchy of Investment Assets (Note 16a) has been amended to more accurately reflect the assets at Levels 1, 2 and 3.
2	The Pension Fund have included a Post Balance Sheet Event (Note 6) disclosure to reflect its participation in the Border to Coast pension pooling arrangement from 2018/19.

# Materiality and reporting of audit differences

**The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.**

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in March 2018.

Materiality for the Council's accounts was set at £15 million which equates to around 1.4 percent of gross expenditure. Materiality for the Pension Fund accounts was set at £25 million, which equates to around 0.7 percent of Net Assets. We design our procedures to detect errors in specific accounts at a lower level of precision.

## **Reporting to the Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Council and Pension Fund, an individual difference is considered to be clearly trivial if it is less than £0.75 million for the Council and £1.25 million for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## Appendix 5:

# Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	<p>We have identified 3 adjusted audit differences with a total value of £68.1 million. See Appendix 3 for details. These adjustments result in a net increase of £16.8 million in the reported deficit on provision of services. See page 16 for further details.</p> <p>Our audit of the Pension Fund identified 1 adjusted audit difference with a total value of £25.4 million. See Appendix 3 for details. These adjustments result in a net increase of £25.4 million in the reported Net Assets of the fund. See page 18 for details.</p>
Unadjusted audit differences	There are no unadjusted audit differences.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<p>We have set out our assessment of the Council's internal control environment, including confirmation that there were no significant deficiencies identified, in Section One of this report (see pages 4 and 5).</p> <p>We have reported two deficiencies in internal control of a lesser magnitude than significant deficiencies in Section One of this report.</p>
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Council's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

**Appendix 5:**

# Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Other information	No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.  These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.
Our declaration of independence and any breaches of independence	No matters to report.  The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.  See Appendix 6 for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.  We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.



# Declaration of independence

## **ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF NORTH YORKSHIRE COUNTY COUNCIL AND NORTH YORKSHIRE PENSION FUND**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to the audit of North Yorkshire Pension Fund and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is an Audit Director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

# Declaration of independence (cont.)

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of fees

We have considered the fees charged by us to the Council and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the Council and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Council	94,490	94,490
Audit of the Pension Fund	24,943	24,943
Additional work for IAS19 assurance to other scheduled bodies	4,996 (a)	4,996
Audit of controlled entities		
– Align Property Partners Ltd	7,250	8,500
– Brierley Homes Ltd	3,500	0
<b>Total audit services</b>	<b>135,179</b>	<b>132,929</b>
Allowable non-audit services		
– Withholding tax claims by the Pension Fund	750	17,750
Audit related assurance services		
– Teachers' Pension Return assurance report	3,500	3,500
<b>Total Non Audit Services</b>	<b>4,250</b>	<b>21,250</b>

- (a) The additional fee for IAS19 assurance to other scheduled bodies in the East Riding Pension Fund is undertaken under the Public Sector Audit Appointments (PSAA) approach. The fees for 2017/18 are still subject to approval by PSAA.
- (b) The fee for the certification work on the Housing Benefit Grant Claim is indicative based on the fees set by Public Sector Audit Appointments. This work will complete by the end of November 2018.

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Council under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.03:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

## Appendix 6:

# Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
<b>Allowable non-audit services</b>				
Withholding tax claims filed by the Pension Fund	<p>KPMG carry out tax services in relation to EU Law based withholding tax reclaims, by filing the claims for the Pension Fund. While this work is no longer permitted under the extant ethical standards, under the 'grand-fathering' provisions of the current standards, work already underway and contractually committed was permitted to be completed. This work has been underway for a number of years and the fees in 2017/18 reflect the work carried out through the engagement.</p> <p>The work is being carried out by KPMG's tax department, operating under a different managerial structure than the external audit. No members of the audit team have been involved in any of the tax work, and vice versa. We have assessed the self review, management threat, familiarity, advocacy and intimidation threats to this work and its impact on our external audit. We are satisfied that this work does not impact on our auditor independence and the internal safeguards are appropriate.</p>	Fixed Fee	750	0
<b>Audit-related assurance services</b>				
Teachers Pensions Return assurance report	<p>Self-interest: This engagement is separate from the audit through a separate contract. Fee rates are low and they are not contingent on any outcomes from the assurance work.</p> <p>Self-review: The work provides an independent assurance report to the external body. This does not impact on our audit responsibilities and there is no threat of our work being reviewed through our audit.</p> <p>Management threat: This work provides a separate assurance report and does not impact on any management decisions.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Council in any aspect of this work.</p> <p>Intimidation: not applicable to these areas of work</p>	Fixed Fee	0	3,500



## Appendix 6:

# Declaration of independence (cont.)

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period.

### **Independence and objectivity considerations relating to other matters**

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

### **Confirmation of audit independence**

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

**KPMG LLP**

## Appendix 7:

# Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit of the Council is £94,490 plus VAT and £24,943 plus VAT for the audit of the Pension Fund. These fees are the same as the previous year.

We will again be requesting an additional fee of £4,996 (2016/17: £4,996 relating to the additional work we carry out as the auditor of the Pension to respond to requests for assurance from the auditors of other scheduled bodies to the Pension Fund. This is subject to PSAA's determination and approval.

Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £3,500 plus VAT (£3,500 in 2016/17), see further details below.

Component of the audit	2017-18 Actual Fee £	2016-17 Actual Fee £
<b>Accounts opinion and value for money work</b>		
PSAA Scale fee (North Yorkshire County Council)	94,490	94,490
PSAA Scale fee (North Yorkshire Pension Fund)	24,943	24,943
Additional fee in relation to providing IAS19 assurance to other scheduled bodies in the Pension Fund	4,996 (a)	4,996
<b>Total audit services</b>	<b>124,429</b>	<b>124,429</b>
<b>Allowable non-audit services</b>		
Pension Fund Tax withholding work	750	17,750
<b>Total allowable non-audit services</b>	<b>750</b>	<b>17,750</b>
<b>Audit-related assurance services</b>		
Teachers' Pension Return (work planned for September 2018)	3,500	3,500
<b>Total audit-related assurance services</b>	<b>3,500</b>	<b>3,500</b>
<b>Total non-audit services</b>	<b>4,250</b>	<b>21,250</b>
<b>Grand total fees for the Council</b>	<b>128,679</b>	<b>145,679</b>

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura, the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION BOARD

11 OCTOBER 2018

## GOVERNANCE OF THE FUND

## Report of the Treasurer

**1.0 PURPOSE OF REPORT**

- 1.1 To provide Pension Board members with an update on the governance arrangements of the Fund.
- 1.2 To provide Pensions Board members with the opportunity to give their feedback on the governance documents of the Fund.

**2.0 RECENT EVENTS**

- 2.1 To remind Board members, a number of governance documents of the Fund were taken to the 5 July 2018 PFC Meeting for their annual review. There has been a number of additional governance documents produced for the Fund this year, some for best practice purposes and others as required by new regulations. These governance documents were brought to the 19 July Board meeting for review.
- 2.2 The following governance documents were taken to the September PFC meeting where they were approved:
  - Pensions Administration Strategy
  - Employer Charging Policy
  - NYPF Annual Report
  - NYPF Business Plan
- 2.3 These governance documents were circulated to Board members prior to the PFC meeting and are also attached as **Appendix 1** for completeness. Board members are asked to provide feedback on these documents as part of their role of ensuring good governance arrangements in the Fund.
- 2.4 An annual governance review was also undertaken by the Independent Professional Observer and his report was presented at the September PFC meeting. This is also attached as **Appendix 1**.
- 2.5 At the 18 January 2018 Pension Board meeting the draft NYPF Statement of Compliance with the UK Stewardship Code was reviewed. This document

has now gained a Tier 1 assessment by the Financial Reporting Council (FRC) and has been published on both the NYPF and FRC websites.

### **3.0 NEXT STEPS**

- 3.1 The Admissions and Terminations Policy of the Fund will be taken to a future PFC Meeting for approval. It will also be brought to the Board for review.
- 3.2 An updated version of the Risk Register will be brought to the January 2019 Pension Board meeting for review.

### **4.0 RECOMMENDATION**

- 4.1 Pension Board members to provide feedback on the governance documents of the Fund.

October 2018

## NORTH YORKSHIRE COUNTY COUNCIL

### PENSION FUND COMMITTEE

13 SEPTEMBER 2018

### GOVERNANCE ARRANGEMENTS

#### Report of the Treasurer

#### **1.0 PURPOSE OF REPORT**

- 1.1 To review a range of governance documents and for the Committee to approve or note as appropriate:
- NYPF Business Plan
  - Pensions Administration Strategy
  - Employer Charging Policy
  - NYPF Annual Report and Accounts
- 1.2 To update Members on progress made on the following governance documents:
- Admissions and Terminations policy
  - Statement of Compliance with the UK Stewardship Code
- 1.3 To update Members on the annual governance review of the Fund undertaken by the Fund's Independent Professional Observer

#### **2.0 BACKGROUND**

- 2.1 At the 5 July 2018 meeting Members approved a suite of governance documents as part of the annual governance review of the Fund. To remind Members, it was explained in the meeting that there were some outstanding documents that would be brought to the September meeting for approval, these documents are as follows:
- NYPF Business Plan
  - Pensions Administration Strategy
  - Employer Charging Policy
  - NYPF Annual Report and Accounts
  - Admissions and Terminations Policy

- 2.2 The sections below cover each of these documents and the actions required from Members in turn.

#### **3.0 NYPF BUSINESS PLAN**

- 3.1 As part of its programme of improving the standards of governance across all pension schemes, the Pensions Regulator has recommended each scheme should have a business plan which sets out a clear purpose and strategy. This plan should be used to manage the scheme effectively and enable members to get good outcomes. Having a business plan will

enable the Committee to plan ahead and improve their ability to comply with legal requirements.

3.2 The NYPF Draft Business Plan is attached as **Appendix 1**, Members are asked to approve this document. The document covers the objectives of the Fund and the key actions for 2018/19 to be undertaken in order to achieve these objectives.

3.2 This document will be updated annually and will be brought to the PFC for approval alongside the budget in future years to ensure objectives, key activities and the budget are aligned.

#### 4.0 PENSIONS ADMINISTRATION STRATEGY AND EMPLOYER CHARGING POLICY

4.1 The Pensions Administration Strategy is attached as **Appendix 2**. This document has been amended to incorporate the Fund's wish to re-introduce charging employers for poor quality data and late submission of year end data files. Alongside this document an Employer Charging Policy has been created, attached as **Appendix 3**, which sets out the Fund's policy regarding charging employers. Members are asked to approve these documents.

#### 5.0 NYPF ANNUAL REPORT AND ACCOUNTS

##### 5.1 NYPF Annual Report 2017/18

5.1.1 The Pension Fund Annual Report 2017/18 is attached as **Appendix 4**. Members are asked to approve the content of the Report. The governance documents included in the report are all approved separately.

5.1.2 The Annual Report is audited by the Fund's external auditor, KPMG, who have advised informally that they will give an unqualified opinion on the Annual Report, subject to no material changes being made.

5.1.3 Following PFC approval, the Annual Report will go back to KPMG for their final opinion and will then be published on the NYPF website.

##### 5.2 NYPF Final Accounts

5.2.1 The Draft Accounts were approved by PFC in the 5 July 2018 meeting. As the external audit had not been completed at the time of the meeting, it was agreed that any subsequent changes to the Accounts would be brought to PFC for noting, these changes are detailed in the table below:

Change	Note	Original figure (£000)	Final Figure (£000)	Variance (£000)	Comments
Change in treatment of prepayment of deficits	Fund Account, Net Asset statement, various notes	Non-investment creditor (29,691)	Non-investment creditor- 4,317	25,375	At the request of KPMG, the deficit paid in advance for 2018/19 and 2019/20 by a number of employers is no longer treated as a prepayment and has been included in the deficit contributions
		Deficit contributions- 20,971	Deficit contributions- 46,345	(25,375)	

					received for 2017/18.
Increase in 2017/18 management fees	11, fund account	(22,985)	(24,523)	1,538	This increase is due to further fee information being disclosed by Managers after the Draft Account deadline, as part of the drive to increase transparency on fees.
Reclassification of investment levels	16a	Level 1- 3,103,152  Level 2- 292,692  Level 3- 0	Level 1- 1,279,194  Level 2- 2,075,292  Level 3- 41,362	Level 1- (1,823,958)  Level 2- 1,782,600  Level 3- 41,362	At the request of KPMG, the investment levels have been adjusted to reflect whether the investments are exchange traded
Amendment to change in market value of investments	14a, fund account	244,947	246,433	1,486	Change due to a review of the management expenses and private equity write off
Write off of private equity	Fund Account, Net Asset statement, various notes	55	0	(55)	Yorkshire and Humber Fund has now been valued at zero, so written off in the accounts
Change in AVC contribution figure	23	1,999	2,007	8	To correct an error in accounts
Addition of pooling paragraph to post balance sheet events	6	n/a	n/a	n/a	To acknowledge that the Fund has joined BCPP and that costs and transition of funds will occur from 2018/19

5.2.2 The NYCC Final Accounts, that include the Pension Fund Accounts, were approved by the Audit Committee at their meeting on 26 July 2018. These final Accounts have been included as an Appendix to the NYPF Annual Report 2017/18.

## 6.0 ADMISSIONS AND TERMINATIONS POLICY

6.1 The Admissions and Terminations Policy is in the process of being updated. This is a significant piece of work that includes the alignment of our policies, practices and admission agreements with the updated LGPS Regulations. This work is being undertaken in



conjunction with the Fund's Actuary and legal advisers. The updated draft policy will be brought to a future PFC meeting for Members to approve.

## **7.0 STATEMENT OF COMPLIANCE WITH UK STEWARDSHIP CODE**

- 7.1 Following the approval of the amended version of the NYPF Statement of Compliance with the UK Stewardship Code in the July meeting, the document was re-submitted to the Financial Reporting Council (FRC) for assessment. To remind Members, statements assessed as Tier 1 are considered to provide a good quality and transparent description of the approach to stewardship and explanations of alternative approaches where necessary. Statements assessed as Tier 2 are considered insufficiently transparent or do not provide adequate explanations.
- 7.2 NYPF has now received a Tier 1 assessment from the FRC and the Statement will be published on both the NYPF and the FRC website.

## **8.0 FUND GOVERNANCE REVIEW- REPORT OF THE INDEPENDENT PROFESSIONAL OBSERVER**

- 8.1 The Fund's Independent Professional Observer, Peter Scales, has undertaken an annual governance review of the Fund; his report is attached as **Appendix 5**.
- 8.2 The Independent Professional Observer will attend the September meeting to discuss the governance of the Fund with Members; any feedback provided will be reflected in the governance documents where necessary.

## **9.0 NEXT STEPS**

- 9.1 Following approval of the remaining documents, subject to any changes as a result of the review of the Independent Professional Observer, the final governance documents will be published on the NYPF website.
- 9.2 The Admissions and Terminations policy will be brought to the November meeting for approval.

## **10.0 RECOMMENDATIONS**

### **Members are asked to:**

- 10.1 Approve the following governance documents:
- NYPF Business Plan (Appendix 1)
  - Pensions Administration Strategy (Appendix 2)
  - Employer Charging Policy (Appendix 3)
  - NYPF Annual Report (Appendix 4)
- 10.2 Note the changes made to the NYPF Statement of Accounts
- 10.3 Note progress made on the Admissions and Terminations Policy and the Statement of Compliance with the UK Stewardship Code
- 10.4 Note the content of the Annual Governance Review undertaken by the Independent Professional Observer (Appendix 5) and agree any changes required to the Governance Documents.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

3 September 2018



# North Yorkshire Pension Fund

## Business Plan



If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on  
01609 536335

## Contents

1. Background.....	3
2. Introduction .....	3
3. Vision .....	3
4. Objectives.....	4
5. Key Actions .....	4

## 1. Background

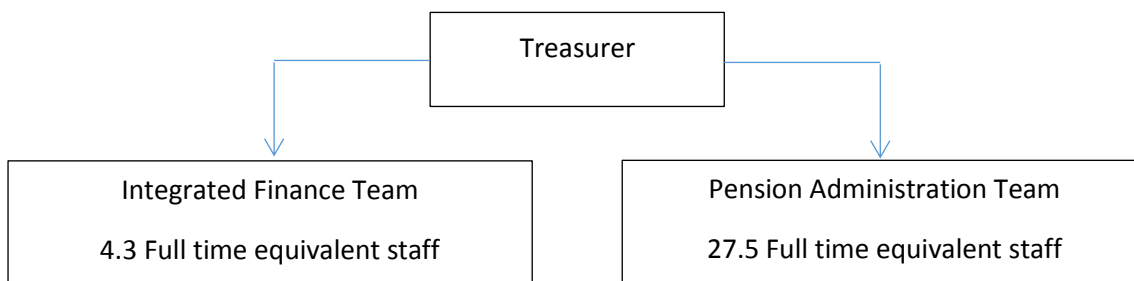
North Yorkshire County Council (NYCC) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC), which is a committee of the NYCC.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area.

The day to day running of the NYPF is delegated to the Treasurer who is the Corporate Director – Strategic Resources of the NYCC and is responsible for implementing the decisions made by the PFC.

Supporting him is a team of staff split into two sections. The Pension Administration team administers all aspects of member records, pension benefits etc. and the Integrated Finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

Current structure:



The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

The main systems utilised in the running of the NYPF are Oracle, a third party finance and accounting system provided by the Oracle Corporation, and Altair a third party pensions administration system provided by Aquila Heywood.

## 2. Introduction

As part of its programme of improving the standards of governance across all pension schemes the Pensions Regulator has recommended each scheme should have a business plan in place which sets out a clear purpose and strategy. This plan should be used to manage the scheme effectively and enable members to get good outcomes. Having a business plan will enable the Pension Fund Committee to plan ahead and improve their ability to comply with legal requirements.

This Plan will be reviewed annually and objectives and key actions revised accordingly.

## 3. Vision

To ensure sufficient assets are available to pay the right pension benefits at the right time.

#### 4. Objectives

The objectives set out below will enable the Fund to achieve its long term vision to ensure sufficient assets are available to pay the right pension benefits at the right time.

We will:

1. Maximise investment returns
2. Manage Scheme funding
3. Provide excellent customer service
4. Ensure effective Fund governance

#### 5. Key Actions

The following key actions have been identified:

Action	Resource
<b>Effective and efficient member administration</b> Website review Administration software review Business process re-engineering	Head of Pensions Administration
<b>Improve Data Quality</b> GMP Reconciliation Pensioner Reconciliation Employer interaction Create Data Improvement plan	Head of Pensions Administration
<b>People</b> Review of team structure Training Cross skilling Resilience Succession planning	Head of Pensions Administration
<b>Excellent Customer Service</b> Improved employer engagement Partnership working with employers	Head of Pensions Administration/ Senior Accountant
<b>Effective Investment Strategy</b> Review of Investment Strategy Fund Manager performance reviews	Pension Fund Committee
<b>Pooling</b> Transition plan Effective management of transition NYPF representation	Pension Fund Committee/ Treasurer/ Senior Accountant
<b>Monitor Income</b> Monitor monthly employer and member pension contributions Effective financial management	Senior Accountant
<b>Effective Fund Governance</b> Committee and Board skills evaluation Committee and Board training plan	Pension Fund Committee
<b>Triennial Valuation</b> Agree assumptions Review of scheme factors Data cleansing Employer engagement Review of strength of covenant	Head of Pensions Administration Senior Accountant

The following resources have been identified as key to ensuring delivery of the objectives identified:

- a. Systems and technology which are fit for purpose
- b. People
  - i. Focussed on customers' needs
  - ii. Highly skilled and knowledgeable
- c. The right information and data
  - i. Financial
  - ii. Performance
  - iii. Benchmarking
  - iv. Membership data
- d. Third party service providers
  - i. Actuary
  - ii. Legal Advisers
  - iii. Custodian
  - iv. Fund Managers
  - v. Investment Consultants
  - vi. Software provider



## North Yorkshire Pension Fund

# Pensions Administration Strategy

**April 2018**



**If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335**



## Index

Section	Content
1	<a href="#"><u>Purpose of Strategy</u></a>
2	<a href="#"><u>Regulatory Background</u></a>
3	<a href="#"><u>Review of the Strategy</u></a>
4	<a href="#"><u>Performance Levels</u></a>
5	<a href="#"><u>Responsibilities and Duties of the Employer</u></a>
6	<a href="#"><u>Responsibilities and Duties of NYPF</u></a>
7	<a href="#"><u>Contribution Rates and Administration Costs</u></a>
8	<a href="#"><u>Communications</u></a>
9	<a href="#"><u>Notifying Employers of a Change in Policy</u></a>

## **Pensions Administration Strategy**

### **1.0 Purpose of Strategy**

This Strategy sets out the administration protocols between employers and the North Yorkshire Pension Fund (NYPF). The protocols aim to ensure the cost effective running of the Local Government Pension Scheme (LGPS) and the best service possible for LGPS members. The protocols ensure that the statutory requirements and timescales imposed upon both employers and the NYPF can be met and therefore must be followed at all times.

For the purpose of this Strategy no practical distinction is drawn between the statutory role of North Yorkshire County Council as the Administering Authority for the NYPF, its Pension Fund Committee, the Pension Administration Section or other sections of the Central Services Directorate all of whom play a role in the administration of NYPF – the term NYPF is used collectively to reflect all of the above roles within NYCC. The Pension Board also exists to assist the Administering Authority in ensuring that the NYPF is managed and administered effectively and efficiently and complies with pensions' legislation and requirements imposed by the Pensions Regulator.

### **2.0 Regulatory Background**

The protocols cannot override any provision or requirement in the Regulations outlined below or in any other relevant legislation.

This Strategy is made under regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013. The principal Regulations underpinning this document are:

- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Administration) Regulations 2007
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2007
- The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
- The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and any amendments thereto)
- The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (and any amendments thereto)
- the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
- the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (“the Disclosure Regulations”)
- the Pensions Act 1995
- the Pensions Act 2004
- the Pensions Act 2008
- the General Data Protection Regulation 2018
- the Finance Act 2004
- the Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 including amendments to any of these Regulations

### **3.0 Review of the Strategy**

This Strategy will be kept under review by the NYPF.

Employers may submit suggestions to improve any aspect of this Strategy at any time.

The Pension Fund Committee and the Pension Board will be asked by the NYPF to formally review and approve the Strategy on an annual basis.

### **4.0 Performance Levels**

Performance level agreements are set out in this document for both employers and the NYPF. These will be reviewed annually and employers will be consulted regarding any changes.

This Strategy is the agreement between the NYPF and employers about the levels of performance and associated matters to ensure that the statutory requirements and timescales can be met at all times.

### **5.0 Responsibilities and Duties of the Employer**

#### **5.1 Contact Person**

The employer will nominate a person to act as the primary contact with the NYPF. The employer will notify the NYPF Management team who that person is and ensure that changes of the nominated person are notified to the NYPF immediately.

#### **5.2 Authorised Signatories**

Each employer is required to provide a list of nominated individuals to act as authorised signatories whose names and specimen signatures are held by the NYPF. In signing a document an authorised officer is certifying that the form comes from the employer stated and also that the information being provided has been validated and is correct. Consequently if an authorised signatory is certifying information that someone else has completed, for example, leaving information including a final salary pay, career average pay, assumed pay, they should be satisfied that the correct validation process has been completed and the information is correct.

It is the employer's responsibility to ensure that details of the nominated contact and authorised signatories are correct and to notify the NYPF of any changes immediately. Failure to update authorised signatories will result in delays in carrying out pensions administration processes affecting individual scheme members, including payment of pension benefits.

#### **5.3 Disclosure and Pensions Regulator Requirements**

The Pensions Regulator details specific requirements for public sector pension schemes set out in the '[Code of Practice No.14](#)'. Paragraphs 128 – 130 refer to the need for employers to understand and comply with the scheme manager's processes to ensure that the statutory requirements and timescales can be met at all times.

From time to time the NYPF's auditors may request member data. They may also request an employer site visit to carry out audits such as ensuring that correct and accurate pay calculations have been carried out. Employers are asked to co-operate with these requests.

In the event of the NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine. Examples of this would be, failure to provide leaver details on time or failure to provide sufficient and accurate year end information leading to delays in issuing Annual Benefit Statements and Pensions Saving Statements.

#### 5.4 Employee's Guide

Under the Occupational Pension Schemes (Disclosure of Information) Regulations 2013 the employer must ensure that all new employees eligible to join the LGPS receive a copy of the Employees' Guide to the scheme as follows:

- Where you have received jobholder information, the Guide must be given within one month of the date that information was received.
- Where you have not received jobholder information, the Guide must be given within two months of the date the person became an active member of the scheme.

The guide is available on the NYPF website at <https://www.nypf.org.uk/newStarter/default.shtml> where you can signpost new members to view and/or download it. Email and paper communications are also acceptable.

#### 5.5 Member details – Employer performance levels

The employer **must** forward notifications to the NYPF using the forms on the employer pages of the NYPF [website](#) as follows:

Event	Timescale for employer notifying the NYPF
<b>New starters (Employer Pen11 form)</b>	<b>Within one month of the employee joining</b>  Where an electronic Employer Pen11 has been submitted, the Employee Pen11 should be sent as soon as possible
<b>Change in member's details (Change of Members Personal Details form)</b>	<b>Within 6 weeks of the event</b>
<b>Leavers (SU5 form)</b> There are two SU5s, one for members who have had an absence in their final year and one for members without absences	<b>Within 6 weeks of the employee leaving</b>
<b>Advanced Notification of Retirement (ADNOT form)</b>	<b>At least 30 days before the last day of employment</b>
<b>Retirements (SU5 form)</b> There are two SU5s, one for members who have had an absence in their final year and one for members without absences	<b>No later than one month following retirement</b>  Disclosure Regulations require that when a retirement takes place before Normal Pension Age (NPA) the NYPF receives the SU5 no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the NYPF receives the SU5 no more than 20 days after the date of retirement.
<b>Death in Service</b>	<b>Within 3 working days of the employer being notified of the death of the member</b>

## 5.6 Year-end information

The employer (or their payroll contractor/agency for which the employer is responsible) shall provide the NYPF with final salary (where applicable) and Career Average Revalued Earnings (CARE) year-end information as at 31 March each year in a notified format (provided by the NYPF) no later than 30 April or the next working day. The employer will certify that the appropriate checks for accuracy and completeness have been carried out before submitting to the NYPF.

The Council's Integrated Finance team also requires separate information. After completion of the March contribution sheets, employers are required to review their full year contribution summary (contained within the same Excel document). All contributions for the year should be reconciled back to the organisational payroll and the relevant declaration is to be signed and dated before being returned to [pension.contributions@northyorks.gov.uk](mailto:pension.contributions@northyorks.gov.uk).

## 5.7 Contribution deductions

The employer will ensure that member and employer contributions are deducted at the correct rate, including contributions due on leave of absence with reduced or no pay, maternity, paternity and adoption leave and any additional contributions that the NYPF request the employer to collect.

## 5.8 Payment of contributions to the NYPF

Contributions (but not Prudential Additional Voluntary Contributions) should be paid by BACS each month to the NYPF.

All funds due to the NYPF in respect of employees and employers contributions must be cleared in the NYPF bank account by 19th of the month (or the last working day before where the 19th is not a working day) following the month the contributions relate to. Any employer wishing to pay by cheque must therefore ensure the cheque is received by the NYPF by the 14th of the month (or the last working day before where the 14th is not a working day).

The employer can choose to pay either by cheque, payable to "North Yorkshire Pension Fund" or preferably by BACS direct to the NYPF's bank account subject to the payment date guidance outlined above.

The employer must email a monthly return to [pension.contributions@northyorks.gov.uk](mailto:pension.contributions@northyorks.gov.uk), in advance of their payment. The monthly return is in a prescribed format and is provided by the Integrated Finance team. The form must state the employers name and reference number, the period and the amount of the payment split between employee and employer contributions. The employer's contributions should be split between future service rate and where applicable, past service deficit. In addition, it should include the total pensionable pay, details of added-years contributions, Additional Regular contributions, Additional Pension Contributions and any other payroll related adjustments.

A penalty system will apply for employers failing to meet the deadlines above with a one month grace period for a 'first offence'. The penalty will be based on the number of days after the 19<sup>th</sup> of the month that the payment is received in the NYPF bank account. This will take the form of a fixed penalty (£100 for each month payment is delayed) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. A fixed penalty of £100 will also apply where the monthly return is delayed or not provided as described above. For persistent breaches of this protocol, the employer will be reported to the Pensions Regulator.

In the event of the NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine.

## 5.9 **Additional Voluntary Contributions (AVCs)**

The employer will pay additional voluntary contributions to the AVC Provider, Prudential, within one week of them being deducted. Under the Pensions Act 2004 the Pensions Regulator may be notified if contributions are not received before the 19th of the month following that in which they were deducted. The employer will submit the schedule of AVCs in an agreed format directly to Prudential ahead of the actual remittance.

In the event of the NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine.

## 5.10 **Discretionary Powers**

It is a mandatory requirement that each employer is responsible for exercising the discretionary powers given to them by the Regulations. These Regulations extend to requiring the employer to publish its policy in respect of the key discretions as described by the Regulations to its employees. The Regulations also require that a copy of the relevant employer policies should be lodged with the NYPF. Any subsequent changes to the policies must be published and copied to the NYPF within one month of the change.

Employers will be responsible for responding to member complaints where a failure to maintain relevant employer policies results in a dispute case. This will include complying with the Internal Dispute Resolution procedure, where appropriate, and paying the associated fees for appointing a specified person.

## 5.11 **Employer Decisions**

Certain aspects of the Regulations require an employer decision. The employer is responsible for implementing such areas correctly, (e.g. deduction of contributions at the correct rate, notifying the employee when the rate changes and their right to appeal).

## 5.12 **Independent Registered Medical Practitioner**

The employer is responsible for determining and employing their own appropriately qualified independent registered medical practitioner (IRMP) and providing details of those practitioners to the NYPF (see also **paragraph 6.4**). See the Pensions Ombudsman Service [newsletter](#) for useful information on the role of the IRMP.

## 5.13 **Employer responsibility for information provided to the NYPF**

The NYPF is not responsible for verifying the accuracy of any information provided by the employer (including year end data) for the purpose of calculating benefits under the provisions of the LGPS and the Discretionary Payments Regulations. The employer is solely responsible for ensuring that information has been validated and is correct. Failure to provide accurate and up to date information will result in delays in carrying out pensions administration processes affecting individual scheme members, including payment of pension benefits.

Any over payment made by the NYPF resulting from inaccurate information supplied by the employer shall be recovered by the NYPF from the employer.

The employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by them (e.g. Pay or Human Resource sections).

## 5.14 **General Data Protection Regulation**

Under the General Data Protection Regulation (GDPR), the employer will protect from improper disclosure any information about a member contained (where applicable) on any item sent from the NYPF. It will also only use information supplied or made available by the NYPF for the operation of the LGPS. Any data the employer shares with the NYPF must be adequately protected in line with the requirements of the GDPR.

## 5.15 **Internal Dispute Resolution Procedure**

The employer must identify a 'specified person' for any instances where an Internal Dispute Resolution Procedure (IDRP) application is submitted against the employer and meet the associated costs. The NYPF has an independent specified person who is available for employers to refer cases to.

## 5.16 **Fines imposed on NYPF**

In the event of the NYPF being fined by the Pensions Regulator, the Pensions Ombudsman, HMRC or other organisation, this fine will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above), caused the fine.

## 5.17 **Charges to the employer**

The NYPF will under certain circumstances consider giving written notice to employers under regulation 70 on account of the employer's unsatisfactory performance in carrying out its scheme functions when measured against levels of performance established under **paragraph 5.5** above. The written notice may include charges imposed by the NYPF for chasing employers for outstanding information as detailed in the NYPF Charging Policy.

## **6.0 Responsibilities and Duties of the NYPF**

### 6.1 **Regulatory Issues**

The NYPF will administer the Pension Fund in accordance with the LGPS Regulations and any overriding legislation including employer discretions.

The NYPF will issue a membership certificate to new members; this provides notification to members that they have joined the NYPF.

The NYPF is responsible for exercising the discretionary powers given to it by the regulations. The NYPF is also responsible for publishing its [policy](#) in respect of the key discretions as required by the regulations.

### 6.2 **NYPF Performance Levels**

The NYPF agrees to meet the following performance targets in relation to the day to day administration of the fund:

Letter detailing transfer in	10 days
Letter detailing quote of transfer out value	10 days
Letter notifying estimated retirement benefit amount	10 days
Letter notifying actual retirement benefit amount	10 days

### 6.3 **Support to Employers**

The NYPF will support employers in running the LGPS by:

- providing information, advice and assistance on the scheme and its administration
- distributing regular technical information
- arranging North Yorkshire Pension Fund Officers Group (NYPFOG) meetings/training sessions as required
- delivering adhoc training sessions
- attending pre-retirement seminars
- maintaining an up to date and comprehensive website

See the Communications Policy for full details.

### 6.4 **Independent Registered Medical Practitioner**

The NYPF will verify that the individuals nominated by the employer (in accordance with **paragraph 5.12**) as independent registered medical practitioners are appropriately qualified to deal with ill health retirement cases.

### 6.5 **Services to Members**

The NYPF will produce benefit statements for members each year where the employer has submitted useable and accurate year-end financial data.

The NYPF will provide a service to members that meets the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013.

In addition, the NYPF will communicate with members through appropriate media and encourage at all times the use of member self-service facilities. Full details are provided in the Communications Policy.

### 6.6 **Multiple Language Literature**

The process for providing multiple language literature has been established and all documents have been amended to include reference to how to obtain an alternative version.

### 6.7 **Data Protection Act 2018**

Under the Data Protection Act 2018, the NYPF will protect from improper disclosure any information held about a member. Information held will only be used by the NYPF for the operation of the LGPS. Any data shared by the NYPF will be adequately protected in line with the requirements of the act.

### 6.8 **Internal Dispute Resolution**

The NYPF has identified a 'specified person' for any Internal Dispute Resolution (IDRP) application that is submitted against the Administering Authority.

## **7.0 Contribution Rates and Administration Costs**

The members' contribution rates are fixed within bands by the Regulations. The NYPF will notify employers of these rates each year.

Employers' contribution rates are determined by a triennial valuation process. Employers are required to pay contributions to secure the solvency of their portion of the Fund and meet their liabilities over an agreed term.



The NYPF is valued every 3 years by the Fund actuary. The actuary balances the assets and liabilities in respect of each employer and assesses the contribution rate and, where applicable, the deficit amount for each employer. Employer contribution rates and, where applicable, the deficit amounts apply for 3 years. Some admission agreements may determine that reassessment should take place on a more frequent basis.

The administrative costs of running the NYPF are charged by NYCC directly to the Fund and the actuary takes these costs into account in assessing the employer contribution rate.

If the NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work as detailed in the NYPF Charging Policy.

## **8.0 Communications**

In accordance with the Fund's Communications Policy, the NYPF will work with employers to communicate relevant information to members.

## **9.0 Notifying Employers of a Change in Policy**

The NYPF maintains a list of key contacts at each employer, this Strategy document will be shared with the key contacts each time it is updated.



## North Yorkshire Pension Fund

# Employer Charging Policy



**If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335**

## Contents

1.0 Introduction.....	3
2.0 Approach to Managing Performance .....	3
3.0 Charging Policy .....	3
4.0 Charging Scales .....	4

## 1.0 Introduction

The LGPS regulations provide pension funds with the ability to recover from an employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employer.

This document sets out the policy for charging employers.

## 2.0 Approach to Managing Performance

Ensuring compliance with the LGPS regulations is the responsibility of the Fund and employers including where the payroll service is outsourced.

The Fund and employers will ensure that all functions and tasks are carried out to the agreed quality standards. The Fund will monitor, measure and report on both the Fund's and employers' compliance with the agreed service standards as detailed in the Pensions Administration Strategy (PAS).

The Fund will review performance against the PAS on an ongoing basis and will liaise with employers in relation to any concerns. The Fund monitors its own performance against internal key performance indicators and reports to the Pension Fund Committee (PFC) on a quarterly basis. Employers performance will be measured against the standards set out in the PAS and will be reported to the PFC. The Fund also monitors and reports on data quality in line with the Pension Regulator's Code of Practice 14.

Where persistent and ongoing issues occur and no improvement is demonstrated by the employer, and/or no willingness is shown by the employer to resolve the identified issues further action will be taken as detailed in this policy.

## 3.0 Charging Policy

The LGPS regulations enable pension funds to recover any additional costs associated with the administration of the scheme incurred as a result of poor performance by an employer. The Fund will offer support and guidance prior to any charges being levied. The Fund and the employer will be expected to work together as follows:

- The Fund will contact the employer to explain the areas of non-compliance. An action plan and timescale will be agreed with the employer and the Fund will offer support and training.
- Where no improvement has been demonstrated within the agreed timescale, or there has been no response to communications, the Fund will request a meeting with the employer.
- If the employer is unwilling to attend a meeting or the issues have not been resolved, the Fund will issue a formal written notice setting out the following:
  - the areas of non-compliance
  - the steps required to resolve those areas; and
  - notice that the additional costs will start to be reclaimed

Where additional costs are to be recovered by the Fund, written notice will be provided stating:

- the reasons that the employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the administration strategy relevant to the decision to give notice.

It is the Fund's policy to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any employer (including the administering authority). This is to ensure that other employers do not incur higher administration costs as a result of an individual employer's poor performance.

A monthly invoice will be issued to the employer detailing any additional costs, taking account of time and resources in resolving the issues, in accordance with the charging scale set out in this policy. A report will be presented to the quarterly PFC meeting detailing charges levied against employers and outstanding payments.

If poor performance continues which impacts the Fund's ability to perform its statutory functions, or the employer is not taking steps to improve its performance, the Fund will report the employer to The Pensions Regulator.

If an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged.

#### 4.0 Charging Scales

Item	Charge
<b>Starter information</b>	
Chase for missing information where one request has already been made	£5.00 per record, per chase
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
<b>Employer estimate (Estform1)</b>	
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
<b>ADNOT (Advanced Notification of Retirement)</b>	
Chase for missing form where one request has already been made	£5.00 per record, per chase
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
<b>Death in service</b>	
Chase for missing SU5 leaver form where one request has already been made	£10.00 per record, per chase
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
<b>SU5 leaver form</b>	
Chase for missing form where one request has already been made	£10.00 per record, per chase
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
<b>Employer Authorisation (ill health and redundancy/efficiency)</b>	
Request for missing employer authorisation	£10.00 per record, per chase
Request for missing cost codes (NYCC only)	£10.00 per record, per chase

Item	Charge
<p><b>Data</b></p> <p>Hours information: chase for missing information (final salary) where one request has already been made</p> <p>Best years pay information: chase for missing information where one request has already been made</p>	<p>£5.00 per record, per chase</p> <p>£5.00 per record, per chase</p>
<p><b>Year End</b></p> <p>Failure to submit year end file by 30 April (charged by the number of pensionable members held on the NYPF database)</p> <p>1 – 99</p> <p>100 – 999</p> <p>1000 – 1999</p> <p>2000 – 4999</p> <p>5000 – 9999</p> <p>1000 +</p> <p>Incorrect file formatting</p> <p>Missing or incorrect data</p> <p>Reason for pay changes outside of tolerances not given</p> <p>Missing starter and leaver information</p>	<p>*The following charges will apply for each full month the file is delayed beyond 30 April</p> <p>*£50.00 per file</p> <p>*£100.00 per file</p> <p>*£200.00 per file</p> <p>*£300.00 per file</p> <p>*£400.00 per file</p> <p>*£500.00 per file</p> <p>**Subsequent chasers will be charged at £2.50 per chase, per record</p> <p>**£5.00 per record</p> <p>**£5.00 per record</p> <p>**£5.00 per record</p> <p>**£5.00 per record</p>
<p>If an employer annual return is received by 30 April and the return is accepted, no charge will apply.</p> <p>If the annual return is received by 30 April and the return is rejected but subsequently re-submitted and accepted within two weeks, no charge will apply.</p>	
<p><b>Monthly contributions</b></p> <p>Charge for late payment</p> <p>Charge for late submission of supporting documentation</p>	<p>*The following charges will apply for each full month the file is delayed beyond it's due date</p> <p>*£100 per file plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate</p> <p>*£100 per file</p>
<p><b>Accounting</b></p> <p>IAS19/FRS102 valuations</p>	<p>Professional fees recharged. Cost will be notified prior to work starting</p>
<p><b>Actuarial &amp; legal advice</b></p> <p>Actuarial &amp; legal advice for admission bodies and academy conversions</p>	<p>Professional fees recharged. Cost will be notified prior to work starting</p>
<p><b>Technical Advice</b></p> <p>Ad hoc technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)</p>	<p>Professional fees recharged. Cost will be notified prior to work starting</p>



North Yorkshire Pension Fund

# Annual Report and Accounts 2017/18

## Contents

Part 1 - Management and Financial Performance .....	3
Part 2 - Scheme Administration .....	6
Part 3 - Investment Policy and Performance .....	8
Part 4 - Pension Administration Activity .....	12
Part 5 - Membership Contributions and Scheme Benefits .....	14
Part 6 - Governance Documentation .....	18
Part 7 - Training .....	20
Part 8 - Glossary and Contact Details .....	21
Appendix A .....	23
Appendix B .....	53
Appendix C .....	55

# Part 1 - Management and Financial Performance

## 1.1 Introduction

North Yorkshire County Council (NYCC, the Council) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF, the Fund), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC), which is a committee of the Council.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer contribution rates being set every three years

by the Fund's Actuary. These contributions are supplemented by earnings on the Fund's investments in order to pay retirement benefits.

The day to day running of the Fund is delegated to the Treasurer who is the Corporate Director - Strategic Resources of the Council and is responsible for implementing the decisions made by the PFC. Supporting him is a team of staff split into two sections. The Pension Administration team administers all aspects of member records, pension benefits etc. and the Integrated Finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

## 1.2 Pension Fund Committee

PFC membership as at 31 March 2018 was as follows:

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Helen Swiers (Vice-Chairman)	Councillor, NYCC	Yes
Mike Chambers MBE	Councillor, NYCC	Yes
John Blackie	Councillor, NYCC	Yes
Clifford Lunn	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Andy Solloway	Councillor, NYCC	Yes
Angus Thompson	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils' representative of Local Government North Yorkshire and York	Yes
David Carr	Councillor, City of York Council	Yes
David Portlock	Chairman of the Pension Board	No
3 Unison representatives	Union Officials	No

The powers delegated to the PFC are detailed in paragraph 2.1 of the Governance Compliance Statement (see Part 6).



During the year the PFC formally met on five occasions supported by its Investment Consultant and the Independent Professional Observer, as well as the Treasurer. The Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their individual investment strategies.

### 1.3 Fund Administrators, Advisers and Investment Managers

<b>Treasurer</b>	Gary Fielding
<b>Investment Consultant</b>	Aon Hewitt
<b>Independent Professional Observer</b>	Peter Scales (AllenbridgeEpic)
<b>Actuary</b>	Aon Hewitt
<b>Legal Services</b>	Ward Hadaway Head of Legal Services, NYCC
<b>Auditor</b>	KPMG
<b>Banker</b>	Barclays Bank
<b>Custodian</b>	Bank of New York Mellon
<b>Custodian Monitoring</b>	Thomas Murray
<b>Shareholder Voting</b>	PIRC
<b>Performance Measurement</b>	BNY Mellon Asset Servicing
<b>Fund Managers</b>	Baillie Gifford Life Bluebay Dodge & Cox FIL Pensions Management Hermes Investment Management Legal & General Investment Management M&G Investment Management Newton Investment Management Permira Standard Life Pension Funds Threadneedle Pensions Veritas
<b>AVC Provider</b>	Prudential

### 1.4 Risk Management

Risk management is the process by which the Fund identifies and addresses the risks associated with its activities. Risk management is a key part of the North Yorkshire Pension Fund's governance arrangements, and the Fund has its own dedicated risk register. Risks are identified and assessed, and controls are in place to mitigate risks. The Fund's risk register is reviewed every year, and the latest review highlighted:

- (a) Fund solvency remains a high risk due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.

- (b) Another key risk relates to the LGPS Pooling Arrangements (see paragraph 1.5). This is a major change to the way in which the Fund will be managed so should be considered a significant risk.

In addition, the approach to managing third party risk such as late payment of contributions is contained in the Pensions Administration Strategy (see Part 6). Contributions received from employers are monitored, the date of receipt is recorded and appropriate action is taken for late payments. For persistent material breaches of this protocol, the employer may be reported to the Pensions Regulator.

Further detail about how the Fund manages other risks can be found in **Note 18 Nature and Extent of Risks Arising from Financial Instruments** in the Statement of Accounts in Appendix A.

### 1.5 LGPS Pooling Arrangements

In the July 2015 Budget, the Chancellor of the Exchequer announced the Government's intention to work with the 89 administering authorities in the LGPS to ensure that they pool investments to achieve improved efficiency and significantly reduce costs, and to promote increased infrastructure investments by the LGPS within the UK, while maintaining overall investment performance.

On 15 July 2016 the Fund and eleven other LGPS Funds sent a proposal to the Government describing in detail how investment pooling arrangements could work. This proposal can be found here <https://www.nypf.org.uk/nypf/Investment%20Pooling.shtml>. This followed a summary proposal published on 19 February 2016.

During 2017/18, the Border to Coast Pensions Partnership (Border to Coast) was established to lead the pooling of investment assets across 12 LGPS Funds from the North to the South of England; this was signed up to by NYPF. The Administering Authorities of the LGPS funds that are

participating in the Border to Coast pool, and are therefore its intended investors, are a combination of "like-minded" UK-based local government Unitary Authorities, Non-Metropolitan County Councils and Metropolitan District Councils. These are listed in the table below:

Administering Authority	Local Government Pension Fund
Bedford Borough Council	Bedfordshire Pension Fund
Cumbria County Council	Cumbria Pension Fund
Durham County Council	Durham Pension Fund
The East Riding of Yorkshire Council	East Riding Pension Fund
Lincolnshire County Council	Lincolnshire Pension Fund
North Yorkshire County Council	North Yorkshire Pension Fund
Northumberland County Council	Northumberland Pension Fund
South Yorkshire Pensions Authority	South Yorkshire Pension Fund
Surrey County Council	Surrey Pension Fund
Middlesbrough Council	Teesside Pension Fund
The Borough Council of South Tyneside	Tyne and Wear Pension Fund
Warwickshire County Council	Warwickshire Pension Fund

During the financial year 2018/19 the phased transition of investment assets from the Fund to Border to Coast Pension Partnership will begin.

# Part 2 - Scheme Administration

## 2.1 Administering Authority Arrangements

The Fund's administration is the responsibility of Gary Fielding, the Treasurer.

Staff within the Pension Administration team are responsible for administering the Scheme, including the calculation and administration of benefit payments and transfer values, recording employee and employer contributions, the maintenance of pension records and communications with all stakeholders.

Staff within the Integrated Finance team are responsible for maintaining the Fund's accounts and investment records, preparing quarterly reports to the PFC, producing the Annual Report and Accounts and acting as the main point of contact with the Fund's managers, advisers and auditors.

## 2.2 Disputes Process

The Fund deals with disputes under the statutory Internal Dispute Resolution Procedure (IDRP). This is a two stage process and further information is available on the Fund's website at <https://www.nypf.org.uk/formsandguides/publications.shtml> with details of the procedure and the form to be completed.

However, as part of the Pension team's customer care policy, all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2017/18 eight cases were received via the IDRP process. Of these only two were referred back to the employers concerned to obtain further information. This confirms that regulatory requirements have been followed and the appropriate actions have been taken.

## 2.3 Pensions Administration

The NYPF covers the largest geographical area in England and Wales and the varied methods of communication utilised aim to tackle the challenges when communicating with both Scheme members and employers. Continued support has been provided for employers to ensure they are confident in carrying out their obligations under the Scheme. Face to face bespoke training has been provided and employers are encouraged to use the dedicated employers' area on the NYPF website.

A streamlined year end guide and checklist have been provided with emphasis on data validation at source to minimise error rates.

Following the Education Act 2011 there continues to be a significant growth in scheme employers converting to Academies. A dedicated NYPF contact continues to provide schools with appropriate actuarial information regarding employer contribution rates and deficits.

Scheme members have access to a dedicated telephone helpline and email address. The online self-service module of the Altair administration system continues to provide members with access to their Annual Benefit Statements. Members are also asked to use the online benefit projector to carry out their own estimated pension benefit calculations. Although members are encouraged to use electronic means of communication, NYPF still provides paper versions of documents on request. This is felt to be particularly important for members who may not have access to, or wish to use, electronic methods of communication.

## 2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their contact details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates processes. As at 31 March 2018 there were 15,402 registered users.

A small number of staff from employers within the Fund have direct upload access to the pensions database (with access to their employees only). This allows them to carry out basic pensions administration processes (creating new starter records, updating hours and personal information) and upload associated documents. Work is monitored via a 'task' which is created on the member record by the employer detailing what they have done. All changes can be tracked through an audit report which is run by the NYPF Systems team.

## 2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members may view their Annual Benefit Statement online. The majority, representing 97% of all statements, are delivered in this way with only 1,325 being posted to members in 2017/18.

## 2.6 NYPF Website

All essential information and guides are held on the website at [www.nypf.org.uk](http://www.nypf.org.uk) along with links to further national guidance. Employees and employers are able to use the website to refer questions to a generic pensions email address which is specifically resourced each day to provide a prompt response to queries. An 'Employers Only' area provides a central location to access forms and guides with the facility to securely submit forms electronically.

## 2.7 Data Quality

The Pensions Regulator's guidelines on data collection and security have been applied by the Fund and validation checks are carried out across all areas of activity. Periodic checks are carried out across the database continually to ensure that data gaps or queries are caught in 'real-time'. Other validation checks are carried out at each year end and queries are sent to the employer to resolve. This has become more complex with the introduction of the Career Average Revalued Earnings (CARE) Scheme as NYPF cannot validate CARE pay provided by employers. Support is sought where appropriate from the Internal Audit Service in order to encourage employers to maintain a consistent level of data accuracy including validating any data before it is supplied. Data is only accepted from named authorised signatories after the appropriate validation checks have been made.

# Part 3 - Investment Policy and Performance

## 3.1. Investment Policy

### (a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2016 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGPS fund. Full details of the investment policy are shown in the Investment Strategy Statement (see Part 6).

### (b) Investment Management arrangements

As at 31 March 2018 the following investment management arrangements were in place:

- › Baillie Gifford managed two active global (i.e. including UK) equity portfolios, namely Global Alpha and Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than being invested in segregated holdings. Both are managed without reference to a benchmark, however the FTSE All World index is used for performance measurement purposes
- › Fidelity managed an active overseas equities (ex UK) portfolio comprising segregated holdings in overseas companies against a composite MSCI World (ex UK) index
- › Standard Life managed an active UK equity portfolio comprising segregated holdings in UK companies against the FTSE 350 (excluding investment trusts) equally weighted index
- › M&G managed an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
- › Hermes managed an active UK Property portfolio through a pooled fund with the objective of outperforming the IPD Other Balanced Property Funds index
- › Threadneedle and Legal & General both managed active UK Property portfolios during the year through pooled funds with the objective of outperforming the All Balanced Property Funds index
- › Standard Life and Newton both managed Diversified Growth Fund portfolios during the year through the Global Absolute Return Strategy (GARS) and Real Return (RR) pooled funds respectively, with the objectives of significantly outperforming the cash benchmark
- › Veritas and Dodge and Cox managed active global equity portfolios in the form of a pooled vehicle against the MSCI All Country World index
- › Bluebay and Permira managed private debt portfolios through pooled Funds, both are managed without reference to a benchmark but have an objective to significantly outperform cash

The agreed asset class structure for the investment portfolio as at 31 March 2018 was as follows:

	Minimum %	Maximum %
Equities	40	65
Alternatives	20	35
Fixed Income	15	30

### (c) Custody of Investments

BNY Mellon Asset Servicing is the custodian for the Fund’s assets. There is one exception, being:

- (i) Internally Managed Cash, which is held in the Fund’s bank account held at Barclays Bank, Northallerton. Money in this account forms part of the balance of funds invested by the Council for treasury management purposes. A formal Service Level Agreement exists between the Council and the Fund so that the Fund receives an interest rate return equivalent to that achieved by the Council.

The main services provided by BNY Mellon are the custodianship of the Fund’s assets, including settlement of trades and collection of income, investment accounting, and performance measurement of the fund managers.

## 3.2 Performance

### (a) Fund and Manager Performance

Pension Fund investment is a long term business, so as well as considering the annual performance of the Fund, performance over extended periods in comparison to peers is also considered; this principle is applied both to individual managers and the overall Investment Strategy of the Fund.

The return produced by the Fund is a contributory factor in setting the employer contribution rates. The mix of assets within the Fund has been established to generate the greatest possible return within sensible limits of risk.

Performance for the year was +8.4% compared to the benchmark return of +3.4%.

Performance for the North Yorkshire Pension Fund compared with the benchmark for 5 years is shown below.

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	8.4%	12.0%
Benchmark	3.4%	9.0%
Performance against benchmark	+5.0%	+3.0%



The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2018 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund as at 31 March 2018	Fund Performance	Customised Benchmark	+/-
	%	%	%	%
Baillie Gifford Life Ltd - Global Alpha	19.8	13.2	2.9	+10.3
Baillie Gifford Life Ltd - LTGG	14.3	26.3	2.9	+23.4
Fidelity International	9.7	3.9	3.5	+0.4
Veritas	4.6	-2.1	2.9	-5.0
Dodge & Cox	4.5	-2.1	2.9	-5.0
Standard Life Investments - Equities	10.2	8.4	6.1	+2.3
M&G Investment Management Ltd	17.6	1.7	1.4	+0.3
Hermes Investment Management Ltd	1.1	11.5	10.5	+1.0
Legal & General	2.0	8.2	10.0	-1.8
Threadneedle	5.2	10.3	10.0	+0.3
Standard Life (GARS)	5.2	0.9	0.3	+0.6
Newton Investments (RR)	4.1	-2.2	0.3	-2.5
Bluebay	0.2	7.3	8.3	-1.0
Permira	1.0	13.3	6.0	+7.3
Internally Managed Cash (and net debtors)	0.5	-	-	-
<b>Total Fund</b>	<b>100.0</b>	<b>8.4</b>	<b>3.4</b>	<b>+5.0</b>

### (b) Analysis of Accounts

The Statement of Accounts for the year 2017/18 is shown at Appendix A.

The value of the Fund's assets at 31 March 2017 was £3,036m, and this increased by £293m during the year to give a value of £3,329m at 31 March 2018.

### Analysis of Fund Account over three years to 2017/18

	2017/18	2016/17	2015/16
	£000	£000	£000
Net additions/(withdrawals) from dealings with members	47,645	23,205	15,840
Net investment return	(1,349)	3,843	8,705
Change in market value of investments	246,433	590,955	(6,581)
Net increase/(decrease) in the Fund	292,730	618,003	17,964

### Analysis of Net Asset Statement over three years to 2017/18

	2017/18	2016/17	2015/16
	£000	£000	£000
Fixed Interest Securities	626,598	422,864	341,598
Equities	592,014	587,799	488,055
Pooled Funds	1,839,822	1,742,033	1,391,947
Pooled Property	276,831	252,966	176,463
Private Equity	0	55	82
Cash Deposits	13,887	10,123	8,339
Other	(37,975)	4,382	2,813
<b>Total Investment Assets</b>	<b>3,311,177</b>	<b>3,020,222</b>	<b>2,409,297</b>
<b>Current Assets and Current Liabilities</b>	<b>17,389</b>	<b>15,614</b>	<b>8,536</b>
<b>Net Assets of the Fund</b>	<b>3,328,566</b>	<b>3,035,356</b>	<b>2,417,833</b>

### (c) Accounting and Cash Flow

Prior to the start of the 2017/18 financial year, a Budget was prepared for NYPF which expressed the expected levels of expenditure (i.e. pensions, lump sums, administrative expenses) and income (i.e. employees and employers' contributions, net transfer values in, early retirement costs recharged). The Budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The revised Budget for 2017/18 forecast a net cash surplus of £38.0m. The actual surplus for the year was £37.8m, resulting in an overall cash flow of £0.2m below expectations

	Budget 2017/18	Actual Income/Expenditure	Variance
	£m	£m	£m
<b>Expenditure</b>			
Benefits	106.5	105.6	-0.9
Administration	2.2	1.9	-0.3
Investment Expenses	7.6	12.0	4.4
<b>Total Expenditure</b>	<b>116.3</b>	<b>119.5</b>	<b>3.2</b>
<b>Income</b>			
Employer and Employee contributions	150.5	151.2	0.7
Transfers	2.5	4.8	2.3
Other Income	1.3	1.3	0.0
<b>Total Income</b>	<b>154.3</b>	<b>157.3</b>	<b>3.0</b>
<b>Net Surplus</b>	<b>38.0</b>	<b>37.8</b>	<b>-0.2</b>

The main reasons for the variances were:

- Investment expenses - due to high performance on global equities in particular over the period
- Transfers - the budget is largely based on past experience as transfer payments/receipts cannot be accurately forecast.

This analysis of expenditure was reported to the PFC as part of the quarterly Fund management arrangements and has been analysed differently in the Statement of Accounts to comply with accounting requirements and guidance.

# Part 4 - Pension Administration Activity

The number of staff (in FTE terms) at the Council involved in Pension Administration was 24.80.

## (a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Funds can be compared. NYPF's performance in these areas for the year to 31 March 2018 is shown here:

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer in quote	10 days	96.17
Letter detailing transfer out quote	10 days	94.29
Process and pay refund	5 days	97.53
Letter notifying estimate of retirement benefits	10 days	96.37
Letter notifying actual retirement benefits	5 days	59.45
Process and pay lump sum retirement grant	5 days	69.45
Initial letter acknowledging death of active/deferred/pensioner member	5 days	60.30
Letter notifying amount of dependant's benefits	5 days	60.30
Calculate and notify deferred benefits	10 days	80.90

## (b) Benefit Calculation Activity

The number of cases processed during the year requiring benefit calculations is shown here:

Task	Number
Retirements	3720
Transfers In	344
Refunds	1859
Frozen Refunds	824
Preserved Benefits	3697
AVCs/ARCs	1
Divorce cases	206
Deaths in Service	37
Deaths of Pensioners	577

## (c) Administration

The total numbers of joiners and leavers during 2017/18 were:

Joining	8093
Retiring	1375
Deaths	654
Other Leavers	3276

The performance and activity reflect the efforts the Pension Administration team goes to in providing a first class service to the Fund membership. NYPF continues to encourage all stakeholders to utilise technology effectively in all communications. Examples of this over 2017/18 include:

- Continued to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits

- Encouraged members to plan for their retirement by providing pre-retirement presentations in conjunction with Affinity Connect and Prudential. Information regarding financial planning and lifestyle adjustments were provided
- Develop relationships with new employers to support them with the requirements of the LGPS. There continues to be significant growth in scheme employers largely in respect of schools converting to Academies
- Offering face to face training and support for all employers
- Dedicated newsletter for retired members
- Processes have been updated to encourage deferred members to 'opt into' electronic communications. This will allow a quicker and more efficient retirement process when the member wants to claim their pension benefits. It also allows regular updates to be provided more frequently. It will increase the number of newsletters which can be sent via email rather than by post, saving on printing and postage.

Administration activity statistics are compiled for national benchmarking purposes and are based on tasks undertaken by the Pension Administration Team; therefore they will not reflect membership numbers reported elsewhere.

# Part 5 - Membership Contributions and Scheme Benefits

## 5.1 Membership

NYCC operates the NYPF for its own employees (excluding Teachers) together with those of the other local authorities within the County area, and certain other bodies eligible to join the Fund, under the terms of the LGPS regulations. The Fund does not cover teachers, police or fire-fighters for which separate statutory arrangements exist.

Membership of the LGPS is not compulsory, although employees who are 16 years old or over are automatically admitted to the Scheme unless they elect otherwise.

Employees therefore have various options to provide a pension in addition to the New State Pension:

- to be a member of the NYPF
- to purchase a personal pension plan or a stakeholder pension managed by a private sector company

The following table summarises the membership of NYPF over the past 5 years:

Membership Type	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
Current contributors	31,501	35,056	31,748	33,559	33,110
Deferred pensions	29,490	30,591	32,079	33,147	35,799
Pensioners receiving benefits	17,668	18,444	19,793	20,441	21,462

## 5.2 Contributions

The Fund is financed by contributions from both members and employers, together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested as described in the Investment Strategy Statement (see Part 6).

The total contributions received for 2017/18 on an accruals basis were £150.6m, and NYCC being the main employer in the Fund contributed £71.5m. Employer contributions are set every three years by the Actuary as part of the Triennial Valuation. Details of the employer contribution rates can be seen in the latest Valuation Report by following the link below:

[www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf](http://www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf)

## 5.3 Employer Analysis

At 31 March 2018 there were 157 contributing employer organisations within NYPF including the County Council. Full details of all employers can be found in the Statement of Accounts (see Part 6).

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	92	13	105
Admitted Body	46	35	81
Total	138	48	186

## 5.4 Member Rates

For member contributions a banded structure has been in place from April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2017 as follows:

Band	Range	Contribution rate
1	£0 to £13,700	5.5%
2	£13,701 to £21,400	5.8%
3	£21,401 to £34,700	6.5%
4	£34,701 to £43,900	6.8%
5	£43,901 to £61,300	8.5%
6	£61,301 to £86,800	9.9%
7	£86,801 to £102,200	10.5%
8	£102,201 to £153,300	11.4%
9	Over £153,301 or more	12.5%

The employer has the discretion to decide how often the contribution rate is changed if the pensionable pay of the member changes. This will usually be once a year, or where there are contractual changes to a member's post(s).

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The Valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum

contributions following the 2016 Valuation are shown at [www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf](http://www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf)

## 5.5 Scheme Benefits

The LGPS is a comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be paid. More detailed information, including the Scheme booklet 'A Long Guide to the Local Government Pension Scheme for Employees in England and Wales', can be found on the NYPF website at [www.nypf.org.uk/formsandguides/schemeguides.shtml](http://www.nypf.org.uk/formsandguides/schemeguides.shtml). A paper copy can be requested by ringing the NYPF at County Hall, Northallerton on 01609 536335.

### Normal Pension Age

The Normal Pension Age is a member's State Pension Age for both men and women (earlier voluntary retirement is allowed from age 55 but benefits are reduced for early payment). However, some members have a protected Normal Pension Age of 65 years.

On retirement, both a pension and a lump sum retirement grant are payable for service up to 31 March 2008. For service from 1 April 2008 only a pension is payable, with no automatic lump sum. However, members do have the option to convert an amount of pension to a lump sum.

### **Pension (Normal)**

The calculation of pension benefits depends on the dates of membership involved. From 1 April 2014 the LGPS changed to a Career Average Revalued Earnings (CARE) scheme. The pension for membership from 1 April 2014 is worked out as 1/49<sup>th</sup> of pensionable pay for each year.

For membership up to 31 March 2014 benefits are worked out on a 'final salary' basis. A normal pension is based on the full time equivalent pensionable pay received in the last year of service, or the better of the two previous years, if this gives a higher figure. Also, applicable from 1 April 2008, members who have a reduction in their pensionable pay in the last 10 years (up to date of retirement) can base benefits on the average of any 3 consecutive years in the last 13 years. Pensions are calculated as 1/80<sup>th</sup> for each year of membership of the scheme for service up to 31 March 2008 and as 1/60<sup>th</sup> for service between 1 April 2008 and 31 March 2014.

### **Pension (Ill Health)**

An ill health pension is based on the full time equivalent pensionable pay received in the last year of service and a split of the 80<sup>ths</sup> and 60<sup>ths</sup> accrual for membership up to 31 March 2014. A pension of 1/49<sup>th</sup> of pensionable pay applies for membership from 1 April 2014 onwards. There are three tiers of ill health benefits depending on whether a member can carry out any employment up to age 65.

#### **First Tier:**

If it is unlikely that the member will be capable of gainful employment before Normal Pension Age (NPA), LGPS service is enhanced by 100% of the remaining potential pension to NPA. This is based on 1/49<sup>th</sup> of an 'Assumed Pensionable Pay' figure

which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and NPA.

#### **Second Tier:**

If it is unlikely that the member will be capable of gainful employment within 3 years of leaving but is likely to be capable of undertaking gainful employment before reaching NPA, LGPS service is enhanced by 25% of the remaining potential pension to NPA.

#### **Third Tier:**

If it is likely that the member will be capable of undertaking some gainful employment within 3 years of leaving the member receives payment of the benefits built up to the date of leaving with no enhancement. The benefits are only payable for a maximum period of 3 years (reviewed at 18 months to assess any improvement in health).

### **Lump Sum Retirement Grant**

For service prior to 31 March 2008, the lump sum retirement grant is calculated as 3/80<sup>ths</sup> for each year of service, with an appropriate enhancement in respect of ill health. For service after this date there is no automatic lump sum, however, pension entitlement can be converted to a lump sum at the rate of £1 of pension for £12 of lump sum retirement grant. A maximum lump sum of 25% of the capital value of the benefits accrued in the scheme can be taken.

### **Death Grant**

#### **Death in Service**

A lump sum death grant usually equal to three times pensionable pay, worked out on a prescribed basis known as 'Assumed Pensionable Pay', would be payable to the member's spouse or nominee.

If a member has a deferred benefit and / or a pension in payment from a previous period of membership, the lump sum death grant will be the greater of any lump sum death grant payable in respect of those benefits or the death in service

lump sum death grant of three times their assumed pensionable pay.

#### **Death after Retirement**

A death grant is payable in certain circumstances where death occurs after retirement. Retirement pensions are guaranteed for ten years and where death occurs within that period, and the pensioner dies before age 75, a death grant is payable. This provision only applies to a pensioner member who has a period of active membership in the Scheme on or after 1 April 2008. For pensioners who retired prior to this date the guarantee is limited to five years.

#### **Death of a member with Preserved Benefits**

A lump sum death grant equal to the current value of the deferred retirement lump sum for leavers prior to 1 April 2008, or five times the preserved annual pension for leavers on or after this date is payable to the member's spouse or nominee.

#### **Spouses, civil partners and eligible cohabiting partners pensions**

Any surviving spouse, cohabiting partner or civil partner is entitled to a pension based on 1/160<sup>th</sup> of the member's final pay for each year of service up to 31 March 2014. For membership from 1 April 2014 the surviving spouse, cohabiting partner or civil partner is entitled to a pension based on 1/160<sup>th</sup> of career average pensionable pay.

Benefits are payable to a cohabiting partner provided the member paid into the LGPS on or after 1 April 2008 and subject to certain qualifying conditions being met.

The pension available to a cohabiting partner is based on post April 1988 membership only (unless the member elected to pay additional contributions to make any pre April 1988 membership count).

### **Children's Pension**

Each child under age 18, or still in full-time education and under age 23, will receive a proportion of the spouse's, civil partner's or cohabiting partner's pension depending on the number of eligible children and whether or not a spouse's, civil partner's or cohabiting partner's pension is payable.

### **Pension Increases**

Pensions are increased in accordance with the Pensions (Increase) Act 1971. All pensions paid from the scheme are protected against inflation, rising in line with the Consumer Price Index.

### **AVCs**

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee (PFC) has appointed Prudential as the nominated provider for this purpose. Further details are available from the Prudential on 0800 032 6674.

# Part 6 - Governance Documentation

The main governance documentation is as follows:

- Investment Strategy Statement  
[https://www.nypf.org.uk/Documents/InvestmentStrategyStatement\\_June2018.pdf](https://www.nypf.org.uk/Documents/InvestmentStrategyStatement_June2018.pdf)
- Governance Compliance Statement  
[https://www.nypf.org.uk/Documents/GovernanceComplianceStatement\\_v1.1June18.pdf](https://www.nypf.org.uk/Documents/GovernanceComplianceStatement_v1.1June18.pdf)
- Funding Strategy Statement  
[https://www.nypf.org.uk/Documents/GovernanceComplianceStatement\\_v1.1June18.pdf](https://www.nypf.org.uk/Documents/GovernanceComplianceStatement_v1.1June18.pdf)
- Communications Policy  
[https://www.nypf.org.uk/Documents/Comms%20Policy\\_v1%2012.6.18.pdf](https://www.nypf.org.uk/Documents/Comms%20Policy_v1%2012.6.18.pdf)
- Pension Administration Strategy  
[www.nypf.org.uk/nypf/policiesandstrategies.shtml](http://www.nypf.org.uk/nypf/policiesandstrategies.shtml)

All of these documents can be found on the NYPF website at <https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>

A short summary of each Statement is included here. The full Statements are available on the links above.

## (a) Investment Strategy Statement

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS).

The ISS must include:

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investments;
- The authority's approach to risk, including the ways in which risks are to be measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

## (b) Governance Compliance Statement

Under the LGPS Regulations 2013 (as amended), an administering authority is required to publish a document describing how the Fund must assess its governance arrangements and compliance with any principles listed in the guidance. The main areas covered by this are:

- Governance arrangements
- Representation and meetings
- Operational procedures
- Key policy / strategy documents
- Assessment of compliance with best practice principles

## (c) Funding Strategy Statement

The Funding Strategy Statement (FSS) has been prepared in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The main purpose is to:

- establish a clear and transparent Fund-specific Strategy which will identify how employers' pension liabilities are best met going forward
- support the regulatory requirement to maintain contribution rates for employers as nearly constant as possible
- take a prudent longer-term view of funding those liabilities

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method and assumptions and results of the 2016 Actuarial Valuation

## (d) Communications Policy

This document sets out the communication strategy for communication with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities.

## (e) Pensions Administration Strategy

This document sets out the administration protocols that have been agreed between the Fund and its employers. It includes the responsibilities and duties of the employer and NYPF, performance levels, and communications.



## Part 7 - Training

### 7.1 Public Sector Pensions - Finance Knowledge and Skills

The PFC recognises the importance of ensuring that all Members and officers charged with the financial management, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge their duties and responsibilities. The PFC also seeks to ensure that those Members and officers are both capable and experienced by making available the training necessary for them to acquire and maintain the appropriate level of expertise, knowledge and skills.

Following the issue of CIPFA guidance "Pensions Finance Knowledge and Skills Frameworks" the PFC provides routes through which the recommended knowledge and skills set out in the guidance may be acquired, as described below.

### 7.2. Training for Pension Fund Committee Members and Officers

#### (i) Internally Provided

Three Investment Strategy Workshops and new Member training sessions were held throughout the year, all of which were well attended by PFC Members and officers of the Fund.

During the year Members and officers also made use of the CIPFA Knowledge & Skills resource library and accessed the Trustee Needs Analysis (TNA) where appropriate, which is aimed at identifying gaps in knowledge and skills, as a complement to alternative training resources.

#### (ii) Externally Provided

In addition to the training provided through workshops as described previously, Members and officers are encouraged to attend courses, conferences and other events supplied by organisations other than the Council. These events provide a useful source of knowledge and guidance from speakers who are experts in their field. Attendance at these events is recorded and reported to the PFC each quarter.

Events attended by PFC Members during 2017/18 were:

Event	Place	Date
PLSA Local Authority Conference	Gloucestershire	15-17 <sup>th</sup> May 2017
BCPP New Member Seminar	York	11/12 <sup>th</sup> September 2017
PLSA Annual Conference	Manchester	18-20 <sup>th</sup> October 2017
LAPFF Conference	Bournemouth	6-8 <sup>th</sup> December 2017
NAPF Investment Conference	Edinburgh	7-9 <sup>th</sup> March 2018

Details of the training undertaken by Members is recorded and reported at each PFC meeting. The latest report can be found by looking in the Pensions Administration Report in the link below: <http://democracy.northyorks.gov.uk/committees.aspx?commid=11&meetid=3797>

## Part 8 - Glossary and Contact Details

#### Active member:

Current employee who is contributing to a pension scheme.

#### Actuary:

An independent professional who advises the Council on the financial position of the Fund.

Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

#### Additional Voluntary Contributions (AVC):

An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

#### Administering Authority:

North Yorkshire County Council as Administering Authority is responsible for the administration of the North Yorkshire Pension Fund (NYPF).

#### Admitted Body:

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

#### Alternatives:

An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts

#### Asset Allocation:

The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.

#### Benchmark:

A measure against which the investment policy or performance of an investment manager can be compared.

#### CARE (Career Average Revalued Earnings):

From 1 April 2014, the LGPS changed from a final salary scheme to a CARE scheme. It is still a defined benefit scheme but benefits built up from April 2014 are worked out using a member's pay each scheme year rather than the final salary. The pension earned each scheme year is added to the member's pension account and inflation is added so it keeps its value in line with inflation.

#### Deferred Members:

Scheme members who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

#### Defined Benefit Scheme:

A type of pension scheme where the pension that will ultimately be paid to the member is calculated with reference to a formula and is not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

**Diversified Growth Funds (DGF):**

An alternative way of investing in shares, bonds, property and other asset classes.

**Employer Contribution Rates:**

The percentage of the salary of members that employers pay as a contribution towards the members' pension.

**Equities:**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fixed Interest Securities:**

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

**Index:**

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**Pooled Funds:**

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

**Return:**

The total gain from holding an investment over a given period, including income and any increase or decrease in market value.

**Scheduled Body:**

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

**The Pensions Advisory Service (TPAS):**

TPAS provide free, independent and impartial information and guidance about pensions including workplace, personal and stakeholder schemes as well as the State Pension.

**Unrealised Gains/Losses:**

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

**Contact Information****North Yorkshire Pension Fund**

County Hall  
Northallerton  
North Yorkshire  
DL7 8AL

Telephone: **01609 536335**

Email: [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk)

Website: [www.nypf.org.uk](http://www.nypf.org.uk)

**The Pensions Advisory Service (TPAS)**

11 Belgrave Road  
London  
SW1V 1RB

Telephone: The Pensions Helpline:

**0800 011 3797**

Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

# Appendix A

**Statement of responsibilities for the financial statements**

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below:

**a) The Administering Authority**

The Administering Authority is North Yorkshire County Council. The Administering Authority is required to:

- make arrangements for the proper administration of the financial affairs of the Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

**b) Treasurer**

The Treasurer is responsible for the preparation of the Fund's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom Based on International Reporting Standards (the Code). This document includes the financial statements for the Pension Fund only. The financial statements of North Yorkshire County Council are published separately.

In preparing these financial statements, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

- kept proper accounting records, which were up to date; and
- taken responsible steps for the prevention and detection of fraud and other irregularities.

**Certificate**

I hereby certify that the Annual Report and Accounts give a true and fair view of the financial position of the North Yorkshire Pension Fund as at 31 March 2018 and its income and expenditure for the financial year then ended.

**Gary Fielding**

Treasurer  
North Yorkshire Pension Fund

## North Yorkshire Pension Fund

### Fund Account for the year ended 31 March 2018

2016/17			2017/18
£000	CONTRIBUTIONS AND BENEFITS	£000	£000
	<b>Contributions</b>		
58,793	Employers - Normal	74,612	
38,953	- Deficit	46,345	
3,091	- Early Retirement Costs Recharged	2,738	
26,226	Employees - Normal	26,692	
187	- Additional Voluntary	163	
127,250	<b>Total Contributions Receivable (Note 7)</b>		150,551
11,959	<b>Transfers In (Note 8)</b>		13,782
	<b>Less</b>		
	<b>Benefits</b>		
(76,846)	Pensions	(80,592)	
(23,693)	Commutation and Lump Sum Retirement Benefits	(21,912)	
(3,664)	Lump Sums Death Benefits	(2,615)	
(104,203)	<b>Total Benefits Payable (Note 9)</b>		(105,119)
	<b>Leavers</b>		
(267)	Refunds to Members Leaving Service	(423)	
0	Payments for Members Joining State Scheme	(92)	
(9,280)	Transfers Out	(8,957)	
(9,547)	<b>Total Payments on Account of Leavers (Note 10)</b>		(9,472)
(2,255)	<b>Management Expenses (Note 11)</b>		(2,097)
23,205	<b>Net Additions From Dealings With Members</b>		47,645
	<b>RETURNS ON INVESTMENTS</b>		
18,330	Investment Income (Note 12)		23,545
(256)	Taxation (Note 13)		(371)
(14,231)	Investment Management Cost (Note 11)		(24,523)
590,955	Change in market value of investments (Note 14a)		246,433
594,798	<b>Net Returns On Investments</b>		245,084
618,003	<b>Net Increase in the Fund During the Year</b>		292,730
2,417,833	<b>Opening Net Assets of the Fund</b>		3,035,836
3,035,836	<b>Closing Net Assets of the Fund</b>		3,328,566

## North Yorkshire Pension Fund

### Net Assets Statement

31 March 2017		31 March 2018
£000	INVESTMENT ASSETS (Notes 15 & 16)	£000
422,864	Fixed Interest Securities	626,598
587,799	Equities	592,013
1,742,033	Pooled Investments	1,839,822
252,966	Pooled Property Investments	276,831
55	Private Equity	0
3,005,717		3,335,265
10,123	Cash Deposits	13,887
6,234	Investment Debtors	24,990
3,022,074	<b>TOTAL INVESTMENT ASSETS</b>	3,374,142
	<b>INVESTMENT LIABILITIES (Notes 14 &amp; 15)</b>	
(182)	Derivative Contracts - Forward Currency Contracts	0
(1,670)	Investment Creditors	(62,965)
(1,852)	<b>TOTAL INVESTMENT LIABILITIES</b>	(62,965)
3,020,222	<b>NET INVESTMENT ASSETS</b>	3,311,177
	<b>CURRENT ASSETS</b>	
7,878	Contributions due from employers	8,470
797	Other Non-Investment Debtors	765
8,683	Cash	12,471
17,358	<b>TOTAL CURRENT ASSETS</b>	21,706
	<b>CURRENT LIABILITIES</b>	
(1,744)	Non-investment creditors	(4,317)
(1,744)	<b>TOTAL CURRENT LIABILITIES</b>	(4,317)
3,035,836	<b>TOTAL NET ASSETS (Note 17)</b>	3,328,566

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall after the end of the Fund year.

**Notes to the North Yorkshire Pension Fund accounts for the year ended 31 March 2018**

**1. Description of the Fund**

The North Yorkshire Pension Fund (NYPF) is part of the Local Government Pension Scheme (LGPS) and is administered by North Yorkshire County Council (NYCC). The County Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2017/18 and the statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

**a) General**

The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by NYCC to provide pensions and other benefits for pensionable employees of NYCC, other local authorities in North Yorkshire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pension Fund Committee, which is a committee of NYCC.

**b) Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in NYPF include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- admitted bodies, which are other organisations that participate in the fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

At 31 March 2018 there were 157 contributing employer organisations within NYPF including the County Council itself, and over 90,000 individual members, as detailed opposite.

**105 Scheduled Bodies including 61 Academies**

Ainsty 2008 Internal Drainage Board	Align Property Services
Askham Bryan College	Chief Constable NYP
City of York Council	Craven College
Craven District Council	Easingwold Town Council
Filey Town Council	Foss 2008 Internal Drainage Board
Fulford Parish Council	Glusburn Parish Council
Great Ayton Parish Council	Hambleton District Council
Harrogate Borough Council	Haxby Town Council
Hunmanby Parish Council	Knaresborough Town Council
Malton Town Council	North York Moors National Park
North Yorkshire County Council	North Yorkshire Fire and Rescue
North Yorkshire Police and Crime Commissioner	Northallerton & Romanby JBB
Northallerton Town Council	Norton on Derwent Town Council
Pickering Town Council	Richmond Town Council
Richmondshire District Council	Ripon City Council
Ryedale District Council	Scarborough Borough Council
Scarborough Sixth Form College	Selby College
Selby District Council	Selby Town Council
Skipton Town Council	Sutton in Craven Parish Council
Tadcaster Town Council	Thornton (Vale of Pickering) IDB
Whitby Town Council	York Arts Education
York College	Yorkshire Dales National Park

Academy Trusts	
Arete Learning Trust - Stokesley Prim Acad	Bishop Wheeler Catholic Academy Trust
Arete Learning Trust - Richmond School	Craven Educational Trust
Ebor A.T. - Brotherton & Byram CP	Dales Academies Trust
Ebor A.T. - Camblesforth CP	Elevate MAT
Ebor A.T. - Filey Academy	Enquire Learning Trust - East Whitby Primary
Ebor A.T. - Filey COE Nursery and Infants	Enquire Learning Trust - Roseberry Primary
Ebor A.T. - Haxby Road	Enquire Learning Trust - Stokesley CP School
Ebor A.T. - Park Grove	Great Smeaton Academy Primary School
Ebor A.T. - Robert Wilkinson	Hope Learning Trust - Barby High
Ebor A.T. - Staynor Hall CP	Hope Learning Trust - Burton Green Primary
Ebor A.T. - Tockwith School	Hope Learning Trust - Forest of Galtres
Northern Star AT - Harrogate High	Hope Learning Trust - Manor CoE Academy
Northern Star AT - Hookstone Chase	Hope Learning Trust - Poppleton Ousebank
Northern Star AT - New Park Primary	Hope Learning Trust - Vale of York
Northern Star AT - Skipton Girls High School	Norton College - an 11-19 academy
Outwood Grange A.T. - Greystone CP School	Pathfinder MAT - Acomb Primary
Outwood Grange A.T. - Outwood Acad.Ripon	Pathfinder MAT - Archbishop Holgates School
Red Kite Learning Trust Pooled	Pathfinder MAT - Badger Hill School
Rodillian MAT - Brayton High School	Pathfinder MAT - Clifton with Rawcliffe School
Rossett School Academy	Pathfinder MAT - Hempland School
Scalby Learning Trust	Pathfinder MAT - Heworth School
South Bank Multi Academy Trust	Pathfinder MAT - New Earswick School
South Craven Academy Trust	Pathfinder MAT - St Lawrence School
South York MAT - Fulford School	Pathfinder MAT - Tang Hall School
Yorkshire Causeway S.T - .Hampsthwaite	Selby Educational Trust
Yorkshire Causeway S.T - .Oatlands Infant	The Grove Academy,
Yorkshire Causeway S.T - .Pannal Primary	The Woodlands Academy
Yorkshire Causeway S.T - .Richard Taylor CE	Thomas Hinderwell Primary Academy
Yorkshire Causeway S.T - .St Aidans	Yorkshire Collaborative Academy Trust
Yorkshire Causeway S.T - .St Peters CE	Yorkshire Endeavour Academies Trust
Yorkshire Causeway S.T - North Rigton	

52 Admitted Bodies	
ABM Catering Ltd	Align Property Services
Betterclean Services	Be Independent
Cater Link Ltd	Bulloughs Cleaning Ltd
Caterservice Ltd	Catering Academy Ltd
Chartwells Compass	Absolutely Catering Ltd
City of York Trading Ltd	Churchill
Consultant Services Group	Everyone Active (SLM Scarborough)
Enterprise	Dolce Ltd
Gough and Kelly	Explore York Libraries and Archives
Grosvenor Facilities Management	Greenwich Leisure Ltd
Housing 21	Harrogate International Centre
Hutchison Catering	Human Support Group Ltd
Interserve	Independent Cleaning Services
Lifeways Community Care Ltd	ISS Mediclean Ltd
Make It York	Mellors
Northern Care (Whistledawn)	North Yorkshire Property Services
OCS Group UK Ltd	Richmondshire Leisure Trust
Ringway Operatives	Sanctuary Housing Association
Schools Plus	Sewell Facilities Management
Sheffield International Venues	Springfield Home Care
Streamline Taxis	Superclean Services Group
The Wilberforce Trust	University of Hull
Veritau Ltd	Veritau North Yorks
Welcome to Yorkshire	Wigan Leisure and Culture Trust
York Archaeological Trust Ltd	York Museums and Galleries Trust
York St John University	Yorkshire Coast Homes

Active, pensioner and deferred pensioner numbers, split between NYCC as the Administering Authority and all other employers were as follows:

	31 March 2018	31 March 2017
<b>Number of Employers with Active Members</b>	157	140
<b>Employees in the fund</b>		
NYCC	17,690	19,528
Other Employers	15,420	14,031
<b>Total</b>	<b>33,110</b>	<b>33,559</b>
<b>Pensioners</b>		
NYCC	11,636	11,017
Other Employers	9,826	9,424
<b>Total</b>	<b>21,462</b>	<b>20,441</b>
<b>Deferred Pensioners</b>		
NYCC	22,515	20,318
Other Employers	13,284	12,829
<b>Total</b>	<b>35,799</b>	<b>33,147</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 that set the contribution rates for 2017/18, 2018/19, 2019/20; details of the rates for individual employers are available on the Fund's website. The contribution rates in 2017/18 were set at the 2016 Valuation.

### d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service.

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged

for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

From 1 April 2014 the scheme became a career average scheme whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with CPI.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the Publications section on the Fund's website.

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its year end position as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

## 3. Summary of Significant Accounting Policies

### Fund Account - Revenue Recognition

#### a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the rate recommended by the Fund's Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for in the period in which they are payable under the schedule of contributions set by the Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset. Amounts due in future years are classed as long term assets.

#### b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS Regulations (see notes 8 and 10).

Individual Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions or other defined contribution arrangements to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### c) Investment Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial cost of the instrument and its value at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### Fund Account - Expense Items

#### d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the financial year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

#### e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income

tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

#### f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

#### Administrative Expenses and Oversight and Governance Costs

All administrative expenses, oversight and governance costs are accounted for on an accruals basis. All associated staff costs are charged to the Fund. Management, accommodation and other overheads borne by NYCC are apportioned to the Fund in accordance with NYCC policy.

#### Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee will be performance related:

- Baillie Gifford & Co - Global Equities
- FIL Pensions Management (Fidelity) - Global (ex-UK) Equities
- Standard Life Investments - UK Equities
- Hermes Investment Management - UK Property
- Bluebay - Private Debt
- Permira - Private Debt

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund accounts.

#### Net Assets Statement

##### g) Assets

Assets are included in the Net Asset Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the fair value of the asset are recognised by the Fund.

##### h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investment and purchases and sales outstanding at the end of the reporting period.

##### i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purpose (see note 15)

##### j) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to minimal risk of changes in value.

##### k) Liabilities

The Fund recognises liabilities at fair value as at the reporting date. A liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or

losses arising from changes in the fair value of the liability are recognised by the Fund.

#### l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an Appendix to these statements.

#### m) Additional Voluntary Contributions

NYPF provides an Additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Accounts in accordance with Section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

### 4. Critical Judgement in Applying Accounting Policies

#### Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment manager using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2018 was £0k (31 March 2017, £55k).

#### Pension Fund Liability

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

### 5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These Accounts require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the for revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from those based on these assumptions and estimates.

The item in the Net Assets Statement as at 31 March 2018 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 1.9%, a 0.1% increase in inflation would increase liabilities by 1.9%, and an increase in life expectancy of one year would increase liabilities by 2.9%.

## 6. Events After the Reporting Date

The Local Government Pension Scheme Investment Regulations 2016 required LGPS fund's to pool their assets in order to achieve cost savings whilst maintaining investment performance. North Yorkshire County Council, as administering authority of the North Yorkshire Pension Fund, has approved the Fund's membership of the Border to Coast Pension Partnership, a pool with a total of 12 funds. During the financial year 2018/19 the phased transition of investment assets from the Fund to Border to Coast Pension Partnership will begin. Some investment assets will continue to be managed by the current Internal and External managers.

## 7. Contributions Receivable

	2017/18	2016/17
	£000	£000
<b>Employee's contributions</b>	26,855	26,413
<b>Employer's contributions</b>		
Normal contributions	74,612	58,793
Past Service Deficit	46,345	38,953
Early Retirement Recharges	2,504	2,602
Compensatory Added Years Recharges	234	489
<b>Total Contributions</b>	<b>150,551</b>	<b>127,250</b>

	2017/18	2016/17
	£000	£000
<b>Contributions Receivable</b>		
North Yorkshire County Council	71,483	52,208
Other Scheduled Bodies	69,233	68,944
Admitted Bodies	9,835	6,098
	<b>150,551</b>	<b>127,250</b>

## 8. Transfers In from Other Pension Funds

All Transfers In were individual transfers. There were no group transfers during the year.

## 9. Benefits Payable

	2017/18	2016/17
	£000	£000
<b>Benefits Payable</b>		
North Yorkshire County Council	45,588	44,144
Other scheduled Bodies	52,701	53,056
Admitted Bodies	6,830	7,003
	<b>105,119</b>	<b>104,203</b>

## 10. Payments To and On Account of Leavers

All payments were in relation to individual members. There were no group transfers during the year.

## 11. Management Expenses

	2017/18	2016/17
	£000	£000
Administrative Costs	1,507	1,852
Investment Management Costs	24,523	14,231
Oversight and Governance Costs	590	403
	<b>26,620</b>	<b>16,486</b>

Investment Management Costs includes 7,376k (2016/17: £1,990k) in respect of performance related fees payable to the Fund's investment managers and £2,826k in respect of transaction costs (2016/17 £2,638k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see Note 14a).

### 11a. Investment Management Expenses

	2017/18	2016/17
	£000	£000
Management Fees	11,381	8,597
Performance Related Fees	7,376	1,990
Custody Fees	90	81
Transaction Costs	3,964	2,638
Other	1,712	925
	<b>24,523</b>	<b>14,231</b>

## 12. Investment Income

	2017/18	2016/17
	£000	£000
Income from bonds	3,418	2,829
Income from equities	16,302	13,507
Pooled Property Investments	1,307	1,313
Pooled Investments - Other Managed Funds	413	0
Interest on Cash Deposits	47	3
Other	2,058	678
	<b>23,545</b>	<b>18,330</b>



### 13. Taxes on Income

	2017/18	2016/17
	£000	£000
Withholding Tax on Dividends	371	256

### 14. Investments

#### a) Reconciliation of Movements in Investments and Derivatives

	Value at 31 March 2018	Change in market value at 31 March 2018	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2017
	£000	£000	£000	£000	£000
Fixed Interest Securities	626,598	10,127	(1,413,385)	1,606,992	422,864
Equities	592,013	19,987	(440,004)	424,231	587,799
Pooled Investments	1,839,822	189,370	(1,457,130)	1,365,549	1,742,033
Pooled Property	276,831	26,818	(2,953)	0	252,966
Private Equity	0	(51)	0	0	51
Derivative Contracts	0	182	0	0	(182)
Total Invested	3,335,265	246,433	(3,313,472)	3,396,772	3,005,531
Cash Deposits	13,887				10,123
Net Investment Debtors	(37,975)	(42,539)			4,564
Net Investment Assets	3,311,177	203,894			3,020,218

	Value at 31 March 2017	Change in market value at 31 March 2017	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2016
	£000	£000	£000	£000	£000
Fixed Interest Securities	422,864	82,714	(1,232,108)	1,230,660	341,598
Equities	587,799	110,792	(287,072)	276,024	488,055
Pooled Funds	1,742,033	384,244	(51,545)	17,387	1,391,947
Pooled Property	252,966	13,387	(146,665)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	3,005,535	590,955	(1,717,417)	1,733,852	2,398,145
Cash Deposits	10,123				8,339
Net Investment Debtors	4,564	1,750			2,813
Net Investment Assets	3,020,222	592,705			2,409,297

#### b) Analysis of Investments (excluding derivative contracts)

	2017/18	2016/17
	£000	£000
Fixed Interest Securities		
UK Public Sector Quoted	626,598	422,682
Equities		
UK Quoted	326,188	308,717
Overseas Quoted	265,825	279,082
	592,013	587,799
Pooled Investments		
UK Equity	67,277	70,284
UK Property	276,831	252,966
UK Fixed Income	0	0
Overseas Equity	1,462,601	1,328,818
Overseas Fixed Income	0	93,095
	1,806,709	1,745,162
Diversified Growth Funds - UK	309,944	249,837
Private Equity - UK	0	55
Total Investments (excl Derivatives)	3,335,265	3,005,535
Cash Deposits	13,887	10,123
Net Investment Debtors	(37,975)	4,564
Net Investment Assets	3,311,177	3,020,222

**c) Investments analysed by Fund Manager**

	31 March 2018		31 March 2017	
	£000	%	£000	%
Baillie Gifford - Global Alpha	658,308	19.8	604,424	19.9
M&G Investments	585,246	17.6	427,134	14.1
Baillie Gifford - LTGG	475,901	14.3	418,471	13.8
Standard Life Investments - Equities	338,416	10.2	312,208	10.3
Fidelity International	323,116	9.7	340,419	11.2
Threadneedle	174,545	5.2	158,237	5.2
Standard Life DGF	173,477	5.2	138,060	4.5
Veritas	151,620	4.6	154,599	5.1
Dodge & Cox	149,844	4.5	153,007	5.0
Newton Investments	136,467	4.1	111,778	3.7
Legal & General	67,572	2.0	62,453	2.1
Hermes	35,304	1.1	32,866	1.1
Permira	33,346	1.0	5,850	0.2
Blue Bay	8,016	0.2	7,570	0.2
Yorks & Humber Equity Fund	0	0.0	52	0.0
ECM Asset Management	0	0.0	93,095	3.1
Internally Managed (cash and net debtors)	17,389	0.5	15,614	0.5
	3,328,566	100.0	3,035,836	100.0

The investments with Baillie Gifford, Threadneedle and Veritas each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

**d) Stock Lending**

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or in any previous years.

**15. Analysis of Derivatives****Futures**

Type	Expires	Economic Exposure	Market Value 31 March 2017	Economic Exposure	Market Value 31 March 2018
		£000	£000	£000	£000
<b>Liabilities</b>					
UK Fixed Interest	Less than one year	(182)	(182)	0	0

**16. Fair Value - Basis of Valuation**

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts 31. Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Notes to the Ellebeau Pension Fund Account for the year ended 31 March 2017 Page 31 Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided <sup>32</sup>

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th Edition)	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
	£000	£000	£000
Pooled investments - private debt	41,362		
Pooled investments - hedge funds			
Freehold and leasehold property			
Unquoted overseas equity			
Private equity			
<b>Total</b>	<b>41,362</b>		

### 16a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

#### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

#### Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2018	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,279,194	2,075,292	41,362	3,395,848
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	(67,282)			(67,282)
Net investment assets	1,211,912	2,075,292	41,362	3,328,566

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2017	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,729,536	309,841	55	3,039,432
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	(3,596)			(3,596)
Net investment assets	2,725,940	309,841	55	3,035,836

## 17. Financial Instruments

### a) Classification of Financial Instruments

31 March 2017			31 March 2018		
Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost	Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost
£000	£000	£000	£000	£000	£000
<b>Assets</b>					
422,864			Fixed Interest Securities	626,598	
587,799			Equities	592,013	
1,492,196			Pooled Investments	1,529,878	
252,966			Pooled Property	276,831	
249,837			Diversified Growth Funds	309,944	
55			Private Equity		
	18,806		Cash		26,358
6,234			Investment Debtors	24,990	
	8,675		Non Investment Debtors		9,234
3,011,951	27,481	0		3,360,255	35,592
<b>Liabilities</b>					
182			Derivative Contracts	0	
1,670			Investment Creditors	62,965	
		1,743	Non Investment Creditors		4,317
1,853	0	1,743		62,965	0
3,010,099	27,481	(1,743)		3,297,290	35,592
					(4,317)

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category.

### b) Net Gains and Losses on Financial Instruments

	2017/18	2016/17
	£000	£000
Fair Value Through Profit & Loss	246,433	590,955
Loans and Receivables	(38,775)	37
	207,658	590,992

## 18. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. NYCC manages these investment risks as part of its overall approach to Pension Fund risk.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. A Risk Register has been established to identify and analyse the risks faced by NYCC's pensions operations. This document is periodically reviewed regularly to reflect changes in activity and in market conditions.

### a) Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Register includes identifying, managing and controlling market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the PFC and its investment

advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through advice from the investment advisers to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments through Investment Management Agreements

### Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

**Other price risk - sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period.

Asset Type	Potential Market Movements (+/-)
	%
Cash and Cash Equivalents	1.0
UK Bonds	9.0
UK Equities	19.0
Overseas Equities	20.0
UK Pooled Equities	19.0
Overseas Pooled Equities	20.0
UK Pooled Bonds	9.0
Overseas Pooled Bonds	9.0
Pooled Property Investments	12.5
Diversified Growth Funds	10.0
Private Equity	27.5
Derivatives	0.0
Non-Investment Debtors/Creditors	0.0

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2018	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	13,887	139	14,026	13,748
UK Bonds	626,598	56,394	682,992	570,204
UK Equities	326,189	61,976	388,165	264,213
Overseas Equities	265,825	53,165	318,990	212,660
UK Pooled Equity	108,639	20,641	129,280	87,998
Overseas Pooled Equity	1,421,239	284,248	1,705,487	1,136,991
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	0	0	0	0
Pooled Property Investments	276,831	34,604	311,435	242,227
Diversified Growth Funds	309,944	30,994	340,939	278,950
Private Equity	0	0	0	0
Derivatives	0	0	0	0
Non Investment Debtors/Creditors	4,918	0	4,918	4,918
<b>Total Assets</b>	<b>3,354,070</b>		<b>3,896,231</b>	<b>2,811,909</b>

Asset Type	Value as at 31 March 2017	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	10,123	101	10,224	10,022
UK Bonds	422,864	38,058	460,922	384,806
UK Equities	308,717	58,656	367,373	250,061
Overseas Equities	279,082	57,212	336,294	221,870
UK Pooled Equity	70,283	13,354	83,637	56,929
Overseas Pooled Equity	1,328,818	272,408	1,601,226	1,056,410
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	93,095	10,240	103,335	82,855
Pooled Property Investments	252,966	31,621	284,587	221,345
Diversified Growth Funds	249,837	26,233	276,070	223,604
Private Equity	55	15	70	40
Derivatives	(182)	0	(182)	(182)
Non Investment Debtors/Creditors	6,931	0	6,931	6,931
<b>Total Assets</b>	<b>3,022,589</b>		<b>3,530,487</b>	<b>2,514,691</b>

### Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Fund and its investment advisers through the risk management strategy including monitoring the exposure to interest rates and assessment of actual interest rates against the strategic benchmark.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2017/18 £000	2016/17 £000
Cash and Cash Equivalents	13,887	10,123
Fixed Interest Securities	626,598	422,864
	640,485	432,987

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £6,405k and for 2016/17 asset values, £4,330k.

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is monitored in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-9.9%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, a 9.9% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 March 2018	Value on 9.9%	Value on 9.9%
	£000	Increase £000	Decrease £000
Overseas Equities	1,687,064	1,854,083	1,520,045
Overseas Bonds	0	0	0
Total Assets	1,687,064	1,854,083	1,520,045

Asset Type	Value as at 31 March 2017	Value on 9.8%	Value on 9.8%
	£000	Increase £000	Decrease £000
Overseas Equities	1,607,899	1,765,473	1,450,325
Overseas Bonds	93,095	102,219	83,972
Total Assets	1,700,994	1,867,692	1,534,297

### b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by recognised rating agencies.

Deposits are not made with banks and financial institutions unless they are rated independently and meet NYCC's credit criteria. NYCC has also set limits as to the maximum amount of deposits placed with any one financial institution. The banks and institutions chosen all have at least the minimum credit rating as described in NYCC's Treasury Management Strategy.

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2017 was £12.5m (31 March 2017, £8.6m) and was held with the following institutions:

	Credit Rating	31 March 2018 £000	31 March 2017 £000
<b>Call Accounts</b>			
Barclays	A / F1	1,539	552
Santander UK	A / F1	0	227
<b>Fixed Term Deposit Notice Accounts</b>			
Bank of Scotland	A+ / F1	1,904	2,396
Leeds BS	A- / F1	0	366
Nationwide	A / F1	423	1,127
Commonwealth Bank of Australia	AA- / F1+	635	0
Santander UK	A / F1	1,430	900
Goldman Sachs	A / F1	1,692	1,127
Aberdeenshire Council	-	212	0
Ashfield District Council	-	85	0
Birmingham City Council	-	423	0
Doncaster Metropolitan Borough Council	-	212	0
Dudley Metropolitan Borough Council	-	254	0
Dundee City Council	-	212	0
Eastbourne Borough Council	-	592	0
Fife Council	-	0	141
Hambleton District Council	-	212	155
Isle of Wight Council	-	0	282
Lancashire County Council	-	212	282
Lancashire PCC	-	212	0
North Tyneside Metropolitan Borough Council	-	212	0
Northumberland County Council	-	0	141
Runnymede Borough Council	-	212	0
Salford City Council	-	0	141
Tewkesbury Borough Council	-	212	0
Warrington Borough Council	-	592	282
West Berkshire District Council	-	0	113
West Dunbartonshire Council	-	381	310
West Yorkshire PCC	-	190	0
Woking Borough Council	-	423	141
		12,471	8,683

### c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings, subject to the fixed periods determined when deposits are placed. These deposits are scheduled to ensure cash is available when required.

The Fund also has access to an overdraft facility for short term (up to three months) cash needs. This facility is only used to address changes in the strategic benchmark and is met by either surplus cash from contributions received exceeding pensions paid or if necessary, disinvesting.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash.

As at 31 March 2018 the value of illiquid assets was £0k (31 March 2017, £55k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2018 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## 19. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008 the Fund's Actuary, Aon Hewitt, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2016.

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

At the 2016 Valuation the aim was to achieve 100% solvency over a period of 24 years from April 2017 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 Triennial Valuation the Fund was assessed as 90% funded (73% at the 2013 Valuation). This reflected a deficit of £283m (£668m at the 2013 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated

as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2017/18 the common rate (determined at the 2013 Valuation) is 13.8% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	liabilities	
Investment Return	4.40%	per annum
Inflation	2.00%	per annum
Salary Increases	3.25%	per annum
Pension Increases	2.00%	per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current pensioners	22.7	26.2
Future pensioners (assumed current age 45)	24.9 years	28.5 years

### Commutation Assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and for post-April 2008 service.

### 50:50 Option

It is assumed that no active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

### 20. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an Appendix.

### 21. Current Assets

Debtors	2017/18	2016/17
	£000	£000
<b>Investment Debtors</b>		
Investment Transactions	19,805	2,490
Accrued Dividends	3,204	2,058
Withholding Taxes Recoverable	1,981	1,686
	24,990	6,234
<b>Other Debtors</b>		
Contributions due from Scheduled (Government) Bodies	8,054	7,449
Contributions due from Admitted Bodies	416	429
Pensions Rechargeable	377	301
Interest on Deposits	0	0
Other	388	496
	9,235	8,675
<b>Total Debtors</b>	<b>34,225</b>	<b>14,909</b>

### 22. Current Liabilities

Creditors	2017/18	2016/17
	£000	£000
Investment Creditors	62,965	1,670
Sundry Other Creditors	4,317	1,744
	67,282	3,414

### 23. Additional Voluntary Contributions

	Market Value 31 March 2018	Market Value 31 March 2017
	£000	£000
Prudential	20,267	19,958

AVC contributions of £2,007k were paid directly to Prudential during the year (£1,846k in 2016/17).

### 24. Agency Services

The North Yorkshire Pension Fund does not operate Agency Service contracts.

### 25. Related Party Transactions

#### North Yorkshire County Council

The North Yorkshire Pension Fund is administered by North Yorkshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £1,322k (£1,231K in 2016/17) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £71.5m to the Fund in 2017/18 (£52.2m in 2016/17).

Part of the Fund's cash holdings are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2018 the Fund had an average investment balance of £14m (-£2.4 m during 2016/17) paid interest of £69.1k (£15.1k received in 2016/17) on these funds.



**Governance**

As at 31 March 2018 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director - Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for the Treasurer was accrued on exactly the same basis as for all other members of the Fund.

**Key Management Personnel**

The Code exempts local authorities from the key management personnel disclosure requirements of IAS 24. This exemption applies in equal measure to the accounts of the Fund. The disclosures required by The Accounts and Audit (England) Regulations can be found in the main accounts of NYCC.

**26. Contingent Liabilities and Contractual Commitments**

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2016/17).

**27. Contingent Assets**

Two admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of an employer default.

**28. Impairment Losses**

The Fund had no material impairment losses at the year-end (£nil in 2016/17).

# Appendix B

**Statement of the Actuary**

**North Yorkshire Pension Fund  
Statement of the Actuary for the year ended 31 March 2018**

**Introduction**

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The latest full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

**Actuarial Position**

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £2,417.8M) covering 90% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
  - 17.8% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).

**Plus**

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 24 years from 1 April

2017, amounting to £13.6M in 2017/18, and increasing by 3.25% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement. The approach, and the recovery period used for each employer, were agreed with the Administering Authority reflecting the Employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	2.5% p.a.
Rate of pay increases (service up to 31 March 2014 only) (in addition to promotional increases)	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned employers (i.e. employers with no active

members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% in-service and left-service.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material.

9. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out by Aon as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, North Yorkshire County Council, the Administering Authority of the Fund, in respect of this Statement

10. The actuarial valuation report is available on the Fund's website at the following address:  
[www.nypf.org.uk/nypf/valuationreports.shtml](http://www.nypf.org.uk/nypf/valuationreports.shtml)

**Aon Hewitt Limited**  
20 April 2018

## Appendix C

### Independent auditor's report to the members of North Yorkshire County Council on the pension fund financial statements published with the North Yorkshire Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 29 to 54.

#### Respective responsibilities of the Treasurer and the auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements, the Treasurer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

#### Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

#### Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

#### Rashpal Khangura

For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

29 September 2016

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# **NORTH YORKSHIRE PENSION FUND**

Governance Compliance Update

Pension Fund Committee

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**4<sup>TH</sup> SEPTEMBER 2018**

# Table of Contents

<b>1.0</b>	Summary observations	3
<b>2.0</b>	Introduction	3
<b>3.0</b>	Core business activity	3
<b>4.0</b>	Review of policy documents	4
<b>5.0</b>	Implementation of pooling arrangements	9
<b>6.0</b>	Other issues	10
	Appendix A – Briefing for Cross Pool Forum	11
	Appendix B -- LPB Conference 27 <sup>th</sup> June 2018 Summary of discussion on LPB role around pooling	13

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## **1.0 Summary Observations**

- I have reviewed the business and minutes of Committee and Board meetings and I am satisfied that governance standards are being maintained and improved.
- The Pension Board continues to operate effectively and in line with its responsibilities.
- I have reviewed the policy documents that were agreed and/or ratified at the Committee meeting on 5<sup>th</sup> July 2018 and those submitted to the meeting on 13<sup>th</sup> September. I am satisfied that they are compliant with the regulatory requirements and reflect good practice.
- The new pooling arrangements (BCPP) are settling down and assets are in the transition process. Governance arrangements will need to be reviewed and updated to ensure the Committee and Board are best able to meet their responsibilities.
- Other issues developing nationally by the Scheme Advisory Board should be monitored and responded to as and when appropriate.

## **2.0 Introduction**

- 2.1 I last reported on the governance arrangements for the North Yorkshire Pension Fund to the Committee on 23<sup>rd</sup> February 2017. Since then, the Fund has been heavily engaged in developing and implementing new pooling arrangements, on which I comment later in this report.
- 2.2 At that meeting I was asked to help inform the Committee on what other funds are doing in the context of governance arrangements and my observations try to reflect my experiences elsewhere. However, while all LGPS funds are operating under a common regulatory framework, there are, as might be expected, many individual approaches at fund level.
- 2.3 The Local Government Association organised a cross pool forum in March which I was unable to attend. I understand that there are plans to form a representative group which can meet on a regular basis. I am aware also of issues that have been discussed between funds within the same pool and between pools. Such cooperation is not new but the pooling arrangements have brought a sharper focus to developing common good practice.
- 2.4 For this meeting, I have been asked to report specifically on reviewing the various governance documents reported to the Committee at its meeting on 5<sup>th</sup> July and those further documents reported to this meeting. My observations on these documents form the major part of this report.
- 2.5 I have included some commentary on discussions at the Scheme Advisory Board level of which the Committee should be aware, and also some recent national dialogue relating to local pension boards and pooling.

## **3.0 Core business activity**

- 3.1 Part of my governance review involves monitoring the reports and minutes of Committee meetings and of Board meetings. While this may give only a limited perspective on the detail of meetings, it does enable me to form the view that governance standards are being maintained and improved. From my limited experience, I believe these standards are at a high level and consistent with the other funds with which I am involved.
- 3.2 It is worth mentioning the recent internal audit report (July 2018) and the overall conclusion that the arrangements for managing risk were good, an effective control environment is in operation, and that the controls within the system provide “Substantial Assurance”.

- 3.3 It is to be expected in any organisation that there will always be areas for improvement, particularly where the regulatory and guidance regime is so specific and so detailed. The majority of the issue/control weaknesses identified though important are not significant and can be easily rectified. Problems related to the supply of end-year data by employers is a continuing issue and is not confined to the North Yorkshire Pension Fund.
- 3.4 It is impossible for the members of the Committee and the Board to monitor every detail of the scheme administration. Audit assurance provides one of the tools to help members to meet their responsibilities and to test the robustness of internal controls.

#### **4.0 Review of policy documents**

4.1 I have reviewed each of the policy documents submitted to the Committee on 5<sup>th</sup> July and those submitted to the meeting on 13<sup>th</sup> September. Overall I found the documents to be compliant with the regulations but have set out some observations below:

4.2 **Investment Strategy Statement: [Compliant with Reg 7 of the Investment Regulations and is in accordance with MHCLG guidance]**

- 4.2.1 Paragraph 7.4 refers to compliance with the ‘Myners Principles’ which is commendable but no longer a regulatory requirement. Other funds are removing this reference.
- 4.2.2 The publication of voting action is new to the Fund and the Committee will wish to consider how much detail can be posted on the website in practice. It will also be necessary to consider how the new pooling arrangements will impact on share ownership and the exercise of voting rights.
- 4.2.3 Paragraph 1.5 refers to the Pension Board having been consulted which is entirely appropriate in the context of compliance and training. The Committee should be aware that the MHCLG guidance in relation to Regulation 7(2)(e) states that in “*maintaining their policy on social, environmental and corporate governance factors, an administering authority: Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.*”
- 4.2.4 I have mentioned this somewhat ‘odd’ suggestion in the guidance to the Committee previously and elsewhere to other funds, particularly as the responsibilities of local pension boards specifically excluded investment decision making in guidance issued at the time.
- 4.2.5 This needs to be considered in the context of regulation 8 which gives powers to the Secretary of State to issue a direction in relation to the investment function having had regard to, inter alia; “*any report from the local pension board appointed by the authority or from the LGPS Scheme Advisory Board*”.
- 4.2.6 The Committee will be aware that one particular section of the MHCLG guidance relating to the prevention of funds pursuing boycotts, etc. as part of its investment strategy was challenged successfully in the Courts and the paragraph was removed. However, in a recent appeal, the Court of Appeal ruled in favour of the Government on this point. As far as I am aware, the guidance has not been amended further pending an appeal if lodged.

- 4.3 **Governance Compliance Statement: [Compliant with Reg 55 of the LGPS 2013 Regulations and with MHCLG guidance]**
- 4.3.1 The MHCLG guidance issued in 2008 is inconsistent with the regulations relating to local pension boards. However, the North Yorkshire Statement has been carefully worded to reflect all aspects of the regulations and guidance.
- 4.3.2 Paragraph 4.1 refers to “Myners first principle” which is a helpful reference but as indicated above, has become less meaningful. An explanatory footnote could be helpful.
- 4.3.3 In 6.0 section c, it is assumed that the Pension Board is a secondary committee for the purposes of the Statement although the PB is not a committee in legal terms. It might be worth making this point in a footnote and it would be helpful to refer to the chair of the Pension Board attending meetings of the Committee, albeit in a non-voting capacity.
- 4.4 **Governance Roles and Responsibilities: [No regulation or specific guidance]**
- 4.4.1 I was not clear as to the purpose of this document, whether it related to the Governance Compliance Statement and/or the Breaches Policy, and whether it was to be published for external use or for internal use only.
- 4.4.2 Whatever its use, it does not make clear that the Pensions Regulator only has responsibility for administration matters, and it does not mention the roles of the MHCLG or the Scheme Advisory Board or the Pension Board.
- 4.4.3 To further complicate matters, the new pooling arrangements will need to be reflected in such a chart of roles and responsibilities, particularly to articulate the inter-relationships between the parties.
- 4.5 **Funding Strategy Statement: [Compliant with Reg 58 of the LGPS 2013 Regulations and has regard to the CIPFA guidance and the Investment Strategy Statement]**
- 4.5.1 This Statement will be reviewed as part of the 2019 Triennial Valuation and I have no other observations to make at this time.
- 4.6 **Communications Policy: [Partly compliant with Reg 61 of the LGPS 2013 Regulations]**
- 4.6.1 I note that this is a simplified statement and much more ‘user friendly’, and that there are a number of activities in progress. However, I would question whether the statement in itself complies with Regulation 61 (2) (b) in setting out the policy on “*the format, frequency and method of distributing such information or publicity*”.
- 4.6.2 This point is particularly relevant as most funds, like North Yorkshire, are seeking to switch from paper to electronic based communications and with a mixed reception from scheme members, less so employers. In many cases the onus is being transferred to the scheme member to ‘locate’ information rather than the administering authority making them aware.
- 4.6.3 In any event, North Yorkshire will have a policy on this and some indication should be given in this policy statement.



4.7 **Risk Register: [tPR Code of Practice No. 14]**

4.7.1 Compliance in this context means the existence, use and understanding of risks. There is no common framework or structure that should be followed, and each authority should develop a working framework that suits their operations and risk appetite. North Yorkshire has done exactly this in a relatively (and refreshingly) simple framework.

4.7.2 The only observation I would make is that I would expect the work of the Pension Board to feature as part of the mitigating process if only in an oversight or 'double check' capacity. The Board is mentioned in the section on pooling but I would suggest that the Board has a clear role in reducing the risk in regard to compliance with regulations, for example. This is not an uncommon situation but I am seeing local pension boards seeking to insert their activities into risk reduction actions where appropriate.

4.7.3 I am aware of suggestions that each local pension board should have its own risk register. I do not consider that to be necessary but it may suit some boards if they feel it would help meet their responsibilities.

4.8 **Risk Management Policy: [tPR Code of Practice No. 14]**

4.8.1 The policy is relatively simple and easy to understand, and reflects good practice in risk management. If I were defining risk (paragraph 2.0) in the context of the pension fund, I would expect to include more specific references to the risk of illegality, fraud, administrative error, regulatory compliance, and reputational risk, for example. These are covered by the risk register.

4.9 **Administering Authority Discretions Policy: [Compliant with Reg 60 of the LGPS 2013 Regulations]**

4.9.1 It would not be feasible for me to comment on each discretion policy but the statement is compliant, well presented and appears to be comprehensive.

4.10 **IDRP Guide: [Compliant with Occupational Pension Schemes (IDRP) Regulations 2008 and tPR Code of Practice No. 11]**

4.10.1 I am not sure why the reference to the Pensions Advisory Service (TPAS) has been deleted as I thought this was still a regulatory requirement although no reference is made in tPR Code of Practice. This part of the regulation may not apply to the LGPS but many funds retain this reference in their guides.

4.11 **Business Plan: [Reflects good practice and tPR guidance]**

4.11.1 I have taken together the activity tracker reported on 5<sup>th</sup> July and the business plan submitted to this meeting. The concept of business plans for pension funds has been around for many years and given prominence in the Myners Principles some 15 years ago. However there is no regulatory framework that prescribes the content of plans and I can confirm that the plan reported reflects tPR guidance and good practice elsewhere.

4.11.2 Clearly the plan is still developing and I would observe that there is no mention of risk management in the objectives or a link to the risk management policy and register. Some funds make a distinct link between reviewing progress on the business plan with a regular review of risk management.

- 4.11.3 While the activity tracker provides a comprehensive list of activities no indication is given of how these will be covered over the next year or two years. Some funds work on a two-year rolling programme but with obvious flexibility as issues develop. Also it would be worth considering whether any work plan developed for the Pension Board is consistent with the Committee's Plan although there is no requirement in this respect.
- 4.12 **Stewardship Code Compliance Statement: [MHCLG Guidance]**
- 4.12.1 While not a formal regulatory requirement, compliance with the Code is suggested as good practice. The North Yorkshire Statement is consistent with good practice elsewhere.
- 4.13 **GDPR Privacy Notice and MOU: [Compliant with regulations]**
- 4.13.1 Recognising the wide requirements on the County Council as a whole and the need for consistency, these statements comply with the regulatory requirements, are comprehensive and relatively simple to understand.
- 4.13.2 A point noted elsewhere is that pension committees and boards should seek to ensure they are not provided with personal data (e.g. on an individual complaint) unless absolutely necessary. This is a problem particularly for trustees in private sector pension funds.
- 4.14 **Breaches Policy: [Compliant with Regulation 70 of the Pensions Act 2004 and tPR Code of Practice No. 14]**
- 4.14.1 This is an area where the Pensions Regulator is becoming increasingly interested and one that is relatively new to the LGPS, although reporting requirements have existed for many years in line with private sector schemes. The policy is comprehensive and an invaluable guide for those dealing with breaches.
- 4.14.2 The question has arisen in other funds about the role of the local pension board in this process, not only in monitoring compliance but also as to whether there is any independent role for the Board in escalating reporting where the current structure fails, e.g. reporting direct to tPR, MHCLG or the Scheme Advisory Board.
- 4.15 **Pensions Administration Strategy: [Compliant with Reg 59 of the LGPS 2013 Regulations]**
- 4.15.1 It is not a requirement of the regulations to have a strategy but if one is prepared then it must comply with Regulation 59. The strategy as drafted does so comply and is consistent with strategy statements I have seen elsewhere.
- 4.15.2 Regulation 59(2)(f) requires the publication of annual reports on the achievement of performance levels set out in the strategy. This is also covered in Regulation 57(g) which requires such reports to be published in the pension fund annual report. The Committee may wish to consider including a reference to this reporting requirement in section 4.0 of the Strategy.
- 4.16 **Employer Charging Policy: [Compliant with Reg 70 of the LGPS 2013 Regulations]**
- 4.16.1 The policy complies with the regulations and provides clear indications of when charges will be made and what those charges will be. In my view this represents good practice and better practice than in some other authorities.

#### 4.17 **Training Policy: [Reflects CIPFA guidance]**

- 4.17.1 As I have reported to the Committee previously, it is important to distinguish between the requirements placed on elected members and on those appointed to a local pension board. The former is not subject to regulation or regulatory guidance, while the latter is subject to both. Furthermore, the Committee, in demonstrating a level of competency, can rely on the collective knowledge and skills of the Committee members and advisers, whereas members of a local pension board must be able to demonstrate individual competence.
- 4.17.2 Notwithstanding the formal statutory position, it is certainly good practice to ensure all members of the Committee and Board seek to ensure they have a suitable level of knowledge and skills, and this training policy seeks to do that using frameworks suggested by CIPFA. This is common across most pension funds.
- 4.17.3 I should point out that while tPR toolkit is a useful training resource it is necessary to recognise its relevance to the LGPS. The web link provided is for pension funds generally and is therefore more specific to private sector scheme. However, taking that in account, it can help Committee member particularly as it covers investment strategy. The toolkit for local pension board members is on tPR public sector site ([www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)) and is quite different, particularly as it does not cover investment.
- 4.17.4 Committee members may find it useful to complete the toolkit for pension board members, which is relatively straightforward, and those parts of the general toolkit that cover investments and other elements appropriate to the LGPS.

#### 4.18 **Annual Report: [Compliant with Reg 57 of the LGPS 2013 Regulations and has regard to the Secretary of State and CIPFA guidance]**

- 4.18.1 As I have reported to the Committee previously, the requirements of the regulation and guidance are extensive. I am satisfied that the draft annual report complies with the regulation and that the Committee has had regard to the CIPFA guidance. It is for the Committee to decide how much information, as suggested by CIPFA, is necessary for inclusion in an annual report which is already extremely detailed and complex, but I will comment on some elements.
- 4.18.2 First, in regard to the action recommended by the internal auditor in July, I would comment as follows:

[1] Details of employer contributions - The web link has been inserted but the information but as forecast in the valuation and does not show the actual contributions paid by each employer in the year of account. The report should either say that all contributions were received or any variation. Employee contributions will in any event vary by levels of pay. In practice, CIPFA is suggesting a breakdown of the figure in the accounts.

[2] Performance on paying contributions on time - The Committee is to be asked to give guidance on this. While it might not be appropriate to give details of each employer, it would be useful to indicate the scale of any late payments (or not), what recovery action is taken and if interest is charged.

[3] Information about the Committee - The web link has been inserted but this does not cover details of attendance during the year. Although this can be found by looking at the minutes of each meeting, many funds include a simple table of attendance.

4.18.3 The other significant items that I would mention are:

- There is not a statement of compliance with the CIPFA Code of Practice in the terms required by that guidance.
- There is no information on employer performance against the standards set in the Pensions Administration Strategy.
- Many funds include an annual report from the chairman of the local pension board and there is no mention of the board's activities, not even a web link.

## 5.0 Implementation of pooling arrangements

5.1 As I have indicated on previous occasions, the introduction of pooling arrangements represents a major change in the way LGPS funds are invested and I don't need to remind the Committee of the difficult and complex process they have gone, or are still going through.

5.2 At this stage, I believe there are still a number of detailed governance issues to be resolved particularly in the transition to a new structure through which the Committee and Board can continue to meet their responsibilities. While there will be guidance and advice on generic processes the Committee and Board will need to develop practical governance arrangements that work best for them.

5.3 As I mentioned in paragraph 2.3 above, the Chairs of LGPS pension committees and local pension boards attended an open session on 27<sup>th</sup> March where representatives from the eight asset pools reported on their progress in establishing their organisational structures and governance arrangements. A copy of the presentations used on the day can be found on the Scheme Advisory Board (SAB) website.

5.4 The SAB reports that steps will soon be taken to establish the Cross Pool Open Forum approved by the Board in February 2018, comprising three representatives from each of the eight pools and three trade union representatives.

5.5 Appendix A is a briefing paper I prepared for another fund based on issues which I was aware might be raised or which I felt merited some consideration. The points raised are generic but may be of use to the Committee and Board as these arrangements develop.

5.6 At its meeting on the 16th February 2018, the SAB agreed to review the wording of the policy statement on pool governance published on the 23rd March 2017. The following statement was subsequently agreed (revised text shown in bold):

*“The Board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy. In this respect the Board notes the comments made by the then Local Government minister Marcus Jones MP on this matter in the Westminster Hall debate on 24th October 2016. The Board recognises that strategic decisions on asset allocations and responsible investment will remain at the local level and therefore the involvement via local pension boards of those employers beyond the scheme manager along with member representatives in those areas would continue.*”

*However the Board would expect that scheme managers involve those same employers and member representatives in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures. In line with the UK Corporate Governance Code principle of ‘comply or explain’, any pool making a decision to exclude member representatives from their formal oversight structures should publish this decision and formally report the reasons to the local pension boards which the pool serves.”*

- 5.7 More recently, there was some discussion at a CIPFA Conference for Local Pension Boards on 27<sup>th</sup> June on the role of LPBs in pooling. I was unable to attend this event but a summary of the discussion has been circulated to attendees and I have circulated this to officers at funds with which I have an involvement. The summary is attached as Appendix B.
- 5.8 While the comments are mainly from a local pension board perspective and are not in any way conclusive, the Committee may find it useful to know how pension boards generally are reacting to the new pooling arrangements.
- 5.9 In my view, the underlying issue is whether or not scheme member representatives should have a role in the investment decision making process, particularly in regard to responsible investment. As I have indicated to the Committee previously, my view is that local pension boards have a role in ensuring compliance and efficient processing but not in detailed investment decisions.

## 6.0 Other issues

- 6.1 The SAB in March considered three key projects in their Work-plan for 2018-19:

[1] The separation project with the objective to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role. This project was first raised in 2015 and some initial investigative work done. However it was put on hold while pooling was progressed.

[2] A project proposed by MHCLG to identify regulations which may be better sited within statutory guidance and assist with the drafting of revised regulations and guidance.

[3] A project to assist administering authorities in meeting the Pension Regulator’s requirements for monitoring and improving data, to include the identification of scheme specific conditional data and the production of guidance for authorities and employers.

- 6.2 I do not know if any or all of these projects were approved but if they proceed, each will affect the Committee and Board. However, the following extract from the SAB website gives an indication of further action in regard to [1] above:

*“21st August 2018 - Scheme Advisory Board opens invitation to bid, "Options for separation of host authority and pension fund". Following a report by KPMG examining the issues and challenges of separating the pension’s functions of LGPS, the next stage is to see how the recommendations that emerged from the report could be made to work. For more information and instructions on how to bid, please see the invitation to bid page.”*

Further information is available on their website.

## Appendix A – Briefing for Cross Pool Forum

The presentation slides from Roger Philips are fairly general and specific to the Forum. There is however an interesting point on Slide 7 about “The context of pooling in the LGPS” in the final bullet point, i.e.:

*“Pool authorities should drive responsible investment strategies within pools not be pushed down a particular road.”*

To my mind this blurs, perhaps deliberately, the issue of responsible investment strategy and it may help to set this in the context of appointing an external investment manager.

Investment strategy per se is determined by the Administering Authority (AA) in compliance with regulations and guidance. The particular strategy for a manager that is appointed will be contained in the Investment Management Agreement (IMA). To some extent strategy may be influenced by investment vehicles available from managers.

Responsible investment strategy is not defined by regulation or guidance, simply the need to state any policy on the subject. That policy is for the AA to determine but implementation may be influenced by the manager selected unless a segregated account is used.

In these two respects, it seems more likely that pooling will push AAs down a particular road on the latter because they are pooled products by definition, combining the policies of a number of AAs. For the former, AAs should expect the pool to implement their strategies within the vehicles they operate.

The alternative suggestion is that the pools will ‘blend’ the strategies of the AAs into a cost effective mix. But that is not what Roger Philips is suggesting.

All this leads to some general questions from the local pension board perspective that come to mind and are being asked by other authorities:

Will the SAB be updating its guidance on LPBs to reflect asset pooling to clarify the role of LPBs in respect of scrutiny of AAs on this topic?

Will or could the SAB issue national guidance in respect of the interpretation of the role of LPBs set out in the July 2017 DCLG statutory guidance on preparing and maintaining Investment Strategy Statements. It states “ISS’s should explain the extent to which the views of their Local Pension Board will be taken into account when making an investment decision based on non-financial factors, and they must explain the extent to which non-financial factors will be taken into account in the selection, retention, and realisation of investments”. There is some confusion as to what non-financial factors this includes and how LPBs should do this in 2018 onwards with the asset managers employed by the asset pool in order for LPBs to fulfil their remit in this area?

Will the SAB be consulting LPBs on the draft SAB responsible investment guidance for LGPS funds which might cover the issue above to provide a national steer to LPBs?

These are some more general questions that might crop up:

- Has due regard been given to CIPFA guidance on governance principles?
- Will the service agreements (similar to investment management agreements) impose compliance with the LGPS Investment Regulations where appropriate?
- What procurement arrangements are required for the appointment of external asset managers and how will these arrangements be monitored for compliance purposes?
- In what form and by what process will the Pool Committees report back to Pool Authorities and what assurances regarding performance and compliance will be given?
- How will a Pool Authority's treasury management strategy be applied, particularly in relation to the timely deposit of cash and any short term borrowing requirements in accordance with the investment regulations?
- How will foreign currency requirements be managed and/or hedged?
- Will a Pool Authority's auditors have access to the Pool Companies to assess internal controls?
- Will there be assurance reports from third parties (e.g. what I remember as FRAG reports)?
- Will Pool Authorities be able to influence risk management arrangements and receive assurances on compliance?
- How will voting rights be exercised, monitored and reported?
- What happens if a Pool Company consistently fails to deliver performance and/or compliance? [This is a longer term question but pre-pooling a fund manager could be sacked.]

Peter Scales

23rd March 2018

# Appendix B - LPB Conference 27<sup>th</sup> June 2018

## Summary of discussion on LPB role around pooling

It was agreed that a summary of the discussion on the LPB role in pooling would be provided to delegates which they could then use with their Boards and to Bob Holloway to feedback to him as in order to attend the meeting of the Scheme Advisory Board he had not been able to remain for the debate

The discussion was stimulated following a presentation by Bob on the role of the Local Pension Boards (LPB) in pooling and covered the role that the Board members felt they should have.

The debate centred on whether the LPB should have representation in the pool governance structure. The following is a summary of the points raised by delegates:

### Points Raised

The LPB role is to scrutinise the Committee so they should not be involved in pooling directly. This should work well as long as the Committee Chair is active in the pooling structure and communicates well with the Fund/Board.

Not concerned about being represented on the Board, but on giving good advice. The issue is how to give value and consistent advice if Boards do not talk to other Boards in the pool.

Some delegates felt that Boards should be positioned so they can with a reasonable degree of confidence gain assurances, perhaps as a group of Boards/Chairs within the Pool, that the Joint Governance Committee (or equivalent body) is adhering to its own Terms of Reference and other agreed procedures.

There is a need for clarity in the administering authority/pool governance structures to define who is responsible for what so that the LPB know who they are scrutinising and who should provide assurances they seek.

LPB role is to assist the Scheme manager so they should support the committee but if they are not involved in the pool how can they offer assistance? Central Pool LPB's have got together to share views on the Pool which was a popular idea.

It is important who LPBs feedback to. Having a seat from a group of chairs would allow a collective view to be heard and would be better than one Fund raising the point.

It took a long time to get LPBs and now the goal posts have moved. As the Pool manages scheme members' assets the scheme members should be involved with a vote although that would need to be by the right person with knowledge / so that members are remembered.

Specifically London CIV should have a credit rating to assess their risk.

LPB members are volunteers and should not be running operations. Not all are experts. The issue is all about good governance.

A popular view was that the role is to scrutinise so they cannot be part of the decision making i.e. part of the pool structure.

The position as an observer was also a popular view although it was clear this meant different things to different people in terms of whether the observer role was active or passive. Again getting LPB chairs in Pools together was popular to feedback to Committees and this also linked with the scheme member point being on a Pool Board as someone to share those views.



Some felt that as pools are mandatory then it is more important for the LPB to have a role but to be effective they needed to be expert. There was concern that the London pool was too big and the voice of the member will be lost. Members should have a role in the pool to know what is going on with their money.

Brunel explained they have two scheme members as observers on the Pool Oversight Board who were existing LPB scheme member representatives and democratically elected by all the LPB members. LPB members from all the Funds meet and feed into them. LPBs can work together on Funds in a pool to get member representation.

There was a feeling that in some cases the LPB were more expert than the Committee as some Committees had significant turnover and had no idea what pooling was about.

Again the view that LPB members should not be involved with decision making was supported. It was suggested that LPBs could comment on any concerns on the Pool governance arrangements in their Annual Report. Picking up on these reports MHCLG or SAB could issue guidance on the role of LPBs with regard to pools. There was also a view that SAB should comment on capability of Committees in terms of experience i.e. the turnover issue.

There was also concern that some Committees still exclude LPB members for private agenda items although this practice was variable – did the recent survey pick up on this and could guidance be issued?

There was view that pooling was effectively privatising scheme member assets with no way to scrutinise it and LPB members should resist this.

In the USS Board members are well paid, on a smaller scale should LPB members be paid to raise standards?

It was recognised that the London CIV had the biggest challenge with 32 Funds but whilst difficult they should still try and work together and get the LPB Chairs to collaborate, perhaps LGA/London Councils could facilitate?

Could the regulations be amended to establish an Oversight Committees and their role?

It was not the role of the LPB to check if the operator is doing the right thing. It is the role of the LPB to review that the administering authority is managing the operator properly and a route to do this should be found.

## Summary

Overall the view appeared to be that LPBs should be very cautious about getting involved in decision making roles and the focus should be on scrutinising how the Committee/administering authority is managing the pool.

There was support for an observer role and this is clearly working well in some Pools; it was felt that attending in person can provide a different understanding and view of what they mean than reading the reports and minutes.

There was interest in the idea of the LPB chairs within each pool meeting as is already practiced by some although London may need to meet in smaller groups.

The different Pool models make prescribing a solution difficult. There needs to be a clear process for making Pools accountable but in a free market environment this could be restrictive.



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**NORTH YORKSHIRE COUNTY COUNCIL****PENSION BOARD****11 SEPTEMBER 2018****LGPS POOLING ARRANGEMENTS****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To provide Pension Board members with an update on the progress made towards the LGPS Pooling arrangements.

**2.0 RECENT EVENTS**

- 2.1 Work on the setting up of new subfunds has continued since the Go Live in July. BCPP are keen to work closely with Funds on this and have set up a number of workshops on the different subfunds.
- 2.2 It is expected that funds will continue to transition over the upcoming months, following the successful transition of the internal UK equity fund in July 2018. To remind Board members, the current high level transition timeline is as follows:
- UK Equities – Q4 2018
  - Alternatives- Q4 2018 onwards
  - Global Equities- Q1 2019
  - Fixed Income- Q2 2019
  - Diversified Growth Funds- Q4 2019
  - Property- Q3 2020
- 2.3 The first subfund that NYPF is expected to transfer into is the Global equities subfund.
- 2.4 Since the last Pension Board meeting an investment strategy workshop was held on 14 September 2018. The new BCPP Customer Relationship Manager, Andrew Stone, attended this workshop to provide further information on transition and will attend future PFC meetings.
- 2.5 There have been no Joint Committee meetings since the last Pension Board meeting.

**3.0 NEXT STEPS**

- 3.1 The next Joint Committee meeting will be held on 21 November 2018.

#### **4.0 RECOMMENDATION**

4.1 Members note the content of the report.

## North Yorkshire County Council

## Pension Board

11 October 2018

## Training and Skills Matrix/Self-Assessment

**1.0 Purpose of the Report**

To provide an update on Pension Board member training and to consider, and approve, skills matrix and self-assessment questionnaires.

**2.0 Background**

The Training Policy was adopted by the Pension Board at its inaugural meeting in July 2015. This set out the knowledge and understanding requirements of members of the Pension Board, routes to obtaining training, and training review arrangements.

It states that the suitability of training events and activities should be based on a self-assessment carried out by each Pension Board member. The regulations place the responsibility for making this assessment, and subsequent action to ensure Pension Board members have an appropriate level of knowledge and understanding, on the individual members. In addition, the Pensions Regulator requires that Pension Board members invest time in learning and development.

**3.0 Training Activity**

Detailed in **Appendix 1** are training events attended and activities undertaken by Pension Board members. Board members are asked to review the training record and advise officers if updates are required.

Pension Board members may wish to discuss the merits of recently undertaken training activity and where appropriate the pros and cons, to inform other Board members of its usefulness.

**4.0 Skills Matrix/Self-Assessment**

At the meeting of the Pension Fund Committee held on 13 September 2018 Members of the Committee agreed to adopt a Training Policy, and, as part of that, to complete a skills matrix and self-assessment, to determine their training requirements.

Earlier in the year a similar exercise was undertaken by Board Members, utilising the Pensions' Regulator's skills matrix/self-assessment framework for Trustees. The returns generated a variety of results which were difficult to determine in terms of an overall skills level for the Board. In view of this it was decided that an appropriate skills matrix and self-assessment would be developed and the exercise repeated.

The skills matrix and self-assessment questionnaires for Pension Fund Committee Members have, therefore, been adapted specifically for Board Members, and are detailed at **Appendix 2**, for comment. When Members are satisfied with the questionnaires these will be circulated electronically, allowing the evaluation exercise to be undertaken effectively.

## 5.0 Training Opportunities

The Pensions Regulator described the modules on its website as “essential to achieve the required level of trustee knowledge and understanding” and “essential learning for those working with or running public service schemes”. The Pension Board agreed at its meeting on 30 July 2015 that these modules would be completed by all members, however, at the meeting of the Board held on 17 October 2017, it was agreed that it was not necessary for all Members to complete all the modules.

Pension Board members are asked to discuss and identify their specific learning and development requirements with officers who will make appropriate arrangements for attendance at training events.

## 6.0 Recommendations

- (i) That Members provide an update regarding any Pensions Regulator modules they wish to complete and likely timescales for this.
- (ii) That Members provide details of any training they wish to be included on the training record:
- (iii) That consideration be given to the skills matrix and self- assessment questionnaires and, subject to the comments of Members, be circulated for completion, to allow an effective evaluation exercise to be undertaken:
- (iv) That Members should continue to identify any appropriate training needs.

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

Background Documents: Pensions Regulator on-line training modules

## Pension Board Members - Training, Meetings and Events

Appendix 1

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
06/15	LGPS Governance	UNISON	Leeds			X					X
06/15	LGPS Benefits/Administration	UNISON	Leeds			X					X
04/06/15	Training Event for Pension Board Members	LGA	Marriott Hotel, Leeds			X	X	X	X		X
03/07/15	Pension Board Member Training	AON	Leeds		X				X		
17/07/15	Pension Board Member Training	AON	Leeds		X	X			X		X
24/07/15	Pension Board Member Training	AON	Leeds			X			X		
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds		X	X	X			X	
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X	X	X			X	
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X	X	X	X	X	X	
14/01/16	Governance for North Yorkshire Pension Board	Peter Scales – Independent Observer for the North Yorkshire Pension Fund	County Hall	X	X	X	X	X	X	X	
29/06/16	Local Pension Board Conference	CIPFA & Barnett Waddingham	London	X							
01/03/17	LGPS Spring Seminar	CIPFA & Barnett Waddingham	Leeds	X							
28/06/17	Local Pension Boards 2 years on	CIFPA & Barnett Waddingham	London	X							
29/06/17 and 30/06/17	Annual LGPS “Trustees” Conference	LGA	Bournemouth	X							
11/09/17 and 12/09/17	Introduction to Pension Funds – New Pension Fund Committee and Pension Board Members	BCPP	York	X	X		X			X	
10/11/17	Local Pension Boards Autumn Seminar	CIPFA	Liverpool		X					X	

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
27/06/18	Local Pension Boards Annual Conference	CIFPA & Barnett Waddingham	London	X							
05/07/18	Pension Board, Committee and Officer Training – Governance and Key Legislation	AON	London								X
17/09/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
26/11/15	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X					
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X	X					
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X					
19/05/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
07/07/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
15/09/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X		X				
24/11/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X		X					
26/01/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X	X			X	X	X	
23/02/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
31/03/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
25/05/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
14/09/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
23/11/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
22/02/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
24/05/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							



Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
05/07/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
13/09/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
25/11/16	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
23/02/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
15/09/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
17/11/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
20/12/17	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
05/07/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
14/09/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
11/11/16	Triennial Valuation Seminar	Actuary	County Hall	X				X			
13/01/17	Pooling – Employers Seminar	NYPF	County Hall	X	X		X	X			
24/02/17	North Yorkshire Pension Fund Manager Meeting	NYPF	County Hall	X							
03/03/16	Audit Committee Training Session - Counter Fraud	NYCC	County Hall	X					X		
03/02/16	Governance Forum	Mazars	York	X					X	X	
08/07/16	Governance Forum	Mazars	York	X					X	X	
03/02/17	Governance Forum – (Including Cyber Security)	Mazars	York	X					X		
31/01/18	Governance Forum (including GDPR)	Mazars	York	X					X		

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Mandy Swithenbank	Stella Smethurst	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell
18/06/18	Data – Section 13 – Regional Workshop	Mercer	Manchester	X							
21/06/18	Audit Committee Training Session – Treasury Management	NYCC	County Hall	X							
07/15 – 03/17	Introducing Pension Schemes	The Pensions' Regulator – Toolkit Modules	On-line		X		X			X	
07/15 – 03/17	The Trustees' Role	The Pensions' Regulator – Toolkit Modules	On-line	X	X		X			X	
07/15 – 03/17	Running a Scheme	The Pensions' Regulator – Toolkit Modules	On-line	X	X		X				
07/15 – 03/17	Pensions' Law	The Pensions' Regulator – Toolkit Modules	On-line		X		X				
07/15 – 03/17	An introduction to investment	The Pensions' Regulator – Toolkit Modules	On-Line				X				
07/15 – 03/17	How a DB Scheme works	The Pensions' Regulator – Toolkit Modules	On-line				X				

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
<b>Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.	<b>1 2 3 4 5</b>		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	<b>1 2 3 4 5</b>		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	<b>1 2 3 4 5</b>		
A regularly updated appreciation of the latest changes to the scheme rules.	<b>1 2 3 4 5</b>		
<b>Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.	<b>1 2 3 4 5</b>		

<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	<b>1 2 3 4 5</b>		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	<b>1 2 3 4 5</b>		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	<b>1 2 3 4 5</b>		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	<b>1 2 3 4 5</b>		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	<b>1 2 3 4 5</b>		
A detailed knowledge of the duties and responsibilities of pension board members	<b>1 2 3 4 5</b>		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Knowledge of consultation, communication and involvement options relevant to the stakeholders	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		
<b>Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		

<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>	<b>1 2 3 4 5</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
Knowledge of how discretionary powers operate.	<b>1 2 3 4 5</b>		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	<b>1 2 3 4 5</b>		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	<b>1 2 3 4 5</b>		

An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	<b>1 2 3 4 5</b>		
<b>Pensions accounting and auditing standards</b>			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	<b>1 2 3 4 5</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
An understanding of the role of both internal and external audit in the governance and assurance process.	<b>1 2 3 4 5</b>		
An understanding of the role played by third party assurance providers.	<b>1 2 3 4 5</b>		

<b>Pensions services procurement and relationship management</b>			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	<b>1 2 3 4 5</b>		
A general understanding of the main public procurement requirements of UK and EU legislation.	<b>1 2 3 4 5</b>		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	<b>1 2 3 4 5</b>		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	<b>1 2 3 4 5</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
<b>Investment performance and risk management</b>			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	<b>1 2 3 4 5</b>		



An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	<b>1 2 3 4 5</b>		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	<b>1 2 3 4 5</b>		
<b>Financial markets and products knowledge</b>			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc.).	<b>1 2 3 4 5</b>		
An understanding of the role of these asset classes in long-term pension fund investing.	<b>1 2 3 4 5</b>		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	<b>1 2 3 4 5</b>		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	<b>1 2 3 4 5</b>		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	<b>1 2 3 4 5</b>		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	<b>1 2 3 4 5</b>		
<b>Actuarial methods, standards and practices</b>			
A general understanding of the role of the fund actuary.	<b>1 2 3 4 5</b>		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	<b>1 2 3 4 5</b>		

An awareness of the importance of monitoring early and ill health retirement strain costs.	<b>1 2 3 4 5</b>		
<b>Do I possess...?</b>	<b>Rate my skills</b> 1 – no knowledge 5 – highly skilled	<b>Training Requirements</b>	<b>Training Plan</b>
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	<b>1 2 3 4 5</b>		
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers	<b>1 2 3 4 5</b>		
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	<b>1 2 3 4 5</b>		

**North Yorkshire County Council****Pension Board****11 October 2018****Work Programme****1.0 Purpose of the Report**

To detail the areas of planned work by the Pension Board

**2.0 Future Activity**

Previous reports to the Board have set out a number of areas that could be identified as potential priority areas of work for Board Members to provide scoping reports to subsequent meetings.

It is expected that progress updates, on the previously identified project areas, highlighted below, will have been submitted for consideration at today's meeting:-

1. **Management, administration and governance process and procedure.**
2. **Development of improved customer services.**
3. **Scheme Member and employer communications.**

Resources will be made available, via relevant Officers, to assist Board Members with their approach to the development of issues.

Members are asked to consider further areas, highlighted in the work programme, in which they would like to undertake in-depth consideration, and provide scoping reports to future meetings, in relation to the development of any issues.

**3.0 Recommendations**

That members:

- i) Review and agree any updates to the Work Plan (as set out in Appendix 1);
- ii) Consider further subject areas for taking topics forward, consider leading on these, and providing a short scoping report to future meetings;
- iii) Consider and request (via the Clerk) supporting resources which may be required to take the reviews forward.

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

## PENSION BOARD WORK PLAN

APPENDIX 1

		18-Jan-18	12-Apr-18	19-Jul-18	11-Oct-18	24-Jan-19	11-Apr-19	
1	Agree plan for the year	✓				✓		
2	Review Terms of Reference	✓				✓		
3	Review performance against the plan	✓	✓	✓	✓	✓	✓	
4	Report to the PFC / NYCC	✓	✓	✓	✓	✓	✓	
5	Report to Scheme Advisory Board / MHCLG		✓	✓				

### Compliance checks

6	Review regular compliance monitoring reports		✓		✓		✓	
7	Review the compliance of scheme employers							
8	Review such documentation as is required by the Regulations						✓	
9	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓	
10	Review the outcome of external audit reports				✓			
11	Review annual report			✓				
12	Review the compliance of particular issues on request of the PFC – as required							
13	Review the outcome of actuarial reporting and valuations – every three years							
14	Assist with compliance with the UK Stewardship Code	✓						

### Administration procedures and performance

15	Review admin/governance procedures/processes-including monitoring performance admin/governance			✓				
16	Monitor complaints and performance							
17	Review the Internal Dispute Resolution Process							
18	Review cases referred to the Pensions Ombudsman							
19	Review the implementation of revised policies and procedures							
20	Review the exercise of employer and administering authority discretions			✓				
21	Assist with the development of improved customer services							
22	Review processes for the appointment of advisors and suppliers							
23	Monitor investment costs							
24	Review the risk register and management of risk processes and procedure	✓		✓		✓		
25	Assist with the development of improved structures and policies							
26	Assist in assessing process improvements on request of PFC							
27	Assist with asset voting and engagement processes							
28	Pooling arrangements and governance	✓	✓	✓	✓	✓	✓	

### Communications

29	Review scheme member and employer communications							
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### Training

30	Review Pension Board knowledge and skills self-assessment		✓	✓		✓		
31	Review training log	✓	✓	✓	✓	✓	✓	
32	Review training arrangements for the Board and other groups	✓	✓	✓	✓	✓	✓	