

Agenda

Meeting: Pension Board

**Venue: Brierley Room, 3 Racecourse Lane,
Northallerton, DL7 8QZ**

Date: Thursday 16 January 2020 at 10am

PLEASE NOTE: The Brierley Building (main County Hall building) is closed now until July 2020. All Committee meetings will be held in either No. 1 or No. 3 Racecourse Lane, Northallerton, DL7 8QZ. Please note the venue above for the location of this meeting. Visitors please report to main reception which is located in No. 3 Racecourse Lane and you will be guided to the venue.

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Business

1. **Exclusion of the Public and Press – To consider the exclusion of the public and press from the meeting during consideration of Appendix 2 to Item 12, Triennial Valuation, on the grounds that it involves 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.**
- 2a. **Apologies for absence**
- 2b. **Vacancy for Employer and Scheme Member representatives**

- 3a Minutes** – To agree as an accurate record the Minutes of the meeting held on 3 October 2019
(Pages 5 to 17)
- 3b Progress on Issues Raised by the Board** – To note the progress made on issues discussed at previous meetings
(Pages 18 to 21)
- 4. Declarations of any Interests**
- 5. Public Questions or Statements.**
- Members of the public may ask questions or make statements at this meeting if they have given notice and submitted the text to Steve Loach of Democratic Services (contact details below) by midday Monday 13 January 2020. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

 - at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
 - when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.
- 6. Draft Minutes of the Pension Fund Committee meeting held on 22 November 2019** - Chairman to report
(Draft Minutes not yet available)
- 7. Review of Terms of Reference** - Report of Legal & Democratic Services
(Pages 22 to 28)
- 8. Pensions' Administration** - Report of Legal & Democratic Services
(Pages 29 to 35)
- 9. Internal Audit Reports** – Report of Internal Audit
(Pages 36 to 37)
- 10. Review of Risk Register** - Report of Legal & Democratic Services
(Pages 38 to 53)
- 11. Investment Strategy Review** - Report of Legal & Democratic Services
(Pages 54 to 85)
- 12. Triennial Valuation 2019 – Update** - Report of Legal & Democratic Services
(Pages 86 to 110)
- 13. Training (including feedback from any courses attended)** - Report of Legal and Democratic Services
(Pages 111 to 117)
- 14. Work Plan – Annual Review and Plan for 2020** – Report of Legal & Democratic Services
(Pages 118 to 119)

15. Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances

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

January 2020

NOTES:

Emergency Procedures for Meetings

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Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

PENSION BOARD

Membership

(9)		
	<i>Names</i>	
1	PORTLOCK, David	Chairman - Independent Member (Non-voting)
2	JORDAN, Mike (County Councillor)	Employer Representative
3	HOOK, Anne (Councillor)	Employer Representative
4	VACANCY	Employer Representative
5	BRANFORD-WHITE, Louise	Employer Representative
6	PURCELL, Simon	Scheme Member Representative
7	VACANCY	Scheme Member Representative
8	HOULGATE, David	Scheme Member Representative
9	GRESTY, Gordon	Scheme Member Representative

Quorum - The Board shall be quorate if the Chair, one scheme representative and one employer representative are present.

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 3 October 2019 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

County Councillor Mike Jordan (North Yorkshire County Council), Councillor Anne Hook (City of York Council) and Louise Branford-White (Hambleton District Council).

Scheme Members:

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

County Council Officers:

Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

216(a) Apologies for Absence

There were no apologies for absence.

216(b) Vacancies for Employer and Scheme Member Representatives

It was noted that the vacancies for both Employer and Scheme Member Representatives on the Board remained as before and efforts to recruit to the vacancies would continue.

Resolved -

That this position be noted.

216(c) Membership of the Board

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting the Board to determine which, if any, of the originally appointed Members of the Board in July 2015 were seeking to be re-appointed for a further four years,

Pension Board - Minutes of 3 October 2019/1

including the Independent Chairman, and which Members would step down from the Board, requiring a recruitment process to be undertaken.

It was noted that the Terms of Reference for the Board indicated that the terms of office for the Independent Chairman and Members appointed at that time, as being four years, with them seeking to be re-appointed or new appointments being made when that time had elapsed. A temporary extension to terms of office had been granted in April 2019 and, therefore, the terms of office would come to an end in January 2020.

It was noted that the Members affected were as follows:-

David Portlock - Independent Chair
County Councillor Mike Jordan - Employer Representative
Louise Branford-White - Employer Representative
Gordon Gresty - Scheme Member Representative

County Councillor Mike Jordan indicated that he would be standing down from the role. He considered that, due to the new pooling arrangements, the Pension Board was now remote from the Pension Fund and he was not sure how the remit of the Pension Board would correlate with these arrangements going forward. He considered there was too much confidentiality and secrecy in terms of information coming from the Pool, which did not provide appropriate opportunities for the Pension Board to consider that. He considered that the Pension Board no longer had a meaningful input on the Pension Fund.

The Chairman noted that County Councillor Jordan was entitled to attend the January meeting of the Board, in line with the extension to the term of office granted earlier in the year. This vacancy would now be passed to the leadership of the ruling group with a view to an appointment being made to replace County Councillor Jordan at the November meeting of the County Council.

The Chairman, Gordon Gresty and Louise Branford-White indicated that they would be willing to continue their roles as Members of the Pension Board and, therefore, sought re-appointment to the Board.

Resolved -

- (i) That the appropriate action be undertaken to re-appoint the following Members to the Pension Board, from January 2020:-
 - ◆ David Portlock - Independent Chair
 - ◆ Gordon Gresty - Scheme Member Representative
 - ◆ Louise Branford-White - Employer Representative
- (ii) That appropriate action be undertaken to fill the vacancy left by County Councillor Mike Jordan, as Employer Representative representing North Yorkshire County Council, when he steps down from the Pension Board in January 2020.

217(a) Minutes

Resolved -

That the Minutes of the meeting held on 18 July 2019, having been printed and circulated, be taken as read and confirmed by the Chairman as a correct record.

Pension Board - Minutes of 3 October 2019/2

217(b) Progress on Issues raised by the Board

In relation to the meetings of representatives of the various Pension Boards involved in the BCPP pooling arrangement, the Chairman noted that a further meeting was due to be held on 10 October 2019, at the BCPP Conference. He stated that he would provide a report back to the Board following that meeting.

In terms of the vacancies for both an Employer and Scheme Member Representative on the Board it was noted that these continued to be advertised. It was stated that the vacancies would be highlighted at forthcoming meetings of Employer Representatives and Section 151 Officers. It was noted that details of the Scheme Member Representative vacancy were also on the Scheme Member section of the website.

In respect of the non-receipt of papers from BCPP, to the Pension Board, due in the main to their confidential nature, as determined by BCPP, it was stated that these were now being supplied by the Treasurer to the Board, allowing details to be considered. It was noted that there was still no formal process in respect of the provision of papers from BCPP, therefore, this matter would continue to be monitored by the Pension Board.

The review of the Terms of Reference, agreed at the previous meeting, would now be submitted to the County Council meeting in November for approval, in line with the County Council being the administering authority.

In respect of the skills matrix/self-evaluation questionnaire it was noted that, initially, the returned questionnaires from Pension Board Members were to be evaluated with a view to developing a training plan, however, since then, the same skills matrix/questionnaire had been circulated to Pension Fund Committee Members to determine their training needs. As a result it was considered appropriate that a full training programme, taking account of both Pension Fund Committee and Pension Board Members, be developed, once the questionnaire results had been obtained from Committee Members.

A Member emphasised that the most relevant training opportunities were provided through being able to question officers about the papers submitted to the Pension Fund Committee as more knowledge about the specifics of the NYPF was obtained from such sessions, than from generic training opportunities.

It was suggested that to address this, sessions could be arranged either prior or at the conclusion of Pension Board meetings, in a similar way to how this was arranged for the County Council's Audit Committee, to allow direct training around the intricacies of the NYPF to be delivered. The Chairman stated that he would consider this approach for future meetings.

The issue regarding membership of the Board had been dealt with earlier in the meeting.

In relation to the matter concerning the Internal Audit report, with limited assurance given to Pension Fund expenditure, as discussed at the previous meeting, it was noted that the 2019/20 Internal Audit team would reconsider the details outlined and would report back to subsequent meetings of the Board.

Resolved -

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

218. Declarations of Any Interests

There were no declarations of interest.

219. Public Questions or Statements

There were no public questions or statements.

220. Minutes of the Pension Fund Committee meeting held on 13 September 2019

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

◆ Triennial valuation

The latest triennial valuation was underway and would be approved in March 2020 once contribution levels had been approved. A consultation process was due to take place with employers over a six week period to determine contribution levels. The valuation was on-track. In relation to the discussions that took place at the Pension Fund Committee it was noted that there were unlikely to be major changes to contribution levels following this valuation, in terms of the major scheduled bodies, although there could be changes for some of the smaller bodies.

◆ Other Issues considered:-

- Governance of Fund
- Budget statistics
- Pension administration

◆ Performance of the Fund

It was noted that there had been a significant fall in the markets since the performance of the Fund had been reported to the Pension Fund Committee, however, no advice was available, as yet, as to the affect that this had on investments.

A Member asked whether details about investments, and the solvency level, had been provided to the meeting, with a view to establishing a baseline, to determine how these levels reacted to investments being moved into the pooling arrangements. In response it was noted that quarterly reports on investments were provided to Pension Fund Committee meetings, and, as yet, the investments with BCPP had not completed a full quarter. The first full quarter would be reported to the November 2019 meeting of the Committee, which in turn would be available to Members of the Board to consider. In terms of the solvency level this has not been provided to the previous meeting of the Committee as this would be set by the triennial valuation process, which was yet to be completed, however, it was noted that this was still above 100%.

The Member who highlighted the issues raised concerns that information was not being monitored by the Pension Board in terms of setting a baseline to

determine how investments were developing under the new pooling arrangements and whether this was having an effect on the solvency level. The Chairman stated that the Board should be cautious in relation to that matter as it was the responsibility of the Pension Fund Committee to determine and monitor investments, with the Board ensuring that proper procedures were being followed, however, this did not prevent the Board from commenting on issues of concern. Members reiterated the issue regarding investments matter being the responsibility of the Pension Fund Committee, but also retaining the right to comment on issues, to the Committee, to raise concerns where justified. It was noted that employers were provided with an opportunity to question the Pension Fund Committee in relation to areas of concern regarding investments and those details were provided within the information submitted to Pension Fund Committee, which was also circulated to Pension Board Members. It was emphasised that issues of concern, raised with the Pension Fund Committee, would be highlighted in the minutes from the meeting and could be discussed at the subsequent meeting of the Pension Board.

Resolved -

That the details emerging from the Pension Fund Committee held on 13 September 2019 be noted.

221. Pensions Administration

Considered -

The report from the Head of Pensions Administration, Phillippa Cockerill, providing Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that was provided to the Pension Fund Committee on 13 September 2019.

The following issues were highlighted:-

◆ **Annual Benefit Statements (ABS) 2019**

As at the cut-off date of 31 August 2019, 95.69% of active member statements had been issued, leaving 1342 having been identified as not having worked in the year or had a query existing which was being worked on. Since then this had been reduced to around 500 outstanding ABS. Details were provided as to the issues that arose which had resulted in the statements not being issued. It was noted that this was a substantial improvement on recent years in terms of issuing the statements on time. Particular praise was provided in relation to the City of York Council who had worked closely with the Administration Team, to significantly improve their year-end data performance in comparison to previous years.

A Member noted that there had been a large increase in the number of calls per day being dealt with by the Administration Team and wondered if there were particular issues that were causing this. In response it was stated that the self-service portal was not operating as effectively as it could, which resulted in large numbers of telephone calls, therefore, improvements to the system were being sought and it was expected that a new on-line system would be introduced shortly to significantly improve this situation. There had been a spike in the number of calls around the time of the issuing of ABS and

was expected that, in future, many of these queries would be dealt with through the improved on-line facilities.

It was noted that less than 1% of the total active members had an outstanding ABS.

It was asked whether the charging of employers was making a difference to the provision of information. In response it was stated that this had assisted in improvements to the year end results, ensuring that employers were opening up a dialogue with Pensions' Administration officers to address situations, rather than face the charges. Members welcomed the approach in terms of charging and the effect this had on the data provision.

Clarification was provided in relation to how the pensions' situation would be dealt with for employees in an academy trust, should that fold.

The Chairman asked whether there was a plan of action in place in terms of the outstanding ABS. In response it was stated that plans were in place, through continued discussions with employers to ensure that the outstanding ABS were issued. It was noted that the breach, in terms of not 100% of the ABS being issued by the deadline, had not yet been added to the Breaches Log, but would be prior to the next quarterly report.

It was noted, through discussion, that a breach of regulations could be issued by anyone - members of the Fund, officers and those overseeing the Fund.

Members stated that they would welcome the analysis of the non-issuing of the ABS and would monitor the situation, going forward, to determine whether a breach of regulations should be reported to the Pensions Regulator.

The software system for Pensions Administration was under review and the contract for the current systems had been extended allowing an opportunity for other systems to be investigated. It was expected that a new system would lessen the impacts caused by end of year data submissions, as data would be obtained on a monthly basis. The Scheme Member on-line system would also be enhanced, together with the website, ensuring that the self-service function was more accommodating, leading to less direct enquiries. It was also hoped to integrate payroll into one system, under a single process, which would eliminate the repeated process currently in place. It was hoped that the full system would be up and running by the end of 2021. In response to a question it was noted that it was not always in the member's interests to add multiple employments within the same employer together.

It was noted that there were continuing issues with the software that extracts calculation results into letters and work was continuing with Heywood in relation to finding a solution. Currently these figures were being added manually, which was not an ideal situation. The retirement option letter had been signed off and was ready to be released for live testing, which would happen this month, and would be made fully live should the initial testing be successful.

The Chairman welcomed the inclusion of Pension Fund Committee Member training within the Pensions Administration report to the Committee.

Resolved -

- (i) That the contents of the report be noted and any action identified be undertaken accordingly.
- (ii) That the contents of the Breaches Log be noted, together with the forthcoming amendment regarding the issuing of ABS.
- (iii) That the Pensions' Administration team be formally congratulated by the Board, for their continued hard work, and the patient and collaborative work undertaken with employers, which continued to significantly improve their performance and the service provided to members of the Scheme.

222. Internal Audit Reports

Considered -

The report of Audit Manager, Ian Morton, providing the Pension Board with an update on Internal Audit activity.

The report highlighted the current status of the Audit Plan for 2018/19 previously approved by the Pension Board as follows:-

- ◆ Pension Fund investments - delayed following a request from Senior Accountant (Pensions).
- ◆ Pension Fund income - final - reasonable assurance.
- ◆ Pension Fund expenditure - final - limited assurance.

A copy of the final Pension Fund income report was attached as an Appendix. The implementation of agreed actions for 2017/18 audits was shown in summary, also an Appendix to the report.

The proposed Audit Plan for 2019/20 was attached as an Appendix to the report.

In relation to the Pension Fund income report it was noted that this had been given reasonable assurance. Discussion of that report highlighted the following:-

- ◆ An issue regarding employees who had moved bands and were paying at the incorrect rate during the year was highlighted. It was noted that this was corrected in the following year and that the matter was dealt with pragmatically by employers. It was emphasised that this was difficult to action immediately, with some scheme members moving up and down the scales during the year, hence the pragmatic approach, with correction at the year end, for the following year, being adopted. It was emphasised that this had a negligible effect on the scheme, in terms of returns, however the situation would continue to be monitored. It was noted that the frequency for assessing member contribution bandings was an employer discretion and that the Fund could not direct employers.
- ◆ Following a recent contribution reconciliation exercise between year-end data and month 12 contribution totals it was noted that only nine employers had a difference of greater than 10%. This is the tolerance level set by Officers as

being reasonable. These nine employers will be contacted to resolve the differences.

- ◆ A discussion took place in relation the position of academies and pension rates, reflecting the issue outlined earlier in the meeting regarding the DfE meeting pension payments should a multi academy trust fold.
- ◆ The Chairman referred to the action points outlined in the report and noted that some were proposed for implementation a substantial period after the report had been compiled and wondered why there was such a delay. In response it was noted that the implementation date provided indicated when all actions should be in place to address issues raised, allowing Internal Audit to return once to monitor the implementation of those agreed actions, rather than returning on numerous occasions. It was noted that this was an efficient process for all concerned and allowed for the actions, not only to be implemented, but to have an effect that could be measured. It was noted that the details of the audit were shared with the various teams as they were developed, rather than waiting for the audit to be completed before details were provided, which allowed actions to be implemented as the audit developed.

Resolved -

That the report be noted.

223. Governance of the Fund

Considered -

The report of the Treasurer providing Members with an opportunity to review the following governance documents:

- ◆ Investment Strategy Statement
- ◆ Funding Strategy Statement
- ◆ 2018/19 Annual Report

and to provide Members with an update on the governance arrangements of the Fund.

It was noted that a report that had been submitted to the September meeting of the Pension Fund Committee, in respect of the governance arrangements, was provided as an Appendix to this report. The documents were approved at the Pension Fund Committee meeting subject to a few minor amendments. It was noted that the Fund's Independent Professional Observer had undertaken a review of the governance arrangements of the Fund and a copy of that report was also included as an Appendix.

The Pension Fund's final accounts were approved by the Audit Committee at their meeting in July 2019 and had been included as Appendix 2 to the report.

The following issues and points were raised during the discussion of the report:-

- ◆ The potential for a reduction in employer contributions was discussed. It was stated that the policy outlined that, should the Fund be over 110% funded, the surplus would be returned to employers through a reduction in contributions.

It was emphasised, however, that this would be done over a number of years, rather than immediately. It was stated that taking this approach benefited both the Fund and the employers. It was noted that the level of 10% above the 100% funding had come from advice from the Actuary.

◆ Investment Strategy Statement

During discussion it was noted that all fund managers should be seeking to outperform the benchmark, set against their investment portfolio, as a fee was paid in relation to that. It was noted that there were two levels of fees for some Fund Managers, a basic fee for managing the investment portfolio and a performance fee.

◆ Funding Strategy Statement

It was asked how substantial a risk to the Fund was Guaranteed Minimum Pension (GMP) equalisation in terms of overall impact on the Fund. In response it was stated that there was a negligible risk, and therefore around a 0.3% adjustment had been made in year-end accounts to take account of this. It was asked whether McCloud would be a more substantial risk. In response it was noted that all the issues outlined, including GMP equalisation and McCloud would have approximately 1% risk to the Fund, therefore, in overall terms, were negligible. It was noted that the McCloud Judgment was still an unknown quantity and it would be a number of years before the implications were felt.

◆ Annual Report and Final Accounts

Clarification was provided in relation to the increasing oversight and governance costs, which related to additional costs arising from the development of the pooling arrangements.

The significant increase in Investment Managers' fees was noted and it was explained that this was due to there being more transparency from Investment Managers in terms of fees and charges, following an initiative developed by the Scheme Advisory Board. This did not have an effect on cash flow or net performance as the fees were already paid, however, the details were now more transparent. It was asked whether all Investment Managers were complying with the transparency initiative and in response it was noted that all were in line with that.

◆ Independent Observer's Annual Report on the Fund

Members noted the following issues in relation to the report:-

The Independent Observer shared the Pension Board's views in relation to the transparency of information and the role of local Pension Boards in the new pooling arrangements.

The Independent Observer had stated that the North Yorkshire Pension Board was well run and conformed to regulatory and guidance requirements.

It was noted that following the Independent Observer's report to the Pension Fund Committee, a response to the local Pension Board survey 2019, issued by the SAB, was to be provided and it should be emphasised that there was

significant compliance between the Pension Fund Committee and the Pension Board in North Yorkshire.

◆ Hymans Robertson Report on Good Governance in the LGPS

The Chairman noted that, following reports to the Pension Fund Committee, he was aware that many of the issues raised in the report were already in place for the NYPF and the Pension Fund Committee. It was noted that the Treasurer of the Fund had been involved in the consultation and development processes of the report.

A Member raised concerns that, although it had not been decided to pursue this matter, the issue of creating a new local authority body and joint committees had been raised and suggested that there was a potential that this may again arise in the future. It was emphasised that there was a need to ensure that democratically elected members were involved in the Pension Fund process, as they were answerable to the Council Taxpayer, however, it was noted that there was an opinion that independent bodies to oversee the LGPS would be preferred. It was stated that the Board would continue to monitor issues raised by the Scheme Advisory Board with a view to any potential changes to governance arrangements in the future.

◆ Deloitte (External Auditor) Final Report and Accounts for the year ended 31 March 2019

A Member suggested that much of what was provided in the External Auditor's report mirrored that outlined in the Internal Auditor's report. In response it was noted that there would always be a level of overlap in terms of issues being audited, however, there was significant differences in relation to the work undertaken by Internal Audit and External Audit.

It was also noted that this was the initial year for Deloitte as the External Auditor and, therefore, there would be some overlap as they would undertake an initial consideration of all financial controls to develop a baseline. This was the usual process when a new External Auditor was appointed.

It was noted that this had been the first year for the early publication of final accounts and it was expected that lessons would be learnt from the process with improvements made in the following years.

It was noted that the Independent Observer had raised an issue regarding why Internal Audit reports were not sent directly to the Pension Fund Committee, with these coming to Pension Board only. The Chairman stated that whilst he wished to discuss the issue with Internal Audit he did not want to duplicate the process and cause more work. In response it was stated that there was nothing to stop the Pension Fund Committee having Internal Audit reports, however, it was noted that details of issues raised on Internal Audit reports were provided within the Pension Board Minutes, which were on each agenda of the Pension Fund Committee. This provided an opportunity for Members of the Committee to discuss those matters if required. It was also noted that the Treasurer to the Fund received all Internal Audit reports and, if there were particular concerns, he would refer these to the Committee.

Resolved -

That the contents of the report and Appendices be noted and any action highlighted be undertaken accordingly.

224. Investment Strategy Review

Considered -

The report of the Treasurer providing Members with an update in the transition of funds to the Pool.

Previously a quarterly update was provided on pooling arrangements which had been mainly focused on the set-up of the Pool. The Pool was now operational and had moved from the initial set-up stage to the sub-fund set-up and transition stage. The focus from now, therefore, would be on investment sub-funds and the transition of funds. Each quarter an Investment Strategy report would be taken to the PFC where any investment decisions required and transition updates would be presented. It was proposed that the papers formed the basis of an update to the Board, going forward. As such the latest Investment Strategy review paper taken to the PFC meeting in September was attached as an Appendix.

A Scheme Member representative highlighted the report back from the Scheme Member appointed to the BCPP Joint Committee. He noted that the report had been somewhat disappointing in terms of the details provided, as the majority of issues were deemed, by BCPP, to be confidential. The main concerns of the Joint Committee representative were proposing additional representation from the unions on the Joint Committee and highlighting next year's budget for the Joint Committee as being £40,000. It was also noted that a second Scheme Member Representative would now be attending Joint Committee meetings. It was considered that a more robust approach should be undertaken in questioning why the information was deemed to be confidential, and could not be fed back to Pension Boards, and the NYPB Member would be taking that issue. In terms of there being more representatives on the Joint Committee it was suggested this was pointless unless a robust challenge was provided in terms of allowing details to be fed back into Pension Boards. Until that matter was addressed appropriately there was little point in having more representation.

It was noted that there were now a number of bodies that provided links between the BCPP and each of the Pension Funds (Joint Committee, Shareholders Group, Officer Group, Section 151 Group) which provided an opportunity for challenge in terms of the transparency of the reporting and the confidentiality of information. It was suggested that this challenge needed to be minuted so that Pension Board Members were aware.

Resolved -

That the contents of the report be noted.

225. Board Evaluation of Skills Matrix Questionnaire

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) suggesting Members determine a way forward on Pension Board Member training in relation to the completed skills matrix and self-assessment questionnaires.

As indicated earlier in the meeting, self-assessment questionnaires had now been circulated to Pension Fund Committee Members, and it was considered appropriate to wait until they had completed and returned these, enabling a comprehensive training programme, to cover both Pension Fund Committee and Pension Board, to be developed.

A Member suggested that, in terms of training, practical training based on the NYPF would be more beneficial to new members, rather than general training, as that would be more relevant to the work of the Pension Board.

It was noted that some Members were attending fundamentals training shortly and it was asked that they provide feedback to the next meeting of the Board following their training events.

Resolved -

That an overall training plan be developed to take account of the results obtained from both Pension Board and Pension Fund Committee, which would identify skills gaps and areas where training was required.

226. Training

Considered -

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

Appendix 1 to the report detailed training events attended and activities undertaken by Pension Board Members and it was noted that this was up-to-date.

The Chairman noted that the BCPP Annual Conference would be taking place on 10 October 2019 and Members who attended could provide feedback on that at the next meeting of the Board.

Resolved -

That the report be noted.

227. Work Plan

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work by the Pension Board.

The dates for the final two meetings of the 2019/20 municipal year were highlighted within the report and it was noted that a timetable detailing the 2020/21 meetings would be available shortly.

Resolved -

- (i) That the current Work Plan be approved.
- (ii) That the dates of ordinary meetings, as detailed, be noted.

228. Other Business which the Chairman agreed should be considered as a matter of urgency

The Chairman agreed to the following issue being discussed as a matter of urgency as responses would be required before the next meeting of the Pension Board.

The Pensions Regulator - Governance and Admin Risks in Public Service Pension Schemes - An Engagement Report

The Chairman highlighted the Engagement Report that had been developed by the Pensions Regulator which had engaged with ten Local Government Pension Schemes to determine the governance and admin risks.

He suggested that the NYPF was comparatively good when taking account of the issues raised within the report. He suggested that he would welcome the views of officers in relation to the recommendations and findings outlined in the report and asked that they get back to him when they had considered these.

Resolved -

That the issues raised by the Chairman be noted and acted upon accordingly.

The meeting concluded at 12 noon

SL/JR

North Yorkshire County Council

Pension Board

16 January 2020

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
18 January 2018 / 12 April 2018/ 19 July 2018/ 11 October 2018/24 January 2019/18 July 2019/3 October 2019	Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 145 – Pooling / Minute no. 166 – Pooling / Minute no 177(b) - progress on issues raised/ Minute no 202 (b) – progress on issues raised/ Minute no 217(b) – progress on issues raised	Arrange a meeting between representatives from the various Pension Boards of those Pension Funds involved in BCPP to discuss the development of the Pool.	A further meeting took place during the BCPP Conference on 10 October 2019 – the Chair will provide feedback
18 July 2019	Minute No 201 (b) – Vacancies for Employer and Scheme Member representatives	Vacancies for both an Employer Representative and a Scheme Member Representative remain and efforts continue to fill these.	An update on this position will be provided at the meeting.

<p>3 October 2019</p>	<p>Minute No 216 (c) – Membership of the Board</p>	<p>The term of office for Members of the Board that had served since its introduction would come to an end at the January Meeting, following a short extension to those terms.</p> <p>Those Members would either need to be re-appointed or step down, and their vacancy filled, utilising the correct process.</p> <p>The Members involved were:</p> <p>Independent Chair – David Portlock Gordon Gresty Louise Branford-White (all seeking re-appointment) County Councillor Mike Jordan (standing down)</p>	<p>The County Council Meeting held on 13 November 2019 considered the appointments, as Administering Authority for the NYPF, and re-appointed</p> <p>Independent Chair – David Portlock Gordon Gresty Louise Branford-White</p> <p>for a further four years.</p> <p>County Councillor Bob Baker was appointed as an Employer Representative, representing NYCC, for a four year period, replacing County Councillor Mike Jordan.</p> <p>The appointments would take effect following the January Meeting of the Pension Board.</p>
<p>20 July 2017/18 January 2018/ 19 July 2018/24 January 2019/11 April 2019/18 July 2019/ 3 October 2019</p>	<p>Minute No 100 – Risk Register / Minute No 123 – Annual discussion with Treasurer of NYPF / Minute no 177(b) – progress on Issues raised / Minute no 186 Pooling / Minute no 217(b) – progress on Issues raised</p>	<p>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. This remained a significant issue particularly in respect of the amount of documentation considered to be confidential by BCPP, which hindered the scrutiny and monitoring process of the Board,</p>	<p>The Board was provided with details of the relevant information, to enable them to monitor the development of the pooling arrangements directly by the Treasurer of the NYPF, however, an appropriate reporting mechanism has still to be established, with a significant proportion of reports still deemed to be confidential by BCPP. The Treasurer continued to address this matter with BCPP.</p>

18 July 2019 / 3 October 2019	Minute no 206 – Review of Terms of Reference / Minute no 217(b) – progress on Issues raised	Review of the Board’s Terms of Reference given the significant changes to the LGPS since the Board was established.	A recommended change to the Terms of Reference was agreed by the meeting of the County Council held on 13 November 2019.
3 October 2019	Minute no 221 – Pensions Administration	Issuing of the 2019 Annual Benefits Statements – despite significant improvements to the numbers issued, in comparison to previous years, the target of 100% had not been achieved.	Members stated that they would welcome the analysis of the non-issuing of the ABS and would monitor the situation, going forward, to determine whether a breach of regulations should be reported to the Pensions Regulator. They all asked for details of any particular employer that had contributed to the non-issuing of ABS through the provision of untimely or inaccurate data.
3 October 2019	Minute no 223 – Governance of the Fund	Hymans Robertson Report on Good Governance in the LGPS – Members raised concerns regarding the potential for the creation of new local authority bodies and joint committees to oversee the LGPS, which had been raised as part of this study/consultation.	Members agreed to monitor developments in relation to any potential changes to governance arrangements from the Scheme Advisory Board, going forward.
3 October 2019	Minute no 223 – Governance of the Fund	Independent Observer’s Annual Report on the Fund – The report had raised an issue regarding the reporting of Internal Audit reports, with these having been historically reported to the Pension Board, but not to the Pension Fund Committee and it was queried whether this practice was appropriate.	It was noted that, should there be any issues of concern that these would be brought to the attention of the Committee, either by the Board or the Treasurer, however, the Chair would raise the matter with the PFC during his report back on Pension Board issues at their next meeting.

3 October 2019	Minute no 224 – Investment Strategy Review	Concern was expressed regarding the report back from the Scheme Member representative on the BCPP Joint Committee, and it was suggested that the confidentiality imposed on many of the emerging details required a much more robust challenge.	That the reports back continue to be monitored to determine whether the BCPP Joint Committee was being challenged effectively in respect of its confidentiality imposed on issues discussed.
3 October 2019	Minute no 225 Skills Matrix / Self- Evaluation Questionnaire	The skills matrix/self-assessment questionnaire, was now also to be completed by Members of the Pension Fund Committee, therefore, it was considered that their results be awaited to allow an overall training plan to be developed.	That, following the results and evaluation of the skills matrix/self-assessment questionnaire from the returned questionnaires from Pension Fund Committee Members, an all-encompassing training plan be developed.
18 July 2019 / 3 October 2019	Minute no 211 – Internal Audit reports/ Minute no 217(b) – progress on Issues raised	Monitor the position regarding the exchange of data from NYCC ESS service and the NYPF following a “limited Assurance” rating in relation to the internal audit report undertaken in respect of Pension Fund Expenditure.	The Pension Fund expenditure internal audit for 2019/20 would give further consideration to this matter to determine whether recommended action has been implemented, and processes have been improved. Details would be reported back to the Pension Board.

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

Report Author – Steve Loach

January 2020

Background Documents – None

North Yorkshire County Council**Pension Board****16 January 2020****Terms of Reference****1.0 Purpose of the Report**

To note the updated Terms of Reference

2.0 Background

2.1 At its meeting in July 2019 the Board undertook a review of its Terms of Reference, assisted by both the Treasurer, Gary Fielding, and Independent Observer, Peter Scales, of the North Yorkshire Pension Fund (NYPF).

2.2 As a result, it was agreed to amend the Terms of Reference by adding an additional paragraph to Section 8 – Remit of the Board – as follows:-

“Reviewing the governance of the new pooling arrangements, to assist in ensuring compliance, effective and efficient reporting, and the monitoring of investment management.”

2.3 The amendment was submitted to the County Council, as Administering Authority to the North Yorkshire Pension Fund, at its Meeting on 13 November 2019, where it was approved.

A copy of the amended Terms of Reference is provided at **Appendix 1**.

3.0 Recommendation

That the amended Terms of Reference be noted.

BARRY KHAN
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton

Background Documents:

None

Pension Board of the North Yorkshire Pension Fund

Terms of Reference and Delegated Authorities

1) Role of the Local Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is

- to assist North Yorkshire County Council (NYCC) as Administering Authority in its role as Scheme Manager
- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
- to secure the effective and efficient governance and administration of the LGPS for the North Yorkshire Pension Fund (NYPF, or the Fund)
- in such other matters as the LGPS regulations may specify
- to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

The terms “Administering Authority” and “Scheme Manager” are used interchangeably in the Regulations but are separately defined in this document (see section 18). NYCC as the Administering Authority has ultimate responsibility for the Fund and has delegated powers to manage the Fund to the Pension Fund Committee (PFC).

These Regulations provide that the Pension Board has the general power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the NYPF is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator, with due regard to guidance issued by Government, the Pensions Regulator and the National Scheme Advisory Board.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

The Pension Board will determine the precise timing of its own meetings, which will take place at suitable intervals between PFC meetings so that PFC activity relevant to the Board can be considered and responses to recommendations reviewed prior to the next meeting of the PFC.

2) Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- i) 4 scheme member representatives, of whom
 - a. 2 shall represent and be drawn from active members of the Fund
 - b. 1 shall represent and be drawn from pensioner and deferred pensioner members of the Fund

c. 1 shall represent and be drawn from either the active or deferred/pensioner members of the Fund
ii) 4 employer representatives, of whom

a. 1 shall be nominated by NYCC who shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority

b. 1 shall be nominated by the City, Borough and District Councils, the Police and Fire bodies and the National Parks which are employers within the Fund

c. 1 shall be nominated by all other employers within the Fund

d. 1 shall be nominated by any employer other than NYCC

iii) 1 independent member, who shall be appointed as Chair of the Pension Board
Elected Members and officers involved in the management and administration of the Fund are not permitted to become Pension Board members.

The Administering Authority will contact employers and members of the Fund to inform them of the Pension Board arrangements and to canvass interest whenever appointments to the Pension Board are required. Active, pensioner and deferred pensioner members will be eligible to nominate themselves as "scheme member representatives". Individuals put forward by the Fund's employers, whether or not those individuals are members of the Fund, will be eligible to stand as "employer representatives".

The position of independent member will be advertised publically. The Administering Authority will seek an independently minded individual with a track record of dealing with governance issues. Following receipt of nominations/applications the Administering Authority will arrange an independent as possible appointment process. This process will include assessing information supplied by candidates in support of their nomination/application and may be supplemented by interviews as appropriate.

Members in all categories will only be appointed to the Pension Board by the Administering Authority if they either meet the knowledge and skills requirements set out in the relevant regulations and guidance (see Section 7) or commit to do so within 3 months of the appointment date.

Members of the Pension Board will serve for a term of 4 years following which they may either retire from the Board or seek nomination for an additional term. The term of office may otherwise come to an end

i. for scheme member representatives if they cease to be a member of the relevant group

ii. for employer representatives who are councillors if they cease to hold office as a councillor

iii. for employer representatives who are not councillors when they cease to be employed by their nominating employer

iv. for a councillor member who is appointed to the PFC

v. for a scheme member or employer representative who is appointed to a role with responsibility for the management or administration of the Fund

vi. where there is a conflict of interest which cannot be managed in accordance with the Pension Board's Conflicts of Interest Policy

vii. where a member fails to attend meetings, undertake training or otherwise comply with the requirements of being a Pension Board member

Each Pension Board member should endeavour to attend all Board meetings during the year and is expected to attend at least 3 meetings each year. The chair of the Board is also expected to attend the quarterly meetings of the PFC.

Given the nature of the Pension Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest, substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Administering Authority.

Other than by ceasing to be eligible as set out above, a Board member may also be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Administering Authority.

3) Conflicts of Interest

The policy for identifying, monitoring and managing conflicts of interest is set out in a separate policy document, which should be regularly reviewed by the Pension Board.

4) Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” will be applied to all Pension Board members and embodied in their code of conduct.

These are:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

5) Knowledge and Skills

A member of the Pension Board must be conversant with:

1. The legislation and associated guidance of the LGPS
2. Any document recording policy about the administration of the LGPS which is for the time being adopted by the NYPF

A member of the Pension Board must have knowledge and understanding of:

- a. the law relating to pensions, and
- b. any other matters which are prescribed in the regulations

Individual Pension Board members must satisfy themselves that they have the appropriate degree of local knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. This includes being fully aware of all requirements detailed in these terms of reference for example on standards of conduct and conflicts of interest, and being conversant with the investment strategy of the Fund.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

6) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

7) Accountability

The Pension Board will be collectively and individually accountable to the Administering Authority.

8) Remit of the Board

The Pension Board must assist the Administering Authority with such matters as the scheme regulations may specify. It is for scheme regulations and the Administering Authority to determine precisely what the Pension Board's role entails. Examples of activity include, inter alia:

- reviewing the Fund's governance and policy documents, such as the Governance Compliance Statement and the Communications Policy Statement
- reviewing the Fund's Annual Report
- reviewing the administrative performance of the Fund
- reviewing shareholder voting and engagement arrangements
- reviewing the Fund's Risk Register
- reviewing the NYPF website
- supporting and challenging PFC actions as a critical friend
- Reviewing the governance of the new pooling arrangements, to assist in ensuring compliance, effective and efficient reporting, and the monitoring of investment management.

9) Decision making

Each Pension Board member who is a scheme member or employer representative will have an individual voting right but it is expected that the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not be entitled to vote.

10) Quorum

The Board shall be quorate if the Chair, 1 scheme member representative and 1 employer representative are present.

11) Board Meetings – Notice, Minutes and Reporting

The Administering Authority shall give notice to all Pension Board members of every meeting of the Pension Board and shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all Pension Board members.

The Pension Board is a committee of the Council and as such the Council's rules on notice of meetings, publishing agendas, reports and minutes and that meetings and papers (unless exempt) are open to the public will apply. At the discretion of the Administering Authority items may be edited or excluded on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for

the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Pension Board shall annually report to the Administering Authority on its nature and activities. The precise content of this report will be subject to consideration and agreement at a meeting of the Board but as a minimum should include

- a. details of members attendance at meetings of the Pension Board
- b. details of training and development activities made available to Pension Board members and attendance at such activities
- c. details of any recommendations made by the Pension Board to the Scheme Manager and the Scheme Manager's response to those recommendations
- d. details of costs incurred in the operation of the Pension Board
- e. a review of the effectiveness of the Board (see Section 6)

In consideration of items of business at its ordinary meetings the Pension Board shall determine whether it wishes to make recommendations to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

The Pension board shall also report as required by the regulations to the Pensions Regulator and the National Scheme Advisory Board.

12) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the draft code of practice 14 issued by the Pensions Regulator, *Governance and Administration of Public Service Pension Schemes*.

13) Publication of Pension Board information

Scheme members and other interested parties will want to know that the NYPF is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, and to carry out its role in relation to the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the NYPF website showing:

- the names of the Pension Board members and other relevant information
- how the scheme members are represented on the Pension Board
- the responsibilities of the Pension Board as a whole
- the full terms of reference and policies of the Pension Board and how they operate
- the Pension Board appointment process
- any specific roles and responsibilities of individual Pension Board members

The Administering Authority will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

14) Advice to the Board

The Board will be supported in its role and responsibilities by the Administering Authority through advice and support as appropriate.

15) Expense Reimbursement, remuneration and allowances

The Administering Authority will determine remuneration and allowances to be paid to Pension Board members based on recommendations made by the Independent Panel on Members Remuneration.

These arrangements are reviewed annually.

Expenses in connection with fulfilling Pension Board responsibilities will be met by the Fund based on the Council's Members Scheme of Allowances and officers Travel and Expenses Policy as appropriate. The costs of appropriate training will also be met by the Fund.

16) Insurance

The Council's Public Liability Insurance applies to members of the Pension Board.

17) Updating the Pension Board Terms of Reference

Approval for significant amendments must be pursued through the Council's Constitution Working Group. General updating or housekeeping can be carried out without the need to seek formal approval.

18) Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	Means the Pension Board for the Council as the Administering Authority of the NYPF as required under the Public Service Pensions Act 2013
<i>"Administering Authority"</i>	Means the Council
<i>"Scheme Manager"</i>	Means the PFC of the Council
<i>"Chair"</i>	The individual responsible for chairing meetings of the Pension Board and guiding its debates
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Scheme"</i>	Means the Local Government Pension Scheme as defined under "LGPS"

North Yorkshire County Council

Pension Board

16 January 2020

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. Pension Fund Committee paper

Included for information at **Appendix 1** is the administration paper provided to the Pension Fund Committee at their November 2019 meeting.

3. Breaches Log

Included at **Appendix 2** is the North Yorkshire Pension Fund's Breaches Log for review. This was discussed by the Committee at their November meeting and they have There are no new entries.

4. Annual Benefit Statements

The final position for the 2019 annual benefit statements is:

Deferred statements not issued:	0
Active statements not issued:	329
Reasons for non-issue:	
Member not worked in 18/19	44
Outstanding task on member record	84
Record is no longer active status	190
Was not an active member at 31/03	11

Analysis was undertaken of the outstanding statements and this highlighted two particular employers who have a high percentage of their active members not receiving a statement. We are working with these employers to ensure the issues are not repeated in 2020.

5. Letter Review Project

We continue to have issues relating to extracting calculation results into the letters and are continuing to work with Aquila Heywood regarding a solution. The retirement option letter is now live and requires staff to manually input the figures. We are now working on the estimate letter and combining the multiple transfer letters into one template.

6. GMP Reconciliation Project

The rectification stage continues to progress. Output from the dry run by ITM is included in the Committee papers. Due to a delay obtaining a final data cut from HMRC the rectification of records will not be completed before the 2020 pension increases exercise.

Alongside this project a full pensioner reconciliation project is taking place which will ensure all data items for all pensioners is aligned. This is critical in light of the migration of data that will be required when the integrated payroll module goes live.

7. Annual Pensions Regulator Survey

The Public Service Governance and Administration Survey 2019 was completed on 28 November with input from the Chair of the Pension Board and the Fund Treasurer.

8. LGPC Bulletins

The LGPC regularly issues bulletins which can include actions for administering authorities. The NYPF reviews every bulletin and logs any actions highlighted. A log of the actions from each bulletin will be included in this report in future to enable Pension Board Members to ensure appropriate activities are being undertaken.

Bulletin Number	Action	Response
191	Pensions Made Simple - member videos Please let your employers know about the videos so that they can publicise them to their employees.	On our 'To Do' list
191	CEPs – all payments must cease Please review your processes and update them where necessary to ensure that you do not send any further CEP payments or notifications to HMRC.	These were stopped some time ago
191	Guidance on transfers and conversions updated You should continue to check the Register for firm details. However, you will then need to contact firms directly to confirm that the relevant individual works for that firm or check an appropriate third-party directory.	Staff have been advised of the correct action to take.
191	LGPC subscriptions 2019/20 Please arrange for your invoice to be paid promptly.	Paid 26/11/2019
191	Teachers' pension employer contribution grant Please pass information about the grant on to your schools, including any academies to which you provide services.	On our 'To Do' list
191	FCA publish video to help consumers understand pension transfer advice Please review your transfer communications to make sure that your members are aware of this video before making an election to transfer benefits out of the scheme.	On our 'To Do' list

9. Recommendation

- 9.1. That Pension Board Members note the contents of this report.
- 9.2. That Pension Board Members note the contents of the Breaches Log.

Phillippa Cockerill
 Head of Pensions Administration
 County Hall
 Northallerton
 08 January 2020
 Background Papers - Nil

North Yorkshire County Council

Pension Fund Committee

22 November 2019

Administration Report

Report of the Treasurer

1. Purpose of the Report

- 1.1. To provide Members with information relating to the administration of the Fund over the year to date and to provide an update on key issues and initiatives which impact the administration team.

2. Admission Agreements & New Academies

- 2.1. The latest position relating to Admission Agreements and academy conversions are shown in **Appendix 1**.

3. Administration**3.1. Membership Statistics**

Membership Category	At 30/06/2019	+/- Change (%)	At 30/09/2019
Active	32,627	+2.56%	33,462
Deferred	37,440	+1.07%	37,842
Pensioner (incl spouse & dependant members)	23,136	+1.85%	23,563
Total	93,203		94,867

3.2. Throughput Statistics

- Period from 1 July 2019 to 30 September 2019

Casetype	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	1	44	39	6
Transfer Out quotes	14	175	172	17
Employer estimates	17	89	97	9
Employee estimates	26	283	261	48
Retirement quotes	91	707	661	137
Preserved benefits	153	778	701	230
Death in payment or in service	17	86	73	30
Refunds	74	529	550	53
Actual retirement procedure	123	530	549	104
Interfund transfers	33	212	195	50
Aggregate member records	13	204	167	50
Process GMP	129	1	7	123
Others	101	399	295	205
Total Cases	792	4037	3767	1062

- Alongside the above cases the Pensions team also handled 5,619 phone calls (average 106 per day) and 2,260 emails received via the Pensions Inbox (average 34 per day) in the quarter to 30 September 2019.

3.3. Performance Statistics

- The performance figures for the period 1 July 2019 to 30 September 2019 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	95%
Customers surveyed ranking service good or excellent	94%	93%
Increase numbers of registered self-service users by 700 per quarter	700	1,677

- High work volumes and high demand within the team continue to impact our ability to meet the agreed performance indicator for work achieved within target. We continue to focus on clearing the oldest dated work and reduce throughput time. The significant increase in self-service users was triggered by the issuing of annual benefit statements and better communication about them.

3.4. Commendations and Complaints

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
July 2019	2	Excellent service, staff approachable and patient
Aug 2019	0	
Sept 2019	1	Very helpful staff

Complaints

Date	Number	Summary
July 2019	0	
Aug 2019	3	2 IHER – appeal against benefits being declined 1 Admin – overstated benefits due to overstated pay figure
Sept 2019	0	

- The complaint categories are:
 - Admin - these can relate to errors in calculations, delays in processing and making payment of benefits.
 - Regs - these relate to a complaint where regulations prevent the member being able to do what they want to.
 - IHER - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

Lessons Learned

Having reviewed the complaints received in the period there were no obvious trends or lessons to be learnt.

3.5. Annual Benefit Statements 2019

The latest position regarding annual benefit statements as at 30 September 2019 is:

- Deferreds: issued 36,797 out of 36,797 - 100%
- Actives: issued 30,843 out of 31,172 – 98.94% (95.69% at 31 August)
- 329 unissued statements – these members not actually entitled to a statement for the following reasons
 - Not worked in post in the year
 - Outstanding work on record
 - Record is no longer active
 - Not actually an active member at statement date

4. Issues and Initiatives

4.1. GMP Reconciliation

- ITM have undertaken a dry run of the rectification calculation for pensioner and dependant members resulting in 476 requiring correction.
- The results of the dry run are included at **Appendix 2 & 3**, to summarise:
 - 94 members are being underpaid by a total of £4,311.52 pa
 - 381 members are being overpaid by a total of £65,422.69 pa
 - 105 have an historical underpayment to a total of £36,055.60
 - 370 have an historical overpayment to a total of £447,820.42
 - 182 members require manual review and recalculation by the administration team
- The net position means we will save £61,111.17 in overpayments each year, which would continue to increase annually with pension increases.
- We will correct every difference, but only contact those members whose pension has changed by more than £5 otherwise it is not cost-effective.

4.2. Breaches Policy & Log

- The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 4** for review. There is one new entry relating to annual benefit statements.

4.3. Efficiency Initiatives

- The major retirement options letter that has been in development has finally been released into live testing. This entails parallel running the new letter alongside the existing letter to ensure the correct options and information is being provided. The letter still does not pull calculation results so figures are being manually input at the moment. This issue continues to be discussed with Heywoods.

4.4. Administration System Review

- The licence for the current system, Altair, expires on 31 December 2019 with the option to extend for a further two years. We will be extending for the full two years to allow time for a full review and procurement process to be undertaken.
- An outline business case has been presented to the Project Board and approval has been given to proceed to procure:
 - Employer online portal
 - Member online portal
 - Administration system
 - Integrated payroll
- The employer portal enables us to move to monthly online returns enabling us to regularly capture validated data along with leavers and joiners instead of catching up at year end.
- It removes the need for the large year end process enabling more time for the production of annual benefit statements.
- Integrated payroll provides pensioner payroll as part of the administration system removing the need to input data manually onto a separate payroll system and the overhead of maintaining and managing two separate sets of data. It also enables us to provide a better customer journey by providing one online portal throughout a member's lifetime in the Fund.

5. Member Training

- 5.1. The Member Training Record showing the training undertaken over the year to 31 March 2019 is attached as **Appendix x**.
- 5.2. Responses to the CIPFA Skills Matrix are being collated and it is anticipated the results of the assessment will be brought to the next meeting. The outcome of this will be considered alongside the Fund's business plan and budget which will also be brought to the February meeting.
- 5.3. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix x**. Please contact Ashleigh Burdess (01609 536053 or email Ashleigh.burdess@northyorks.gov.uk) for further information or to reserve a place on an event.

6. Meeting Timetable

- 6.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix x**. Due to the closure of the Brierley Building, there will be a change of venue for future meetings, Members will be updated once the new venue has been confirmed.

7. Recommendations

- 7.1. Members to note the contents of the report.
- 7.2. Members to note the contents of the Breaches Log and determine whether a breach should be reported to the Pensions Regulator or not.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton

08 January 2020

North Yorkshire County Council

Pension Board

16 January 2020

Internal Audit update

Purpose of Report

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

Audit Plan 2019/20

The audit plan for 2019/20 was approved by the Pensions Board on 18 July 2019. The current status of each audit is as shown below

<u>Audit</u>	<u>Days</u>	<u>Status</u>
Pension Fund Investments	15	Planning in progress/specification issued
Pension Fund Income	15	Planning in progress/specification issued
Pension Fund Expenditure	15	Planning in progress/specification issued

The days not used for the Investments audit in 2018/19 will be added to the planned Investments audit for 2019/20 to undertake a review of pooling activities during the year and future pooling plans. The major testing work for all audits is planned to commence in late January

The implementation of agreed actions for 2017/18 and 2018/19 audits is shown in summary in the attached appendix 1. Only 1 action remains outstanding from 2017/18 audits other than those actions which will be tested as part of 2019/20 audit work

Recommendation

Pension Board Members are asked to note this report

Ian Morton,

Audit Manager,

Veritau Ltd.

Follow up of agreed actions

Audit	Finding	Agreed date	Responsible Officer	Name of Officer	Action completed?
Pension Fund Income 17/18	6	01/04/2020	Head of Pensions	Phillippa Cockerill	Not yet due
Pension Fund Expenditure 18/19	1	31/12/2019	Head of Pensions Administration	Phillippa Cockerill	Questionnaire sent 07/01
	2	31/12/2019	Head of Pensions Administration	Phillippa Cockerill	Questionnaire sent 07/01
	3	31/12/2019	Head of Pensions Administration	Phillippa Cockerill	Questionnaire sent 07/01
	4	31/03/2020	Head of Pensions Administration	Phillippa Cockerill	Not yet due
	5	31/12/2019	Head of Pensions Administration	Phillippa Cockerill	Questionnaire sent 07/01
	6	31/03/2020	Head of Pensions Administration	Phillippa Cockerill	Not yet due
	7	31/12/2019	Head of Pensions Administration	Phillippa Cockerill	Questionnaire sent 07/01
Pension Fund Income 18/19	1	30/11/2019	Head of Pensions/Senior Accountant	Phillippa Cockerill/Amanda Alderson	Questionnaire sent 07/01
	2	31/03/2020	Head of Pensions/Senior Accountant	Phillippa Cockerill/Amanda Alderson	Not yet due
	3	31/03/2020	Head of Pensions Administration	Phillippa Cockerill	Not yet due

North Yorkshire County Council**Pension Board****16 January 2020****Pension Fund Risk Register****1.0 Purpose of the Report**

- 1.1 To provide Pension Board members with the opportunity to comment on the Pension Fund risk register.

2.0 Background







- 2.1 The risk register for the Pension Fund is updated every six months and is formally approved annually by the Pension Fund Committee (PFC). It is also reviewed by the Pension Board after each six monthly update. The Risk Register was last approved by the PFC in July 2019 as part of the annual governance review of the Fund.
- 2.2 The summary report of the Risk Register is included at **Appendix 1** with the detail included as **Appendix 2**.

3.0 Recommendation

- 3.1 Pension Board Members to provide feedback on the latest Risk Register.






North Yorkshire Pension Fund




Risk Register: **November 2019 Review – summary**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Identity			Person		Classification												Fallback Plan			
Risk No	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	44/4 - Pension Fund Solvency	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	M	2	6	31/05/2020	M	M	H	L	M	2	Y	CSD SR Senior Accountant Pensions
	44/222 - LGPS Pooling Transition	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	H	2	6	31/05/2020	M	M	H	L	M	2	Y	CD SR
	44/207 - Resources	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	H	M	M	M	M	2	4	31/05/2020	M	M	M	M	L	4	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
	44/8 - Investment Strategy (including Responsible Investment)	Failure of the investment strategy to achieve sufficient returns from investments whilst maintaining assurances that investments are made in an environmentally and socially responsible manner	CD SR	CSD SR Senior Accountant Pensions	L	M	H	L	H	3	6	31/05/2020	L	M	H	L	H	3	Y	CSD SR Senior Accountant Pensions
	44/20 - Fraud	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation	CD SR	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	L	L	H	L	M	3	5	31/05/2020	L	L	H	L	M	3	Y	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions
	44/1 - Employer Contributions	Failure to maintain sustainability and affordability of employer contributions and ensure those contributions are efficiently collected at the required times	CD SR	CSD SR Head of Pensions Administration	M	M	M	Nil	M	4	7	31/01/2020	M	M	M	Nil	M	4	Y	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – summary**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Identity			Person		Classification												Fallback Plan			
Risk No	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre					RR		Post					FBPlan	Action Manager		
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv			Rep	Cat
	44/10 - Regulations and Legislation	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	M	4	2	31/05/2020	M	L	L	L	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
	44/11 - Benefit Payments	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	M	4	5	31/03/2020	L	L	L	L	M	5	Y	CSD SR Head of Pensions Administration
	44/16 - Key Personnel	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	M	M	L	M	M	4	4	31/05/2020	L	M	L	M	M	5	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
	44/14 - IT Systems	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism	CD SR	CSD SR Head of Pensions Administration	L	M	L	M	M	5	3	31/05/2020	L	M	L	M	M	5	Y	CSD SR Head of Pensions Administration
	44/7 - Investment Manager	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise	CD SR	CSD SR Senior Accountant Pensions	L	M	M	L	L	5	5	31/05/2020	L	M	M	L	L	5	Y	CSD SR Senior Accountant Pensions

Key	
	Risk Ranking has worsened since last review.
	Risk Ranking has improved since last review
	Risk Ranking is same as last review
- new -	New or significantly altered risk



North Yorkshire Pension Fund

Risk Register: **November 2019 Review – summary**

Next Review Due: **May 2020**

Report Date: **2nd December 2019 (na)**

Abbreviations		Classifications	
CD SR	Corporate Director Strategic Resources	Prob	Probability
CSD SR	Central Services Directorate Strategic Resources	Obj	Impact on Objectives
FB Plan	Fallback Plan	Fin	Financial Impact
LGPS	Local Government Pension Scheme	Serv	Impact on Services
IT	Information Technology	Rep	Reputational Impact
		RRs	Number of risk reduction actions to be carried out

Likelihood	
Probability	H = > 60% or Probable
	M = 30% to 60% or Possible
	L = < 30% or Unlikely
Impact	
Objectives	H = Three or four of the Fund's key objectives adversely impacted
	M = No more than two of the Fund's key objectives adversely impacted
	L = No more than one of the Fund's key objectives adversely impacted
Financial	H = Substantial/Over 2% increase in contribution rate or loss of major opportunity
	M = Notable/0.5%-2% increase in contribution rate or loss of notable opportunity
	L = Minor/Up to 0.5% increase in contribution rate or loss of some opportunity
Services	H = Widespread impact, 2/3 services affected, significant project slippage
	M = Declining Performance, notable inconvenience
	L = Minor service impact, resolved locally, minor inconvenience
Reputation	H = Significant Member/Employer complaints, national media
	M = Notable Member/Employer complaints, regional media,
	L = Some Member/Employer complaints, local adverse media coverage

North Yorkshire Pension Fund

Appendix 2

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/4	Risk Title	44/4 - Pension Fund Solvency				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period					Risk Group	Financial		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Deficit recovery period; adopt prudent actuarial assumptions; all assumptions reviewed every 3 years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; fixed income review; new rates provided for employers; high priority data quality actions have been completed; employer covenants completed as part of the 2019 triennial valuation								
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/6 - Consultation with Actuary re assumptions used and discuss and carry out action where necessary (ongoing); this has happened for the 2019 valuation						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/7 - Regular review of investment strategy to maximise investments; ongoing action linked to triennial valuations; reviewed as part of the valuation but continues to be monitored quarterly						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/551 - Continue to monitor risk around unguaranteed funds and pursue DfE for confirmation of their status as guarantor for Academies; DfE have expressed intention to be guarantor of last resort but prime action for any failed academy would be find a new trust/home for funds						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/552 - Ensure employer covenants for each employer are completed as part of triennial valuation; actuary is completing the risk assessment						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19	Mon-30-Sep-19	100%	
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1912 - Work through transition plan and new operational model for the new pensions pool; implemented post pool operating model and first funds transferred in May 2019; developing the sub funds to allow further transfers						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
							Action Manager				
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period						CSD SR Senior Accountant Pensions				



North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/222	Risk Title	44/222 - LGPS Pooling Transition				Risk Owner	CD SR	Manager	CSD SR Senior Accountant Pensions	
Description	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.					Risk Group	Change Mgt	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Pension Fund Committee involvement in key pooling decisions; NYPF officer involvement in pooling working groups; Periodic reporting of updates to the Pension Fund Committee; further detail behind the plans received; providing updates to the pension board on a quarterly basis around governance; legal advice on behalf on partner funds; key decision agreed by full council; pooling briefing provided to members;								
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/161 - Consultation with advisors on the implication of pooling and advice on setting up arrangements including sub funds; ongoing fund advice being sought						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/166 - Ensure PFC, Pension Board and employers are kept up to date on pooling progress; pooling update on PFC agenda each quarter						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/447 - Ensure that as the sub-funds are set up that we can invest into and the process of transition is developed, NYPF have as much involvement as possible to shape this and ensure that it is suitable for our needs; continue to establish due diligence prior to fund transfer for each asset class						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/553 - Continue to ensure that pooling transitions are made at optimum time to reduce exposure to market volatility and costs impact						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/569 - Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1913 - Ensure post go live reporting and information is as required; working group looking at reporting needs; as and when we move funds the reporting will be checked and monitored						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/567 - No current alternative to pooling										CD SR

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/207	Risk Title	44/207 - Resources				Risk Owner	CD SR	Manager	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	
Description	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints					Risk Group	Capacity/performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Recruited into accountant post (2019); restructure taken place and now bedding in								
Probability	H	Objectives	M	Financial	M	Services	M	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/478 - Assess areas of greatest concern, mapping workload against available resource and engaging with Tech and Change on potential efficiencies from the process mapping exercises, "as is" mapping complete, "to be" and accountancy mapping to do and will continue to work on this as we go through the system procurement and development exercise						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/479 - Develop plan to deal with identified resource gaps; finance mapping taking place						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/480 - Obtain sign off for any extra resource need identified						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/557 - Recruit to accountant post						CSD SR Senior Accountant Pensions	Fri-31-May-19	Fri-31-May-19	100%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	M	Services	M	Reputation	L	Category	4
Phase 5 - Fallback Plan											
							Action Manager				
Fallback Plan	44/553 - Obtain assistance from 3rd party administration provider.						CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration				

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/8	Risk Title	44/8 - Investment Strategy (including Responsible Investment)				Risk Owner	CD SR	Manager	CSD SR Senior Accountant Pensions	
Description	Failure of the investment strategy to achieve sufficient returns from investments whilst maintaining assurances that investments are made in an environmentally and socially responsible manner					Risk Group	Strategic	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures		Strategy reviewed through asset/liability modelling; risk budgeting; experience and knowledge of the market and suitable forms of investment; Member training; Independent Investment Adviser and Consultant reports; PFC workshops and sign off of strategy; regular monitoring of investment performance; fixed income review; impact of MiFID monitored; full review as part of the triennial review; Pool has a Responsible Investment Policy; NYCC strategy statement includes ethical investment policy									
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	H	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/570 - Consider adopting the Responsible Investment Policy for NYCC						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/571 - Continue to work to the UK stewardship code (currently a Tier 1 signatory to the seven principles)						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1876 - Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1878 - Quarterly monitoring of appropriateness of strategy against prevailing market conditions (including Brexit)						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1879 - Monitor the advisor and consultants reports and act on professional advice						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	H	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets; media management for any reputational incidents									CSD SR Senior Accountant Pensions	

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/20	Risk Title	44/20 - Fraud				Risk Owner	CD SR	Manager	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	
Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation					Risk Group	Pers/Capacity	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Internal Audit; internal checking and authorisation procedures and levels in both pension section and finance; split between administration and finance; all third parties have regular audits and regulated by FCA; legally binding contracts in place; governance arrangements for the delegation of duties; use of BACS payments; monthly mortality monitoring; participate in National Fraud Initiative								
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/572 - Veritau get the output from National Fraud Initiative and pursue any cases of concern for fraud						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1887 - Continually review processes and procedures including authorisation levels; being looked at again as part of the system procurement and development exercise						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1888 - Ongoing internal audit assessment and annual review by external auditors; pension board has asked for expenditure to be look at						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1894 - Review of external manager audit and risk reports						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
							Action Manager				
Fallback Plan	44/434 - Review incident and update procedures/processes accordingly						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions				

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/1	Risk Title	44/1 - Employer Contributions				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	Failure to maintain sustainability and affordability of employer contributions and ensure those contributions are efficiently collected at the required times					Risk Group	Legislative		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures		Ongoing consultation with Employers; manage the employer contributions through investment strategy; assumptions used in triennial valuation, cost sharing mechanism, funding strategy statement; letter going out advising caution on reductions on future budget position (re not taking payment holiday)									
Probability	M	Objectives	M	Financial	M	Services	Nil	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/552 - Ensure employer covenants for each employer are completed as part of triennial valuation; actuary is completing the risk assessment					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19	Mon-30-Sep-19	100%		
Reduction	44/554 - Ensure actuary is provided with accurate membership and cash flow data for the valuation					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Wed-31-Jul-19	Wed-31-Jul-19	100%		
Reduction	44/555 - Ensure actuary presents fund level outcomes to committee in September and November 2019					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Mon-30-Sep-19	Wed-31-Jul-19	100%		
Reduction	44/573 - Review the employer contributions spreadsheet to seek to improve the chasing of late payments					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1821 - Continue to discuss contributions with the employers; employers will be provided with their new rates for the following three financial years and consultation will take place					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Fri-31-Jan-20		0%		
Reduction	44/1880 - Maximise investments / returns by implementation of the investment strategy					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1882 - Consult with actuary throughout the 2019 triennial valuation process					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	M	Services	Nil	Reputation	M	Category	4
Phase 5 - Fallback Plan											

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
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		Action Manager
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/10	Risk Title	44/10 - Regulations and Legislation				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Specialist knowledge; designated members of staff; regular updates & comms with CLG; LGPC; Actuarial advice; Employers Forums; NEPOF; section training by specialist staff; specialist software; advice on calculations interpretations; investment mgt agreement; awareness of overriding legislation; broadening of knowledge across MT; LGE advice; nat. technical pension group provide advice; Trustees knowledge and understanding toolkit; Pensions Administration team structure reviewed; training feedback received in order to continually strengthen understanding; GDPR advice and training sessions; mandatory GDPR training for asset owners; impact of MiFID monitored								
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/157 - Ongoing staff training programme						CSD SR Head of Pensions Administration	Sun-31-May-20		0%	
Reduction	44/1910 - Continue to promote cross skilling within the section to improve resilience						CSD SR Head of Pensions Administration	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/437 - Review existing interpretations, take legal advice and amend procedures as required							CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration			

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/11	Risk Title	44/11 - Benefit Payments				Risk Owner	CD SR		Manager	CSD SR Head of Pensions Administration
Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Up to date procedures and procedural checking; pension software up to date; workflow system; authorisation procedures; pro formas; staff training; audit trail; internal and external audits; Pensions Administration Strategy; Manuals available for calculation procedure; action plan for clean data requirements; use of task checklists; ESS; payment timetable flowchart								
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/476 - Complete creation and implementation of a data improvement plan					CSD SR Head of Pensions Administration	Tue-31-Mar-20		0%		
Reduction	44/556 - Complete system review and process mapping in readiness for new system procurement exercise					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Reduction	44/1893 - Improved communication with employers, with particular regard to customer expectations; charging has been introduced and we are creating an employer relationship role in the team					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Reduction	44/1896 - Regular liaison with ESS regarding operational arrangements; will continue holding monthly meetings to ensure understanding of the issues on both sides leading to continued improvement					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Reduction	44/1911 - Continue to implement the plans for the managed reduction of outstanding work					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	L	Services	L	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/435 - Correct errors and review and amend existing procedures							CSD SR Head of Pensions Administration			



North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
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Phase 1 - Identification											
Risk Number	44/16	Risk Title	44/16 - Key Personnel				Risk Owner	CD SR	Manager	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	
Description	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.					Risk Group	Capacity/performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Procedure notes; knowledge sharing; file management; deputies; co-operation between departments; pensions management meetings; comprehensive training matrix; PFC action notes; professional advisors; increase resources agreed in finance team;								
Probability	M	Objectives	M	Financial	L	Services	M	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/557 - Recruit to accountant post						CSD SR Senior Accountant Pensions	Fri-31-May-19	Fri-31-May-19	100%	
Reduction	44/1905 - Continue to build resilience, particularly at Senior Accountant level, to meet current and anticipated future demands and complexity						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1907 - Carry out appropriate induction and ongoing training for new PFC members						CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Reduction	44/1908 - Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)						CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-May-20		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	44/441 - Identify temporary cover arrangements plus additional resources where required							CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration			

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/14	Risk Title	44/14 - IT Systems				Risk Owner	CD SR	Manager	CSD SR Head of Pensions Administration	
Description	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism					Risk Group	Technological	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Manual payments, DR plan and tested, contracts for server maintenance, backups off site, major external providers have DR plans, manual calculation procedures, administration manuals, annual financial check, contingency plan in place, modern council; modern council working to aid resilience,								
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/477 - Ensure business continuity and system resilience matters are appropriately considered with the procurement exercise for the new pension system					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Reduction	44/1884 - Ensure that contingency planning arrangements are regularly reviewed and updates logged on the corporate system					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Reduction	44/1898 - Sense check any IT recovery assumptions with Tech & Change run systems					CSD SR Head of Pensions Administration	Sun-31-May-20		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier							CSD SR Head of Pensions Administration			

North Yorkshire Pension Fund

Risk Register: **November 2019 Review – detailed**
 Next Review Due: **May 2020**
 Report Date: **2nd December 2019 (na)**

Phase 1 - Identification											
Risk Number	44/7	Risk Title	44/7 - Investment Manager				Risk Owner	CD SR		Manager	CSD SR Senior Accountant Pensions
Description	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures		Qrtly review of investment mgr targets; std terms and conds re termination of contract; ext advisers monitor mgrs perf; qrtly repts to Pension Fund Comm; benchmarking against other approp comparators; investment strategy review; risk budgeting exercise via Aon; reporting by Custodian; fund mgr attend at PFC; Member training; best practice procurement process; diversified portfolio of investments;									
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/574 - Closer monitoring of the managers where NYCC only funds are being reduced / removed.					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1873 - Continue to monitor and report on investment returns on a regular basis					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1875 - When pool options are unavailable, carry out a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Reduction	44/1913 - Ensure post go live reporting and information is as required; working group looking at reporting needs; as and when we move funds the reporting will be checked and monitored					CSD SR Senior Accountant Pensions	Sun-31-May-20		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	L	Reputation	L	Category	5
Phase 5 - Fallback Plan											
						Action Manager					
Fallback Plan	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager						CSD SR Senior Accountant Pensions				

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

16 JANUARY 2020

INVESTMENT STRATEGY REVIEW

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To provide Pension Board members with an update on the transition of funds to the Pool.

2.0 INVESTMENT STRATEGY REVIEW

- 2.1 Now that the Pool is operational, updates to the Pension Fund Committee (PFC) and any decisions required from PFC focus on investment in the Pool and transitioning of funds. Each quarter an investment strategy report is taken to the PFC where any investment decisions required and transition updates are presented. The latest investment strategy review paper taken to the PFC in the November 2019 meeting is attached as **Appendix 1**.
- 2.2 A verbal update on the decisions taken in the November PFC meeting will be provided in the Pension Board meeting.

3.0 RECOMMENDATIONS

- 3.1 Members note the content of the report.

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 NOVEMBER 2019

INVESTMENT STRATEGY REVIEW

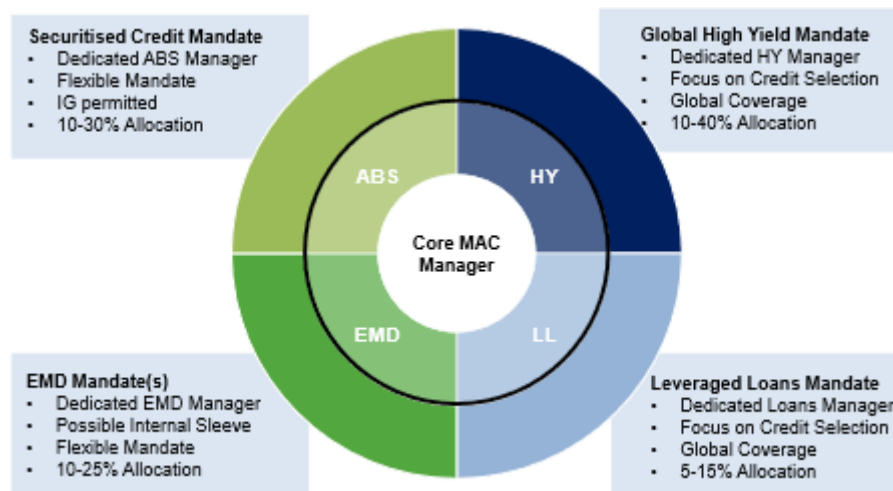
Report of the Treasurer

1. PURPOSE OF REPORT

- 1.1. To consider an allocation to BCPP's Multi-Asset Credit Fund.
- 1.2. To consider a short term allocation to PIMCO's pooled Multi-Asset Credit Fund.
- 1.3. To review the BCPP Responsible Investment policies.
- 1.4. To update on the UK Equity Transition.

2. ALLOCATION TO MULITI-ASSET CREDIT

- 2.1. The BCPP Multi-Asset Credit (MAC) sub-fund is due to launch in the second half of 2020. The sub-fund is intended to meet Partner Funds requirements for higher return, harder to access credit investments that offer diversification from equities. The long-term benchmark for this sub-fund will be a cash +3-4% benchmark.
- 2.2. This MAC sub-fund will be mainly externally managed using a core and satellite approach. There will be one core manager, investing across multiple asset classes, generating performance through asset allocation, and a number of satellite managers, specialising in different asset classes, who are expected to deliver performance through stock selection. It has been proposed that one of these satellite asset classes be provided through an internally managed sleeve. The diagram below shows the proposed draft structure for the sub-fund:



- 2.3. PIMCO has now been appointed as the core Manager. PIMCO will support BCPP in the appointment of the satellite Managers and finalisation of the product design. As PIMCO has only recently been appointed, detailed work on the design is still ongoing and there are still some outstanding areas to be finalised.
- 2.4. In order to inform the RFP for the satellite Managers, BCPP have asked for Committees to confirm commitments to this Fund by the end of December 2019. The CIO of BCPP, Daniel Booth, will be attending the workshop on 21 November 2019 to provide training on MAC and further information on BCPP'S offering.
- 2.5. To remind Members, the Fund has a strategic allocation of 7.5% in liquid credit. In the September Committee meeting it was recommended that this allocation be invested across the BCPP MAC and Investment Grade Credit sub-funds, subject to further due diligence on both funds. Once further detail on the MAC fund is available the optimum blend across these sub-funds and any further due diligence required on the Investment Grade Credit sub-fund can be determined to achieve the requirements and risk appetite of the Fund.
- 2.6. As the detailed design work is still ongoing, further work is still outstanding in areas such as asset allocation, internal/ external management, liquidity management and cost sharing. The Fund's investment consultants, Aon, have carried out an initial high level review on the information available and have raised some queries with BCPP which will be covered at the workshop on 21 November 2019.
- 2.7. At this stage, it is therefore recommended that the Committee considers an allocation of up to 5% in the BCPP MAC Fund, subject to further due diligence. The Committee are also asked to consider any further issues it wishes to raise on the sub-fund with BCPP, including any issues on any of the discussions in the MAC workshop on 21 November 2019.

3. PIMCO MAC FUND INVESTMENT

- 3.1. A number of Partner Funds have expressed an interest in being able to invest in a MAC investment in advance of the BCPP MAC Fund being launched in the latter half of 2020. One option that is available for Partner Funds to consider is the ability to invest in PIMCO's Diversified Income Fund, an existing pooled MAC Fund, in the short term until BCPP'S MAC Fund is available.
- 3.2. The PIMCO Diversified Income Fund is already buy rated by Aon. In addition to this, Aon have carried out due diligence on the Fund specifically for NYPF. This due diligence includes an assessment of the suitability of the Fund for NYPF, the strategic fit, liquidity, associated costs and potential risks. The advice does not consider any alternative Managers, that may be appropriate, due to this being a short-term opportunity for Partner Funds investing in the BCPP MAC Fund.
- 3.3. In terms of suitability, Aon considers this PIMCO Fund to be a suitable investment that is appropriate for NYPF. The Fund aims to generate a total return through a combination of both income and capital growth by investing in a range of fixed income securities. It has the potential for attractive risk adjusted returns and provides significant diversification from other asset classes that NYPF invests in.
- 3.4. The PIMCO Fund currently includes an allocation of around 24% to investment grade credit in addition to sub-investment grade investments, making it align well to the overall risk and return objectives for the Fund's 7.5% allocation to liquid credit. The PIMCO Fund's performance objective is also suitable for NYPF and is in line with the BCPP MAC Fund at cash +3-4%.
- 3.5. The PIMCO Fund is liquid and deals on a daily basis. It does not impose any lock-up or extended notification periods, however PIMCO can provide a limit to redemptions on any dealing date up to the value of 10% of the total Fund assets. This limit will be applied on a pro-rata basis across all redeeming investors.
- 3.6. PIMCO will be attending the workshop on 21 November 2019 to provide further information on their Diversified Income Fund.
- 3.7. There are a few benefits to investing in this Fund in the short term. It means that the Fund can continue to implement its new investment strategy at an earlier stage. It may also mean that on transition into the BCPP MAC Fund, NYPF can benefit from reduced transition costs as it will already be invested in the asset class so can benefit from cost sharing. To remind Members, when a Fund is making an asset class change they are to bear all of the transition costs.
- 3.8. There are also some risks that the Committee would need to bear in mind before investing in the Diversified Income Fund. The main risk is if NYPF decide not to invest the full amount allocated to PIMCO in the BCPP MAC Fund

for any reason. Whilst the risk of this happening is low, if this was the case, the fee rate may change. The PIMCO Fund will also be subject to the normal associated risks of this kind of investment, including market movements in credit spreads, interest rate, currency and active manager risks. Aon do not believe that an investment in this Fund would expose NYPF to any exceptional risks for investments of this nature.

- 3.9. It is worth noting that there is limited capacity in this Fund so depending on Partner Fund interest, there could be a situation where the full desired allocation into the Fund cannot be achieved. Should the Committee wish to invest, further discussions will be held with PIMCO on their availability.
- 3.10. Aon's due diligence has highlighted a few follow up queries that will be covered in the workshop on 21 November 2019. It is therefore recommended that the Committee consider an investment of 5% (c.£190m) in this Diversified Income Fund in the short term, until the BCPP MAC Fund is launched, subject to the satisfactory responses on any follow up queries.
- 3.11. Should an investment be approved, there are a number of options available on the funding of this 5% investment. These options are listed below:
 1. A partial sale of the excess M&G gilt allocation to bring it more in line with the new reduced total allocation of 10%.
 2. Use the current NYCC Treasury Management cash holdings (c.£150m) and top up the remaining balance with gilt holdings.
 3. Fully disinvest from the Newton Real Return holding (c.£155m) and top up the remaining balance from gilt holdings or NYCC Treasury Management cash holdings.
 4. Disinvest from equity holdings in line with the 10% de-risking in the new investment strategy.
- 3.12. The preferred option is to fund a PIMCO investment through the partial sale of gilt holdings (option 1 above). This disinvestment of c.£190m would mean that the total allocation in gilts will reduce from around 20% as at 30 September to c.15%, moving the Fund towards the new strategic allocation of 10%.
- 3.13. It is appropriate to retain the cash holdings of c.£150m to fund the capital calls from Permira, Bluebay and the BCPP Infrastructure and Private Credit Funds. In total it is estimated that these calls will be around £180m. In addition to this, whilst the long term strategic plan is to reduce the allocation to equities, the Fund has equity protection in place in the short-term so this allocation can remain the same throughout the duration of this equity protection strategy so protection levels do not need to be amended.
- 3.14. Should an investment in PIMCO's Diversified Income Fund be approved, Members are asked to determine where to fund this investment from.

4. BCPP RESPONSIBLE INVESTMENT POLICIES

- 4.1. The BCPP Responsible Investment Policy and Corporate Governance & Voting Guidelines were developed in 2017 in conjunction with the Partner Funds. Both policies are reviewed annually. The latest versions of the Responsible Investment Policy and Corporate Governance & Voting Guidelines are attached as **Appendix 1 and 2** respectively. The tracked changes have been included so Members can easily see the changes that have been made since the documents were last reviewed in February 2019. There have been no major changes to the underlying principles.
- 4.2. These documents have been taken to the Joint Committee for review on 20 November 2019. As part of the review process, Pensions Fund Committees are also asked to review these documents and consider the adoption of the principles within the Fund's own RI policies.

5. UK EQUITY TRANSITION

- 5.1. The final residual balance of c.£8m, as discussed at the September PFC meeting, has been transferred out of Standard Life during the quarter and their account has now been closed. The total transition costs have now been calculated as £1.7m, these costs include commissions, taxes, spread costs and transition manager fees.
- 5.2. A reconciliation has been carried out and the remaining variance between the assets that left Standard Life and those that transitioned into the BCPP UK Equity Alpha Fund over the full transition period was due to market movement of around -£6.9m.

6. RECOMMENDATIONS

Members are to:

- 6.1. Consider a commitment of up to 5% in BCPP's MAC Fund, subject to further due diligence.
- 6.2. Consider any further issues it wishes to raise on the BCPP MAC sub-fund with BCPP.
- 6.3. Consider a short-term investment in the PIMCO Diversified Income Fund.
- 6.4. Determine where to fund an investment in the PIMCO Diversified Income Fund from, should an investment be approved (6.3 above).
- 6.5. Review the updated BCPP RI Policies and consider the adoption of the principles in NYPF'S policies.

6.6. Note the update on the UK Equity transition.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
NYCC
County Hall
19 November 2019

Responsible Investment Policy

Border to Coast Pensions Partnership



PENSIONS PARTNERSHIP

November 2019

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Document Control

1. Version and Review History

Version no.	Version Description	Approver	Date
V0.1	Initial policy	Joint Committee	October 2017
V0.2	1 st draft presented to OOG reflecting review by Robeco, UK Corporate Governance Code, best in class asset managers and asset owners.	CEO	10 th Oct 2018
V0.3	2 nd draft reflecting OOG amendments	CEO	19 th Oct 2018
V0.4	1 st draft presented to IC and OOG reflecting review by Robeco, ICGN Governance Principles, best in class asset owners and managers	CEO	26 th September
V0.5	2 nd draft reflecting OOG amendments	CEO	18 th Oct 2019

2. Approval and Sign Off

Approved By	Position	Version	Date
Rachel Elwell	CEO	0.3	19 th Oct 2018
Rachel Elwell	CEO	0.5	18 th Oct 2019

3. Board Approval

Approved By	Version	Date
The Board	0.3	7 th Nov 2018
The Board	0.5	5 th Nov 2019

4. Key Dates

Event	Date
Effective Date	01/01/2019
Next Review Date	01/01/2020

5. Key Roles

Stakeholder	Role	Status
Head of RI	Document owner responsible for the management and amendment process, along with ensuring distribution of the framework	Drafter
CEO	Review ongoing drafts to ensure completeness	Reviewer

Border to Coast Investment Committee	Review and recommend for approval to Board	Reviewer
OOG	Review ongoing drafts to ensure completeness	Reviewer
Border to Coast Joint Committee	Review policy and any material alterations made thereafter	Reviewer
Border to Coast Board	Approve policy and any material alterations made thereafter.	Approver
Border to Coast Staff	Informed of policy and manage delivery in practice	Informed

DRAFT

Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to our Partner Funds in their delegation of responsible investment (RI) and stewardship responsibilities.

1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its twelve shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

Border to Coast [takes a long-term approach to investing and](#) believes that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. [Environmental, social and governance \(ESG\) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.](#)

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Border to Coast is an active owner and steward of its investments, both internally and externally managed, across all asset classes. The commitment to responsible investment is communicated in the Border to Coast UK Stewardship Code compliance statement. As a long-term investor and representative of asset owners, we will therefore, hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We will incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation.

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds.

2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader

risks leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership, using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance.

3. Governance and Implementation

Border to Coast takes a holistic approach to sustainability and as such it is at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines. Border to Coast has a dedicated staff resource for managing RI within the organisational structure.

The RI Policy is jointly owned and created after collaboration and engagement with our twelve Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed and updated as necessary.

4. Skills and competency

Border to Coast will, where needed, take proper advice in order to formulate and develop policy. The Board and staff will maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice will be taken from suitable RI specialists to fulfil our responsibilities.

5. Integrating RI into investment decisions

Border to Coast will consider material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues will be considered and monitored in relation to both internally and externally managed assets. The CIO will be accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress	Human rights Child labour Supply chain Human capital Employment standards	Board independence/diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Single use plastics Political lobbying

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5.1. Listed Equities (Internally managed)

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection.

ESG data and research from specialist providers is used alongside general stock and sector research when considering portfolio construction, sector analysis and stock selection. The Head of RI will work with colleagues to raise awareness of ESG issues. Voting and engagement should not be detached from the investment process; therefore, information from engagement meetings will be shared with the team to increase knowledge, and portfolio managers will be involved in the voting process.

5.2. Private Markets

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast will take the following approach to integrating ESG into the private market investment process:

- ESG issues will be considered as part of the due diligence process for all private market investments.
- A manager's ESG strategy will be assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the Head of RI as required.
- Managers will be requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring will include identifying any possible ESG breaches and following up with the managers concerned.

5.3. Fixed Income

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis will therefore be incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

The approach to engagement also differs as engagement with sovereigns is much more difficult than with companies. Third-party ESG data will be used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis will be used to determine a bond's credit quality. Information will be shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

5.4. External Manager Selection

RI will be incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP will include specific reference to the integration of ESG by managers into the investment process and to their approach to engagement.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI policy.

The monitoring of appointed managers will also include assessing stewardship and ESG integration in accordance with our policies. All external fund managers will be expected to be signatories or comply with international standards applicable to their geographical location. Managers will be required to report to Border to Coast on their RI activities quarterly.

5.5. Climate change

Border to Coast will actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect its investments. These pose significant investment risks and opportunities with the potential to impact the long-term shareholder value of investments across all asset classes. Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not always be appropriate.

Risks and opportunities can be presented through a number of ways and include:

- Physical impacts – damage to land, infrastructure and property due to extreme weather events, rising sea levels and flooding.
- Technological changes – technological innovations such as battery storage, energy efficiency, and carbon capture and storage will displace old technologies with winners and losers emerging
- Regulatory and policy impact – financial impairment due to policy and regulation changes such as carbon pricing or levies, capping emissions or withdrawal of subsidies.
- Transitional risk – financial risk associated with the transition to a low-carbon economy, also known as carbon risk. It may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, creating investment opportunities as well as risks.
- Litigation risk – litigation is primarily aimed at companies failing to mitigate, adapt or disclose.

Border to Coast is:

- Assessing its portfolios in relation to climate change risk where practicable.
- Incorporating climate considerations into the investment decision making process.
- Engaging with companies in relation to business sustainability and disclosure of climate risk in line with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)¹ recommendations.
- Encouraging companies to adapt their business strategy in alignment with a low carbon economy.

¹ The Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) - The TCFD developed recommendations on climate-related financial disclosures that are applicable to organisations (including asset owners) across sectors and jurisdictions.
<https://www.fsb-tcfid.org/publications/finalrecommendations-report/>

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- Supporting climate related resolutions at company meetings which we consider reflect our RI policy.
- Encouraging companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Co-filing shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies.
- Monitoring and reviewing its fund managers in relation to climate change approach and policies.
- Participating in collective initiatives collaborating with other investors including other pools and groups such as LAPFF.
- Engaging with policy makers with regard to climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).

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6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation. As a responsible shareholder, we are a signatory to the UK Stewardship Code² and the UN Principles of Responsible Investment³.

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6.1. Voting

Voting rights are an asset and Border to Coast will exercise its rights carefully to promote and support good corporate governance principles. It will aim to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our website at: Corporate Governance & Voting Guidelines. Where possible the voting policies will also be applied to assets managed externally. Policies will be reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund wishes Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this.

6.1.1 Use of proxy advisors

Border to Coast appointed Robeco as Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by Robeco as the Voting & Engagement provider. Robeco's proxy voting advisor (Glass Lewis. Co) provides voting recommendations based upon Border to Coast's

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² The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

<https://www.frc.org.uk/Our-Work/CodesStandards/Corporate-governance/UK-Stewardship-Code.aspx>

³ The Principles of Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

[Corporate Governance & Voting Guidelines \('the Voting Guidelines'\)](#). A Robeco team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility will be required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances allowing the override of voting recommendations from the proxy adviser.

[Robeco evaluates their proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of Robeco's control framework and is externally assured. Border to Coast also reviews the services provided by Robeco on a regular basis.](#)

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will be recalled ahead of meetings, and lending can also be restricted, when:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies depositing their shares shortly before the date of the meeting (usually one week) with a designated depository.

During this blocking period, shares cannot be sold until after the meeting has taken place; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may abstain from voting those shares.

Where appropriate Border to Coast will consider co-filing shareholder resolutions and will notify Partner Funds in advance. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder

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engagement and the use of voting rights. The services of specialist providers may be used when necessary to identify issues of concern. [Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.](#)

Border to Coast has several approaches to engaging with investee holdings.

- Border to Coast and all twelve Partner Funds are members of the Local Authority Pension Fund Forum (LAPFF). Engagement takes place with companies on behalf of members of the [Forum across a broad range of ESG themes](#).
- We will seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This will be achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and compliment other engagement approaches, an external voting and engagement service provider [has been](#) appointed.
- Engagement will take place with companies in the internally managed portfolios [with portfolio managers and the Responsible Investment team engaging directly](#) across various engagement streams; these will cover environmental, social, and governance issues as well as UN Global Compact⁴ breaches.
- We will expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policy.

[Engagement conducted can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on \(potential\) violations of global standards such as the UN Global Compact.](#)

[When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.](#)

[For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact principles or OECD guidelines for multinational enterprises. Both sets of principles, cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on 1\) validation of a potential breach, 2\) the severity of the breach and 3\) the degree of to which management](#)

⁴UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

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can be held accountable for the issue. For all engagements, SMART engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues.

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We will engage with regulators, public policy makers, and other financial market participants as and when required. We will encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

Deleted: We will expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policy.¶

6.2.1 Escalation Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

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6.3 Due Diligence and monitoring procedure Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. Robeco, as the external Voting and Engagement provider is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

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Robeco also undertakes verification of its active ownership activities. Robeco's external auditor audits active ownership controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, we will, where appropriate, participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We will use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We will work with industry professionals to facilitate this.

8. Communication and reporting

Border to Coast will be transparent with regard to its RI activities and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting

policies; publishing voting activity on our website quarterly; reporting on engagement and RI activities to the Partner Funds quarterly; and in our annual RI report.

We will also be voluntarily reporting in line with the TCFD recommendations.

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9. Training and assistance

Border to Coast will offer the Partner Funds training on RI and ESG issues. Where requested, assistance will be given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest.

DRAFT

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership



November 2019

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Document Control

1. Version and Review History

<u>Version no.</u>	<u>Version Description</u>	<u>Approver</u>	<u>Date</u>
<u>V0.1</u>	<u>Initial policy</u>	<u>Joint Committee</u>	<u>October 2017</u>
<u>V0.2</u>	<u>1st draft presented to OOG reflecting review by Robeco, UK Corporate Governance Code, best in class asset managers and asset owners.</u>	<u>CEO</u>	<u>10th Oct 2018</u>
<u>V0.3</u>	<u>2nd draft reflecting OOG amendments</u>	<u>CEO</u>	<u>19th Oct 2018</u>
<u>V0.4</u>	<u>1st draft presented to IC and OOG reflecting review by Robeco, UK Corporate Governance Code, SRDII, best in class asset managers and owners</u>	<u>CEO</u>	<u>26th Sept 2019</u>
<u>V0.5</u>	<u>2nd draft reflecting OOG amendments</u>	<u>CEO</u>	<u>18th Oct 2019</u>

2. Approval and Sign Off

<u>Approved By</u>	<u>Position</u>	<u>Version</u>	<u>Date</u>
<u>Rachel Elwell</u>	<u>CEO</u>	<u>0.3</u>	<u>19th Oct 2018</u>

3. Board Approval

<u>Approved By</u>	<u>Version</u>	<u>Date</u>
<u>The Board</u>	<u>0.3</u>	<u>7th Nov 2018</u>

4. Key Dates

<u>Event</u>	<u>Date</u>
<u>Effective Date</u>	<u>01/01/2019</u>
<u>Next Review Date</u>	<u>01/01/2020</u>

5. Key Roles

<u>Stakeholder</u>	<u>Role</u>	<u>Status</u>
<u>Head of RI</u>	<u>Document owner responsible for the management and amendment process, along with ensuring distribution of the framework</u>	<u>Drafter</u>
<u>CEO</u>	<u>Review ongoing drafts to ensure completeness</u>	<u>Reviewer</u>



Border to Coast Investment Committee	Review and recommend for approval to Board	Reviewer
OOG	Review ongoing drafts to ensure completeness	Reviewer
Border to Coast Joint Committee	Review policy and any material alterations made thereafter	Reviewer
Border to Coast Board	Approve policy and any material alterations made thereafter.	Approver
Border to Coast Staff	Informed of policy and manage delivery in practice	Informed



1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role ~~includes, appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.~~

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2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Investment Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

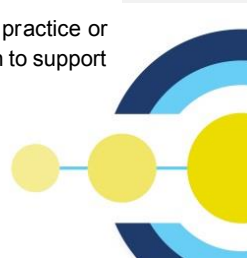
Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. This will generally be where it holds a declarable stake or is already engaging with the company. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.



3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures and no simple model can be adopted by all companies.

The board of large [cap](#) companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, [the board](#) must be able to demonstrate their independence. Non-executive directors who have been on the board for [a significant length of time, from nine to twelve years \(depending on market practice\)](#), have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. [We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.](#)

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than [nine](#) years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.

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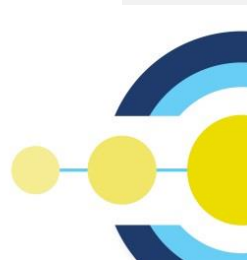
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- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

Leadership

The role of the Chairman (he or she) is distinct from that of other board members and should be seen as such. The Chairman should be independent upon appointment and should not have previously been the CEO. The Chairman should also take the lead in communicating with shareholders and the media. However, the Chairman should not be responsible for the day to day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance.

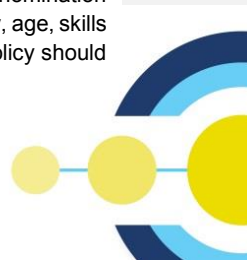
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Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chairman and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should



give insight into how diversity is being addressed not only at board level but throughout the company and be disclosed in the Annual Report.

[In line with the government-backed Davies report and the HamtonAlexander review](#) we will vote against chairs of the nomination committee at FTSE350 companies where less than 30% of directors serving on the board are female. We will promote the increase of female representation on boards globally in line with best practice in that region and will generally expect companies to have at least one female on the board.

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Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee, comprised solely of independent directors and headed by the Chairman or Senior Independent Director except when it is appointing the Chairman's successor. External advisors may also be employed.

Directors' availability and attendance

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

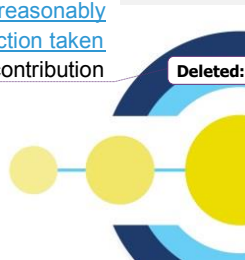
Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with the issues of stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. [The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence.](#) Individual director evaluation should demonstrate the effective contribution

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of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies should take into account the interests of and feedback from stakeholders which includes the workforce. Taking into account the differences in best practice across markets, companies should have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues.

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Directors' remuneration

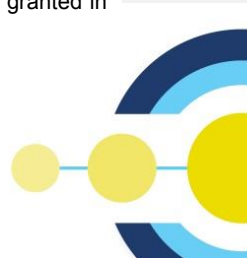
Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that the link between executive pay and company performance is negligible. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances Non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.



To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. [Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.](#)

• Annual bonus

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event.

• Long-term incentives

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value. However, poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

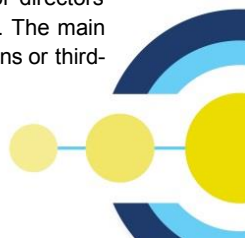
Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Employee incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation. [We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.](#)

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should not be excessive, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-

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party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. [Termination benefits should be aligned with market best practice.](#)

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the Report and Accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report (other than those for investment trusts) should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks. We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. [Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.](#)

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported. [For the wider market, the external audit contract should be put out to tender at least every ten years.](#) Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.



Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

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Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and [requiring alignment of company and trade association values.](#)

Shareholder rights

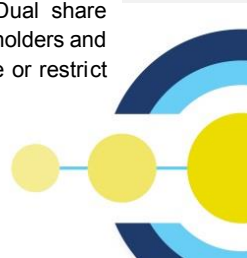
As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

• Dividends

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate.

• Voting rights

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.



- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.



Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. Any amendment to a company's Articles to allow virtual only meetings will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case by case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.



NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

16 JANUARY 2020

2019 TRIENNIAL VALUATION

Report of the Treasurer

1. PURPOSE OF REPORT

- 1.1. To update Board members on the progress made to date on the 2019 Triennial Valuation.

2. BACKGROUND AND RECENT EVENTS

- 2.1. The Fund is currently in the process of undertaking the 2019 Triennial Valuation in which employer contribution rates are set for the next three years from 1st April 2020.
- 2.2. The Funding Strategy Statement (FSS) and assumptions of the 2019 Triennial Valuation were approved at the September PFC meeting. The FSS is attached as **Appendix 1**.
- 2.3. In the November Committee, PFC Members were provided with an update on the progress made on the 2019 Triennial Valuation to date. This report is attached as **Appendix 2**.
- 2.4. A verbal update on progress to date will be provided to Board members at the January meeting.

3. RECOMMENDATIONS

- 3.1. Board members to note the progress made on the 2019 Triennial Valuation.

NORTH YORKSHIRE PENSION FUND (NYPF)

2019 Funding Strategy Statement (FSS)

This Statement has been prepared by North Yorkshire County Council (the Administering Authority) to set out the funding strategy for the North Yorkshire Pension Fund (the NYPF), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and the 2016 guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) (“the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund, the Administering Authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to:-
 - the guidance issued by CIPFA for this purpose; and
 - the Investment Strategy Statement (ISS) or the NYPF published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the ISS.

Benefits payable under the NYPF are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit arrangement with principally final salary related benefits for contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution rate.

The benefits provided by the NYPF are specified in the governing legislation (the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014) and the Regulations referred to above. The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the NYPF should be set so as to “secure its

solvency" and to "ensure long-term cost efficiency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible;
- to ensure the regulatory requirements to set contributions so as to ensure the solvency and long-term cost-efficiency of the fund are met; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the NYPF as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. AIMS AND PURPOSE OF THE NYPF

The aims of the Fund are to:

- enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, whilst achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the Administering Authority and employers alike
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- seek returns on investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,
- and pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the NYPF's actuary
- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties, monitor all aspects of the NYPF's performance and funding and amend the FSS/ISS accordingly
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
- enable the local pension board to review the valuation process as set out in their terms of reference.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding
- pay any exit payments on ceasing participation in the NYPF

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the LGPS Regulations
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs etc,
- provide advice and valuations on the exiting of employers from the NYPF
- provide advice to the Administering Authority on bonds or other forms of security against the financial effect on the fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations
- ensure that the Administering Authority is aware of any professional guidance or other professional requirements that may be of relevance to his or her role in advising the NYPF
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the ISS.

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "**funding target**") assessed on an ongoing past service basis including allowance for projected final pay in relation to pre-2014 benefits or where the underpin applies. In the long term, the employer rate would ultimately revert to the Primary Contribution Rate (also known as the Future Service Rate).

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target as at 31 March 2019 are set out in Appendix 1.

Underlying these assumptions are the following two principles:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to avoid material, and potentially unaffordable, increases in employer contribution requirements we will consider whether we can build into the funding plan the following:-

- stepping in of contribution rate changes for employers where the orphan funding target is adopted or where the intermediate funding target is being introduced (as defined later in this statement). For the 2019 valuation, the Administering Authority's default approach is to step any contribution increases over a period of 3 years, although in certain circumstances a longer period may be considered, after consultation with the Actuary.
- a longer deficit recovery period than the average future working lifetime, particularly where there are a number of younger active members.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Scheme, other than where grouping of employers has been agreed in line with the policy set out in the Fund's Admissions and Terminations Funding Policy.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole (except where an employer adopts a bespoke investment strategy – see below).

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- A default recovery period of 15 years will apply for employers that are assessed to have a deficit.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 21 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- As a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2016 funding plan for those employers where substantial deficits remain.
- For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted at the 2019 valuation as follows:
 - Where the funding level is 100-110% employers will pay the future service rate only.
 - Where the funding level is over 110% the default approach for Scheduled Bodies and Admission Bodies with no subsumption commitment from a Scheduled Body in the Fund (as defined in Appendix 1) will be to remove any surplus in excess of 10% over a maximum period of 21 years.

- Where the funding level is over 110% the default approach for Admission Bodies with a subsumption commitment from a Scheduled Body in the Fund will be to remove any surplus in excess of 10% over the recovery period adopted by that Scheduled Body at the 2019 valuation.
- If surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount.
- The current level of contributions will be stepped down as appropriate, consistent with the approach of stepping contribution increases where appropriate.

For the avoidance of doubt, for practical purposes where employers are in surplus and contributions are to be set below the cost of future accrual this will be implemented via a reduction in the percentage of pensionable pay rate rather than via a negative monetary amount.

For any closed employers assessed to be in surplus, the above approach will generally be followed but the Administering Authority will consider the specific circumstances of the employer in setting an appropriate period to remove the surplus.

The employer contributions will be expressed and certified as two separate elements:

- a percentage of pensionable payroll in respect of the future accrual of benefit (less allowance for surplus as appropriate)
- a schedule of lump sum amounts over 2020/23 in respect of the past service deficit subject to the review from April 2023 based on the results of the 2022 actuarial valuation.

On the cessation of an employer's participation in the Fund, the actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period, and other aspects of the funding strategy, to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the Employer; and the security of future income streams
- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, it is possible that some smaller employers may be faced with contributions that could seriously affect their ability to function in the future. The Administering Authority therefore, after specific agreement has been obtained by Fund Officers from the North Yorkshire Pension Fund Committee, would be willing to use its discretion to negotiate an **evidence based** affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence and on the basis that it is not inconsistent with the requirements to set employer contributions so as to ensure the solvency and long-term cost efficiency of the NYPF.

The Primary Contribution Rate (Future Service Contribution Rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “primary rate”). The method and assumptions for assessing these contributions are set out in Appendix 1.

6. LINK TO INVESTMENT POLICY SET OUT IN THE INVESTMENT STRATEGY STATEMENT

In assessing the value of the NYPF’s liabilities in the valuation, allowance is made for a long-term investment return assumption as set out below, taking into account the investment strategy adopted by the NYPF, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches expected future benefit payments and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the NYPF’s assets in line with the least risk portfolio would minimise fluctuations in the NYPF’s ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the ISS, is:

Asset Class (Summary)	%
Equities	40-65
Bonds	15-30
Alternatives	20-30
TOTAL	100

The funding strategy adopted for the 2019 valuation is based on an assumed long-term investment return assumption of 4.2% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of 6.2% as at the valuation date.

Bespoke Investment Strategy

The Investment Strategy adopted by NYPF is determined for the Fund as a whole. This Strategy takes into account the characteristics of NYPF as a whole, and therefore those of the constituent employers as an aggregated entity - it does not seek to distinguish between the individual liability profiles of different employers. The Strategy adopted to date, as reflected in the current ISS, is to invest a significant proportion of the assets in equities. Such investments offer a higher expected return, but also carry a higher level of risk.

NYPF is prepared to offer any employer the opportunity to adopt a Bespoke Investment Strategy (eg 100% bonds). However, to the extent that any Bespoke Investment Strategy will necessitate different investment return assumptions to those used by the Actuary for NYPF overall, there may be a consequential impact on the contribution rate calculated for that employer.

In addition, if an employer opts for a Bespoke Investment Strategy, NYPF reserves the right to determine the most appropriate way of arranging for the investment of the relevant share of the assets according to that Bespoke Strategy.

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the NYPF is based on both financial and demographic assumptions. These assumptions are specified in the Appendices and the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the NYPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset performance between successive valuations could diverge significantly from the overall performance assumed in the long term.

The Administering Authority keeps, and regularly reviews, a risk register to identify and monitor the risks to the Fund and will, wherever possible, take appropriate action to limit the impact of these both before and after they emerge.

What are the Risks?

Whilst the activity of managing the Fund exposes the Administering Authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

Investment risk

The risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The Fund mitigates these risks through diversification, permitting investment in a wide variety of markets and assets, and through the use of specialist managers with differing mandates.

The majority of the Fund's investments are in pooled investment vehicles and the Fund is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Committee carries out due diligence checks on the appointment of new pooled investment managers

and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

In addition, the Fund holds assets in the LGPS pooling arrangement with Border to Coast Pension Partnership ('BCPP') and will transition further assets to BCPP in the future. Through this arrangement the Fund is exposed to the risk of failing to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy."

Employer risk

Those risks that arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.

The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

The Administering Authority monitors the active membership of closed employers and considers what action to take when the number of active members falls below 10, such as commissioning a valuation under Regulation 64(4).

The Administering Authority have also commissioned the Fund Actuary to carry out a high level risk analysis of employers in the Fund to assist the Administering Authority in setting the funding strategy for employers at the 2019 valuation of the Fund.

Liquidity/Maturity risk

This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

- The implications of budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- An increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
- Public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
- Scheme changes and higher member contributions in particular may lead to increased opt-outs;

The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

Liability risk

The main risks include inflation, life expectancy and other demographic changes, and interest rate and pay inflation, which will all impact upon future liabilities.

The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.

If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review the bonds that are in place for Admission Bodies.

Regulatory and compliance risk

Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law.

The Administering Authority keeps abreast of all the changes to the LGPS and will normally respond to consultations on matters which have an impact on the administration of the Fund.

There are a number of uncertainties associated with the benefit structure at the current time including:

- How Government will address the issues of GMP indexation and equalisation for the LGPS beyond expiry of the current interim solution from 6 April 2021
- The remedy to compensate members for illegal age discrimination following the outcome of the McCloud/Sargeant cases. Whilst the Government's application for leave to appeal has been denied there is currently still uncertainty relating to the remedy and exactly how this will apply to the LGPS
- The outcome of the cost management process and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay will change as a result of the McCloud/Sargeant ruling

In determining how these uncertainties should be allowed for in employer contributions from 1 April 2020 the Administering Authority will have regard to guidance issued by the SAB, taking account of the Fund Actuary's advice.

In addition, a consultation document was issued by MHCLG entitled "Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk" dated May 2019. This included a proposal to change the LGPS local fund valuations to quadrennial cycles. The Administering Authority will have regard to any changes in the Regulations as a result of this consultation and consider any actions required at the 2019 valuation, taking account of the Fund Actuary's advice.

8. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been significant market volatility
- if there have been significant changes to the NYPF membership and/or maturity profile
- if there have been changes to the number, type or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy e.g. closure to new entrants
- where employers wish to make additional (voluntary) contributions to the NYPF
- if there has been a material change in the affordability of contributions and/or employer financial covenant strength
- to reflect significant changes to the benefit structure / Regulations

**North Yorkshire County Council
as Administering Authority for the North Yorkshire Pension Fund**

APPENDIX 1

ACTUARIAL VALUATION AS AT 31 MARCH 2019
Method and assumptions used in calculating the funding target

Risk Based Approach

The Administering Authority adopts a risk based approach to funding strategy. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:

- the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency Target

The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.

The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

For most Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume the Admission Body's assets and liabilities in the NYPF following its exit, the Solvency Target is set:

- at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
- based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pension accounts (CPI).

As at 31 March 2019 the long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed.

This then defines the Solvency Target. As at 31 March 2019 this equates to a solvency discount rate of 4% p.a.

For Admission Bodies and other bodies whose liabilities are expected to be orphaned following cessation, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds after exit.

Probability of Funding Success

The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 80% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period)

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the primary contribution rates and adjustment for the surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period. The key assumptions used for assessing the Funding Target are summarised below.

Consistent with the aim of enabling the primary rate of employers' contribution rates to be kept as nearly constant as possible, contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

Funding Targets and assumptions regarding future investment strategy

For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets.

For other Scheduled Bodies, in particular the Colleges and Universities whose participation is not considered to be indefinite, the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

For Admission Bodies and other bodies whose liabilities are expected to be orphaned on exit (with the exception of the universities where a different approach will be adopted at the 2019 valuation as set out below), the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

Colleges and Universities

Due to concerns about the covenant strength of Colleges and Universities, the Administering Authority will, from the 2019 valuation onwards, adopt a Funding Target for Colleges and Universities which reflects the Administering Authority's views of the sector. This includes the two universities that are Admission Bodies in the Fund where there is no subsumption commitment, but which continue to admit new members to the Fund.

Whilst the Administering Authority will adopt a general approach of assuming indefinite investment in a broad range of assets of higher risk than Government bonds, a reduction will be made to the discount rate used for the long-term secure scheduled bodies to reflect concerns about the covenant strength of Colleges and Universities. This is known as the Intermediate Funding Target.

The Administering Authority may also adopt the Intermediate Funding Target for other employers where there are concerns about the covenant strength of the employer. At the 2019 valuation this decision will be informed by the high-level risk analysis of employers within the Fund carried out by the Fund Actuary.

The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

Financial assumptions

Investment return (discount rate)

The discount rate for the 2019 valuation is as follows:

- 4.2% p.a. for employers where the Scheduled body / subsumption funding target applies
- 3.8% p.a. for employers where the Intermediate funding target applies
- 3.3% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2% p.a.) and 1.6% left service (which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.3% p.a. to take account of market expectations of future increases in gilt yields after the valuation date), for employers where the Ongoing orphan funding target applies.

Inflation (Consumer Prices Index)

The CPI inflation assumption is taken to be the long-term (30 year) Capital Market Assumption at the valuation date as produced by Aon Hewitt Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) in the long term will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above plus an allowance for promotional increases.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S2N tables, year of birth base rates, adjusted by a scaling factor.
 Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health)	105%
Females (normal health)	105%
Males (ill-health)	105%
Females (ill-health)	115%

Future improvement to base rates

An allowance for improvements in line with the CMI 2018, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a., s_k of 7.5 and parameter A of 0.0.

Pre-retirement mortality

Males: As for normal health retirements but with a 40% scaling factor
Females: As for normal health retirements but with a 30% scaling factor

Retirement age

The assumed retirement age is dependent on the Group of the member and also the member's Rule of 85 age (Ro85 age).

Member group	Assumed age at retirement
Group 1 and Group 2 members	63
Group 3 members (Ro85 age = 60)	63
Group 3 members (Ro85 age > 60)	65
Group 3 members (Joiners pre 1 April 2014)	65
Group 4 members (Joiners post 31 March 2014)	State Pension Age

Any part of a members' pension payable from a later age than the assumed retirement age will assumed to be reduced using factors issued by GAD / MHCLG in force on the valuation date.

Withdrawals

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

Retirement due to ill health

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier)	90%
Tier 2 (middle tier)	5%
Tier 3 (lower tier)	5%

Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

80% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.
80% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

Take up of 50/50 scheme

All members are assumed to remain in the scheme they are in at the date of the valuation.

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.5% of Pensionable Pay added to the cost of future benefit accrual.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “primary contribution rate”) for the 2019 actuarial valuation

Investment return / Discount Rate (scheduled bodies and admission bodies with a subsumption commitment from a scheduled body)	4.2% p.a.
Investment return / Discount Rate (intermediate funding target)	3.8% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.3% p.a.
Left service	1.6% p.a.
CPI price inflation	2.1% p.a.
Long Term Salary increases	3.35% p.a.
Pension increases/indexation of CARE benefits	2.1% p.a.

North Yorkshire County Council

Pension Board

16 January 2020

Training

1.0 Purpose of the Report

To provide an update on Pension Board member training.

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.

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 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	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
06/04/11	Pensions' Meeting	UNISON	Leeds							X	
28/06/11	Pensions' briefing	UNISON	Hull							X	
04/11/11	Pensions' briefing	UNISON	Leeds							X	
12/06/12	Pensions' briefing	UNISON	Leeds							X	
14/06/12	Pensions' briefing to members	UNISON	Harrogate							X	
w/c 02/07/12	Briefing sessions to staff x 4	UNISON	Harrogate							X	
w/c 09/07/12	Briefing sessions to staff x 10	UNISON	Harrogate							X	
30/11/12	Pensions' Roadshow	NYCC	Harrogate							X	
21/11/13	AVC/Pensions' Seminar	Prudential	Harrogate							X	
22/04/14	Special LGSG Meeting	UNISON	Leeds							X	
19/11/14	Pensions' Seminar	UNISON	York							X	
06/15	LGPS Governance	UNISON	Leeds						X		
06/15	LGPS Benefits/Administration	UNISON	Leeds						X		
04/06/15	Training Event for Pension Board Members	LGA	Marriott Hotel, Leeds		X	X	X		X		
03/07/15	Pension Board Member Training	AON	Leeds				X				
17/07/15	Pension Board Member Training	AON	Leeds				X		X		
24/07/15	Pension Board Member Training	AON	Leeds				X				
30/09/15	Pensions' presentation	UNISON	Harrogate							X	
21/10/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds		X			X			
17/11/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X			X			
08/12/15	LGPS Trustee Training – Fundamentals XIV	LGA	Leeds	X	X	X	X	X			

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
17/10/19	LGPS Trustee Training – Fundamentals	LGA	Leeds						X	X	X
14/11/19	LGPS Trustee Training – Fundamentals	LGA	Leeds						X	X	
5/12/19	LGPS Trustee Training – Fundamentals	LGA	Leeds						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			
29/06/16	Local Pension Board Conference	CIPFA & Barnett Waddingham	London	X							
24/02/17	LGPS Consultation Meeting	UNISON	Leeds							X	
01/03/17	LGPS Spring Seminar	CIPFA & Barnett Waddingham	Leeds	X							
28/06/17	Local Pension Boards 2 years on	CIPFA & 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			
8/11/18 and 9/11/18	BCPP First Annual Conference	BCPP	Leeds	X	X						
10/11/17	Local Pension Boards Autumn Seminar	CIPFA	Liverpool					X			
12/10/18	Local Pension Boards Autumn Seminar	CIPFA & Barnett Waddingham	Liverpool								
27/06/18	Local Pension Boards Annual Conference	CIPFA & Barnett Waddingham	London	X							
05/07/18	Pension Board, Committee and Officer Training – Governance and Key Legislation	AON	London						X		
13/11/18	Pensions’ Course	UNISON	Leeds							X	

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
11/12/18	UNISON Pensions' Seminar	UNISON	London						X		
25/02/19	Local Pension Boards - Spring Seminar	CIFPA & Barnett Waddingham	Leeds	X	X	X					
08/03/19	Regional LGPS Forum	UNISON	Leeds							X	
26/06/19	Local Pension Boards Annual Conference	CIFPA & Barnett Waddingham	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							
15/01/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
25/02/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	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						
24/11/16	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
26/01/17	North Yorkshire Pension Fund Committee	NYCC	County Hall	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							

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
22/02/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
24/05/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
05/07/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
13/09/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
22/11/18	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
21/02/19	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
23/05/19	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
20/06/19	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
04/07/19	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
13/09/19	North Yorkshire Pension Fund Committee	NYCC	County Hall	X							
22/11/19	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							

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
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							
22/11/18	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
21/02/19	North Yorkshire Pension Investment Strategy Workshop and Fund manager meeting	NYPF	County Hall	X							
24/05/19	North Yorkshire Pension Investment Strategy Workshop	NYPF	County Hall	X							
21/11/19	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					
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				
18/06/18	Data – Section 13 – Regional Workshop	Mercer	Manchester	X							
21/06/18	Audit Committee Training Session – Treasury Management	NYCC	County Hall	X							

Date	Title or Nature of Course	Sponsor/ Organiser	Venue	David Portlock - Chair	Gordon Gresty	Louise Branford- White	Cllr Mike Jordan	Cllr Ian Cuthbertson	Simon Purcell	David Houlgate	Cllr Anne Hook
07/15 – 03/17	Introducing Pension Schemes	The Pensions' Regulator – Toolkit Modules	On-line		X			X			
07/15 – 03/17	The Trustees' Role	The Pensions' Regulator – Toolkit Modules	On-line	X	X			X			
07/15 – 03/17	Running a Scheme	The Pensions' Regulator – Toolkit Modules	On-line	X	X						
07/15 – 03/17	Pensions' Law	The Pensions' Regulator – Toolkit Modules	On-line		X						
07/15 – 03/17	An introduction to investment	The Pensions' Regulator – Toolkit Modules	On-Line		X						
07/15 – 01/18	How a DB Scheme works	The Pensions' Regulator – Toolkit Modules	On-line		X				X		

North Yorkshire County Council**Pension Board****16 January 2020****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. At the previous meeting it was suggested that consideration be given as to how to progress project work more effectively before undertaking any further projects. Further consideration will be given to this matter, going forward.

Resources would be made available, via relevant Officers, to assist Board Members with their approach to the development of projects subsequently identified.

3.0 Meeting Dates

The remaining date for the ordinary meeting of the Pension Board during the 2019/20 Municipal Year, is as follows:-

Thursday 9th April 2020 at 10am

The dates for ordinary Meetings of the Pension Board for the 2020/21 Municipal Year are as follows:-

All Thursdays at 10am

9th July 2020

8th October 2020

14th January 2021

8th April 2021

4.0 Recommendations

That members:

- i) Review and agree any updates to the Work Plan (as set out in Appendix 1);
- ii) Note the dates of ordinary meetings as detailed.

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

Background Papers - None

PENSION BOARD WORK PLAN

APPENDIX 1

		16-Jan-20	09-Apr-20	09-Jul-20	08-Oct-20	14-Jan-21	08-Apr-21
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 such documentation as is required by the Regulations			✓			✓
7	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓
8	Review the outcome of external audit reports				✓		
9	Review Pension Board Annual Report			✓			
10	Review the compliance of particular issues on request of the PFC – as required						
11	Review the outcome of actuarial reporting and valuations – every three years	✓	✓				

Administration procedures, performance and Communication

12	Review and assist with admin/governance procedures/processes- including monitoring performance admin/governance and employers	✓	✓	✓	✓	✓	✓
13	Annual review of the Internal Dispute Resolution Process, Policy and cases			✓			
14	Annual review of cases referred to the Pensions Ombudsman			✓			
15	Review the exercise of employer and administering authority discretions			✓			
16	Assist with the development of improved customer services						
17	Review the risk register and management of risk processes and procedure	✓		✓		✓	
18	Assist in assessing process improvements on request of PFC						
19	Pooling – governance, reporting and transparency	✓	✓	✓	✓	✓	✓
20	Review scheme member and employer communications						

Training

21	Review Pension Board knowledge and skills self-assessment		✓	✓		✓	
22	Review training log	✓	✓	✓	✓	✓	✓
23	Review training arrangements for the Board and other groups	✓	✓	✓	✓	✓	✓