

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

6 JULY 2017

## GOVERNANCE ARRANGEMENTS

## Report of the Treasurer

**1.0 PURPOSE OF REPORT**

1.1 To seek Committee approval of the following governance documents:

- Investment Strategy Statement
- Governance Compliance Statement
- Risk Register
- Communication Strategy 2017/18
- Communication Policy Statement
- Pensions Administration Strategy

**2.0 BACKGROUND**

2.1 As Members will be aware the governance documents for the North Yorkshire Pension Fund are reviewed and approved annually by the Pension Fund Committee. This approval process is carried out prior to the Audit of the Annual Report as regulations require that certain governance documents and the Pension Fund Final Accounts form a part of the Annual Report of the Fund. In addition to those documents that form part of the Annual Report, all other governance documents are also approved annually for reasons of good practice.

2.3 The completed Annual Report will be presented to the PFC on 14 September 2017 for recommendation for approval by the Audit Committee.

2.4 The following governance documents form part of the Annual Report:

- Investment Strategy Statement
- Governance Compliance Statement
- Funding Strategy Statement
- Communication Strategy Statement

2.5 At its meeting on 15 September 2016 the PFC approved a full set of NYPF governance documents for the purposes of submission to the Audit Committee in relation to the 2015/16 Final Accounts.

**3.0 GOVERNANCE ARRANGEMENTS FOR NYPF**

3.1 A description of each of the governance documents is included in the following paragraphs, together with comments on the changes that have been made since they were last approved. The latest approved version of these governance documents can be found on the NYPF website:

<https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>

- 3.2 The **Investment Strategy Statement (ISS)** sets out the Fund's approach to investing. To remind Members, the ISS replaced the Statement of Investment Principles (SIP) on 1 April 2017. This document was approved by Members at the 23 February 2017 PFC Meeting and was published on the NYPF website prior to the 1 April 2017 deadline. It was agreed in the meeting that given the fluidity of this document that an updated version be brought to the July PFC meeting. This version, attached as **Appendix 1**, has been circulated around the Pension Board for review and also reflects the feedback from the Independent Professional Observer.
- 3.3 The **Governance Compliance Statement** describes the governance arrangements of the Fund. The latest version of this document has been attached as **Appendix 2** for Members to approve.
- 3.4 The **Risk Register (Appendix 3 & 4)** has recently been updated and is attached for approval. The register describes the key risks faced by the Fund. There are two risks ranked as red, five as amber and three as green. The assessment of the highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.
- 3.5 One of the red risks is on the LGPS Pooling Arrangements; this is currently considered the key risk of the Pension Fund. It is a major change to the way in which the Pension Fund is managed with a potential risk that the Fund is no longer able to effectively implement its investment strategy. Members are invited to comment on this risk.
- 3.6 Pension Fund solvency also remains a red risk, despite the funding level of 104%, due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.
- 3.7 The **Communication Strategy 2017/18** describes the annual strategy for communicating with members and employers for the year. The Strategy has been updated to reflect the latest communication initiatives. Each of the Local Government Pension Scheme (LGPS) Funds in England and Wales is required to publish a Statement under the LGPS (Amendment) (No 2) Regulations 2005 relating to the Communications Strategy for the Fund. The NYPF strategy for 2017/18 is attached at **Appendix 5**.
- 3.8 The strategy is designed to assist both the Fund and its employers in offering simplified, timely and targeted communications relating to the LGPS which include the Pensions Regulator's requirements to offer communications which are accurate, clear and accessible. Some of the key strategies are shown below:
- Develop a simplified Annual Benefit Statement with links to online examples and clear explanations. The focus will be on easy to understand pension values to help with retirement planning.
  - Review and amend, where appropriate, all employer administration forms to make them more user-friendly where possible.
  - Develop a guide to explain the impact of reducing contractual hours.
  - Develop a guide to explain the impact of reducing pensionable pay.
  - Develop a guide to explain the ill health retirement process and assist employers in updating their ill health process to include information from the Pensions Ombudsman.
  - Collaborate with NYCC Employment Support Service and HR to develop retirement flowcharts for the NYCC intranet.
  - Update the existing 'Academy Factsheet' to give clearer guidance.
  - Develop an Admission Agreement guide for employers and contractors.

3.9 The **Funding Strategy Statement** describes how employers' pension liabilities are to be met going forward, how employer contributions will be kept as stable as possible, and a prudent long-term view of those liabilities. This document was reviewed as part of the 2016 Triennial Valuation and an updated version was noted by Members at the 23 February 2017 PFC Meeting. There have been no subsequent changes made since this meeting. Members are therefore not required to approve this document. The latest version of this document can be found by following the link below:

<https://www.nypf.org.uk/Documents/Funding%20Strategy%20Statement%20-%20May%202016.pdf>

3.10 The **Communications Policy Statement**, attached as **Appendix 6**, details the policy for communicating with members and employers. There have been some minor changes made to this document.

3.11 The **Pensions Administration Strategy**, attached as **Appendix 7** sets out the administration protocols that have been agreed between the Fund and its employers. There have been some minor changes made to this document.

3.12 The **Treasury Management SLA** describes the treasury management services provided by the Council to NYPF. There have been no material changes made to this document, therefore approval is not required.

#### 4.0 **RECOMMENDATIONS**

4.1 Members to approve the following governance documents.

- Investment Strategy Statement
- Governance Compliance Statement
- Risk Register
- Communication Strategy 2017/18
- Communication Policy Statement
- Pensions Administration Strategy

GARY FIELDING  
Treasurer  
Corporate Director – Strategic Resources  
County Hall  
Northallerton

23 June 2017

**NORTH YORKSHIRE PENSION FUND**

**INVESTMENT STRATEGY STATEMENT**

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## **1.0 INTRODUCTION**

- 1.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS). This document is the ISS of the North Yorkshire Pension Fund (NYPF, or the Fund) for which North Yorkshire County Council (the Council) is the administering authority.
- 1.2 The Council has delegated all its functions as the administering authority of NYPF to the Pension Fund Committee (PFC, or the Committee). The Corporate Director - Strategic Resources, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities.
- 1.3 The Committee determines the investment policy of the Fund and has ultimate responsibility for the investment strategy. The Committee undertakes its responsibilities after taking appropriate advice from external advisers.
- 1.4 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

[1.5 The Pension Board and the Fund's employers have been consulted on the drafting of this document.](#)

## **2.0 OBJECTIVES OF THE FUND**

- 2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The funding position will be reviewed at each Triennial Valuation with adjustments to the investment strategy, asset allocation and to investments with investment managers as required.
- 2.2 The investment objective of the Fund is to provide for sufficient capital growth of the Fund's assets in a range of market conditions, supplemented by employee and employer contribution income, to meet the cost of benefits as they fall due. It is translated into a suitable strategic asset allocation benchmark designed to address the nature of the Fund's liabilities, and deliver returns over the long term including through periods of volatility in financial markets.

## **3.0 INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS**

- 3.1 The Committee reviews the investments of the Fund on a regular basis. The last review of the investment strategy took place in 2013 and there is an ongoing review of the strategy, alongside the 2016 Triennial Valuation, due to be completed in 2017. Additional reviews of individual asset classes have also taken place, with particular regard to diversification and suitability. The Committee receives advice from its Investment Consultant when undertaking such reviews.
- 3.2 These reviews provide a framework designed to produce the returns the Fund requires over the long term to meet its future liabilities. Each asset class invested in is allocated a range, and rebalancing takes place when values stray beyond them due to market conditions. Further rebalancing may take place based on tactical views of the Fund's advisers.
- 3.3 The Fund's current strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without specific reference to the Committee, however in practice the allocation is considered by the Committee each quarter and adjustments made as necessary.

	Minimum %	Benchmark %	Maximum %
Equities	50	62	75
Alternatives	10	20	20
Fixed Income	15	18	30

- 3.4 The largest proportion of the Fund's investments are in equities which is aimed at growing the value of assets over the long term. Other return seeking asset classes complement this goal, with the allocation to liability matching assets providing a measure of protection against rising liability valuations.
- 3.5 Each asset class is sub-divided into two or more mandates with different investment managers and operating to different benchmarks, further increasing the diversification of the Fund's investments.
- 3.6 The most recent changes to the strategy have been the addition of Alternatives, being Property (2012), Diversified Growth Funds (2013) and Private Debt (2016). These asset classes have served to further diversify the Fund's investments, spreading risk and reducing short term volatility.
- 3.7 Each investment manager operates to a specific benchmark and to specific mandate restrictions appropriate to their process and style, so that in aggregate, their activities are aligned to the overall performance requirements and risk appetite of the Fund. Each manager holds a range of underlying investments which reflects their views relative to their respective benchmarks, as permitted by their mandates.
- 3.8 The investment management arrangements of the Fund are as follows.

Manager	Mandate	Objective
Standard Life	UK Equities	To outperform the FTSE 350 (excluding Investment Trusts) Equally Weighted Index by 3% pa over the long term
Baillie Gifford	Global Equities (Global Alpha)	To outperform the FTSE All World Index by 2% over the long term
Baillie Gifford	Global Equities (Long Term Global Growth)	To outperform the FTSE All World Index by 3% over the long term
Dodge & Cox	Global Equities	To outperform the MSCI All Country World Index over a market cycle
Veritas	Global Equities	To outperform CPI + 6% to 10% over the medium term
Fidelity	Overseas Equities	To outperform an MSCI geographically weighted index by 2% pa over the medium term
Newton	Diversified Growth Fund	To outperform LIBOR by 4% over the medium term
Standard Life	Diversified Growth Fund	To outperform LIBOR by 5% over the medium term
Hermes	UK Property	To outperform the IPD Other Balanced Property Funds Index by 0.5% over the medium term

Legal & General	UK Property	To outperform the IPD All Balanced Property Funds Index over the medium term
Threadneedle	UK Property	To outperform the IPD All Balanced Property Funds Index by 1% to 1.5% over the medium term
M&G	UK Government Bonds	To outperform liabilities by 0.5%
ECM	European Corporate Bonds	To outperform LIBOR by 3%
BlueBay	Private Debt	IRR of 9% gross (7% net) including 4.5% cash yield
Permira	Private Debt	IRR of 9% gross (8% net) including 5% cash yield

3.9 The Fund is permitted to invest up to 5% in entities connected to the administering authority. There are currently no such investments.

#### 4.0 THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENTS

4.1 The following categories of investment have been approved as suitable for the NYPF.

- UK Equities** provide a share in the assets and profitability of public companies floated on UK stock exchanges. Capital gains and losses arise as share prices change to reflect investor expectations at the market, sector and stock levels. Income is derived from dividends.
- Overseas Equities** are similar to UK Equities but allow greater diversification amongst markets, sectors and stocks. Valuations are affected by exposure to movements in the relative value of the foreign currencies in which investments are made against sterling. Exchange rates are likely to reflect differentials in inflation so should not affect returns materially over the long term, but over the short term currency movements may significantly add to or subtract from returns. Equities are expected to provide high returns compared to other asset classes (the "equity-risk premium") ~~to address the NYPF deficit position a high proportion of assets will be held in equities.~~
- UK Bonds** are debt instruments issued by the UK Government and other borrowers. Bonds provide a fixed rate of interest and are usually redeemed at a fixed price on a known future date. Valuations primarily reflect the fixed level of interest, the period to redemption and the overall return demanded by investors. They are vulnerable to rising inflation and correspondingly benefit from falling inflation.
- Overseas Bonds** are similar to UK Bonds but have exposure to currency exchange rate fluctuations. As with UK bonds they are influenced by local inflation rates.

<b>Index Linked Bonds</b>	are bonds that provide interest and a redemption value directly linked to a measure of inflation, usually the Retail Price Index or a similar index. The returns from this asset class act as a useful proxy for movements in liability values.
<b>Diversified Growth Funds</b>	are an alternative way of investing in shares, bonds, property and other asset classes. These funds are managed by specialist multi-asset managers and target returns slightly below that of equities but with significantly reduced volatility due to the diversification of their constituent parts.
<b>UK Property</b>	is an investment in buildings, indirectly through pooled vehicles. Capital gains and losses occur as prices fluctuate in line with rental levels and investor demand. Income is generated from rents collected from tenants. The nature of rental agreements gives property some of the characteristics of bonds, whilst growth and inflation provide some of the characteristics of equities. It is, therefore, a useful diversifying asset class.
<b>Private Debt</b>	is loan arrangements provided directly to companies over the medium term for an index linked return, significantly above rates charged by commercial banks. Typically they are provided through pooled fund arrangements and require that investors commit funds for a period of 5 to 7 years, with income and capital being returned throughout that time.
<b>Derivative Instruments</b>	such as options and futures are mechanisms through which the Fund can be protected from sudden changes in share prices or exchange rates. Although not income producing they can result in capital gains and losses. They may be used to hedge the Fund's exposure to particular markets.
<b>Cash</b>	is invested in authorised institutions in accordance with the treasury management policy of the Council under the terms of a Service Level Agreement and attracts interest at market rates.

4.2 Each asset class has different return expectations and volatility characteristics. They are blended to produce the optimal investment return while taking an appropriate level of risk. Periodic investment reviews assess whether this blend requires adjustment, including through the addition of new asset classes, to take account of changing market conditions and the evolving asset and liability profile of the Fund. Tactical rebalancing also takes place, as required. All monitoring, reviews and rebalancing is undertaken after taking advice from the Fund's Investment Consultant.

4.3 The 2016 Triennial Valuation was prepared on the basis of an expected return on assets of 5.9% over the long term. This return is 1.5% above the discount rate used to calculate the Fund's liabilities and reflects a "probability of funding success" as described in the Funding Strategy Statement of 75%. This is based on the Fund's current asset mix and assumes no outperformance from active management.

## **5.0 THE APPROACH TO RISK, INCLUDING THE WAYS IN WHICH RISKS ARE TO BE MEASURED AND MANAGED**

5.1 The Fund aims to achieve its funding objective by taking an appropriate level of risk, through investing a proportion of funds in growth assets. Ongoing monitoring of the risk profile takes place including reassessing its appropriateness through investment strategy reviews and at the quarterly meetings of the PFC when appropriate. Close regard is paid to the ongoing risks



which may arise through a developing mismatch, over time, between the assets of the Fund and its liabilities, together with the risks which may arise from any lack of balance/diversification of the investment of those assets.

- 5.2 The risk of financial mismatch is that the Fund's assets fail to grow in line with the liabilities. It is managed by the Committee through a review of the assumptions used to calculate the Fund's liabilities at each Triennial Valuation, and an assessment by the Actuary of the Fund's asset allocation strategy of the probability of achieving funding success. This assessment forms the basis for subsequent asset allocation reviews aimed at controlling risk and further improving the funding position.
- 5.3 Longevity risk and other demographic factors are assessed at each Triennial Valuation. The Committee reviews national and Fund specific trends as part of this process.
- 5.4 Systemic risk, being the possibility that an event akin to the financial crisis occurs, is mitigated through the diversified nature of the Fund's asset allocation strategy. The Committee has taken steps since 2008 to spread investments across a larger number of asset classes which behave differently in different market conditions. The risks associated with individual asset classes, the combined nature of risks at Fund level are reassessed at each strategy review and changes made as appropriate.
- 5.5 This diversification across asset classes and across investment managers within each asset class significantly mitigates concentration risk, so that the effect of underperformance of any one asset class or investment manager is minimised. Rebalancing activity prevents departure from the strategic asset allocation benchmark.
- 5.6 The significant majority of the Fund's assets are invested in liquid investments, so that the risk of illiquidity, being an inability to meet liabilities as a result of a lack of liquid assets, is minimal. The risk is further managed by cashflow forecasting.
- 5.7 Currency risk is that the Fund's assets, the majority of which are overseas, underperform relative to Sterling. This risk is managed through a periodic assessment of currency exchange rates including receiving advice on the suitability of hedging the major currencies the Fund's assets are denominated in.
- 5.8 Agreements with the Fund's custodian and investment managers provide protection against fraudulent losses. In addition regular checks are undertaken by independent auditors of the custodian's and investment managers' systems. These organisations have internal compliance teams which also monitor and report on risk.
- 5.9 The Fund maintains a Risk Register which identifies the key risks, an assessment of the potential impact of each risk should it occur, and the controls and contingency plans in place to mitigate the likelihood and severity of each risk. The Risk Register is reviewed by the PFC annually and by the Pension Board semi-annually.

## **6.0 THE APPROACH TO POOLING INVESTMENTS, INCLUDING THE USE OF COLLECTIVE INVESTMENT VEHICLES AND SHARED SERVICES**

- 6.1 The Fund is a ~~provisional~~-member of the Border to Coast Pensions Partnership ("BCPP", or "the Pool"). The proposed structure and basis on which the BCPP will operate was initially set out in the July 2016 submission to Government and is currently under review as part of the plans for formal creation of the Pool vehicle.
- 6.2 The key criteria for the assessment of the Pool are that it provides a suitable solution that meets the investment objectives and asset allocation strategy of the Fund and that there is significant financial benefit to joining the arrangements.
- 6.3 The change in arrangements is that the Pool will be responsible for manager selection and monitoring, which is currently a responsibility of the Committee. The responsibilities for

determining the investment strategy and asset allocation strategy will remain with the Committee.

- 6.4 At the time of preparing this statement the details of the pooling arrangements are being finalised. However it is expected that approximately 96% of NYPF's liquid assets will be transitioned into the Pool once suitable sub-funds are in place, and that certain illiquid investments, comprising approximately 4% will be retained by NYPF. The legal structures of these illiquid assets are such that it is not practical to transfer ownership without a substantial loss in value. New investments will be made through the Pool wherever possible.
- 6.5 The July 2016 submission to Government of BCPP, available on the Fund's website [www.nypf.org.uk](http://www.nypf.org.uk), provided a statement addressing an outline structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. Government approved this approach on 12 December 2016. The Fund has subsequently been working with the BCPP to progress final arrangements.
- 6.6 Arrangements include establishing a Financial Conduct Authority regulated company to manage the assets of BCPP partner funds. Based on legal advice describing the options on holding shares in this company (BCPP Limited), the Fund will hold all voting and non-voting shares rather than the Council. This is because the purpose of the company is to meet the needs of the constituent Funds in complying with the regulations on pooling, rather than for a Council specific purpose.
- 6.7 The Fund will hold the Pool to account through having a representative on the Joint Committee, which as an investor will monitor and oversee the investment operations of BCPP Limited. It will also have a representative on the Shareholder Board, which will as an owner provide oversight and control of the corporate operations of BCPP Limited.
- 6.8 An annual report will be submitted to the Scheme Advisory Board providing details of assets transferred into the pooling arrangement.
- 6.9~~8~~ As the Pool develops and the structure and governance of the Pool are established, the Fund will include this information in future iterations of the ISS.

## **7.0 HOW SOCIAL, ENVIRONMENTAL OR CORPORATE GOVERNANCE CONSIDERATIONS ARE TAKEN INTO ACCOUNT IN THE SELECTION, NON-SELECTION, RETENTION AND REALISATION OF INVESTMENTS**

- 7.1 The PFC takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries. It is recognised that environmental, social and governance ("ESG") factors can influence long term investment performance and the ability to achieve long term sustainable returns. Investment advice received by the Fund implicitly includes these factors. Therefore, as a responsible investor, the Committee wishes to promote corporate social responsibility, good practice and improved performance amongst all companies in which it invests.
- 7.2 The Committee considers the financial impact of ESG factors on its investments through regular reporting by the Fund's investment managers. Engagement with company management and voting behaviour are integral to investment processes aimed at improving performance in companies in which they invest.
- 7.3 As well as delegating the Fund's approach to ESG issues to its investment managers, NYPF is also a member of the Local Authority Pension Fund Forum (LAPFF) which is the UK's leading collaborative shareholder engagement group. This organisation promotes ESG good practice on behalf of over 70 LGPS funds. Its activity acts as a complement to that undertaken by the Fund's investment managers. Any differences in approach are discussed with the Fund's investment managers so that the reasons are fully understood.

7.4 The Fund is compliant with the six principles on investment decision making for occupational pension schemes, as set out in the guidance published by the Chartered Institute of Public Finance and Accountancy in December 2009 called "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

7.5 Any evaluation of social investments is made on the same basis as other investment opportunities, in taking into account financial and non-financial factors.

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## **8.0 THE EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO INVESTMENTS**

8.1 The Committee has delegated the exercise of voting rights to Pension Investment Research Consultants Limited (PIRC). Votes are executed by PIRC according to predetermined Shareholder Voting Guidelines agreed by the PFC, available on the Fund's website. These guidelines are aligned to the UK Stewardship Code and to best practice in other jurisdictions. Votes are cast for all UK equities held by the Fund, and for non-UK holdings where practicable. The Fund monitors voting decisions on a regular basis and a summary is included in the Fund's Annual Report.

8.2 The Fund adheres to the Stewardship Code as published by the Financial Reporting Council. The Committee will expect both BCPP Ltd and any investment managers appointed by it to also comply with the Stewardship Code.

8.3 The Fund's collective engagement activity through the LAPFF supports the voting activity undertaken by PIRC.

8.4 The Fund aims to adopt the Principles of the Financial Reporting Council's UK Stewardship Code. A Statement of Compliance will be published on the Fund's website in 2017.

12 June23-February 2017

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## **1.0 INTRODUCTION**

- 1.1 This Statement has been prepared by North Yorkshire County Council (NYCC, or “the Council”) as administering authority of the North Yorkshire Pension Fund (NYPF, or “the Fund”) in accordance with the requirements of the provisions of the Local Government Pension Scheme Regulations 2013.
- 1.2 These Regulations describe the governance arrangements of the Fund and assess them against a set of best practice principles, either confirming compliance or providing an explanation of the reasons for non-compliance as appropriate.

## **2.0 GOVERNANCE ARRANGEMENTS**

### **Pension Fund Committee**

- 2.1 Overall responsibility for the governance of the LGPS, as it is organised and operated in North Yorkshire resides with the Pension Fund Committee (PFC), a committee of the Council, which has been delegated the following powers:
  - 2.1.1 To exercise the powers of the Council to invest monies forming part of the Pension Fund, including:
    - to determine and periodically review the Investment Strategy of the Fund
    - to appoint managers to manage and invest Fund monies on the Council’s behalf
    - to receive reports from the appointed managers, at least once every three months, setting out the action they have taken under their appointment
    - to receive reports, at least once every three months from the Investment Adviser, Investment Consultant and the Performance Measurer, regarding the investment performance of the appointed investment managers and the Fund overall
    - from time to time to consider the desirability of continuing or terminating the appointments of any organisations involved in the investment of the monies of the Fund and / or advising / reporting thereon
    - to approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee
    - from time to time reporting to the Executive
  - 2.1.2 To exercise all the Council’s powers as administering authority for the North Yorkshire Pension Fund, subject to any specific instructions that might be given from time to time by the Council.
  - 2.1.3 To carry out the Council’s functions relating to local government pension scheme (LGPS) under the regulations.

## Local Pension Board

2.2 The Local Pension Board is responsible for assisting the Council as Administering Authority in securing compliance with the regulations, and to ensure the efficient and effective governance and administration of the LGPS for the North Yorkshire Pension Fund. The Local Pension Board has an oversight role in the governance of the Fund.

2.3 The key points from the terms of reference are:

- there are 9 members of the Local Pension Board, being 4 scheme member representatives (voting), 4 employer representatives (voting) and 1 independent chair (non-voting)
- there are 4 meetings each year
- Local Pension Board members are required to maintain the highest standards of conduct and therefore the "seven principles of public life" are applied to members and embodied in their code of conduct
- the Local Pension Board has its own policies on conflicts of interest and training
- costs of the Local Pension Board are met by the Pension Fund

## **Independent Professional Observer**

2.4 In order to provide an independent assessment of the Fund's governance arrangements the PFC has appointed an Independent Professional Observer (IPO). The IPO reports annually to the PFC on the level of compliance of the Fund against the CLG's best practice principles, and also offer advice on governance related matters.

## **Functions Delegated to Officers**

2.5 The Council's constitution sets out the duties of the Corporate Director – Strategic Resources in relation to the Fund. Essentially, the Corporate Director acts as the Treasurer of the Fund (and is referred to as such in the remainder of this Statement) providing information and advice to the Committee whilst also managing the day to day affairs of the Fund.

2.6 In particular the Treasurer is required to manage from day to day the Fund, including:

- the exercise of the Council's function as administering authority, subject to any specific instructions that might be given from time to time by the PFC
- the power to seek professional advice and to devolve day to day handling of the Fund to professional advisers within the scope of LGPS regulations
- to change the mandate of a fund manager, in consultation with the Chairman and at least one other Member of the PFC, in circumstances when not to do so would lead to a real or potential loss in value of the Fund's investments. Any such action to be reported to the PFC as soon as practicable

## **NYPFOG**

- 2.7 The North Yorkshire Pension Fund Officer Group (NYPF OG) meets periodically to provide an opportunity for officer representatives of all employers to meet NYPF officers and address any issues related to the administrative arrangements of the Fund.

### **LGPS Pooling Arrangements**

- 2.8 LGPS pooling arrangements, which are due to be implemented from April 2018 will require changes to the governance arrangements of the Fund. NYPF has [formally](#) joined the Border to Coast Pensions Partnership (BCPP) which has sent a proposal to DCLG on how pooling arrangements could work, including describing the changes to governance thought necessary. ~~No specific changes have been agreed to date, but to facilitate the further development of arrangements two informal bodies have been created. The Member Steering Group comprises the Chairs of 12 of the 13 administering authorities in BCPP. This Group oversees the work of officers of the administering authorities who make up the~~ [An Officer Operations Group has been set up to work with advisors to implement the pooling requirements. This group is overseen by the Joint Committee which comprises the Chairs of the 12 administering authorities in BCPP.](#)
- 2.9 The [full proposal](#) is available on NYPF's website, which includes the terms of reference of these two bodies and how the BCPP members intend to work together.

## **3.0 REPRESENTATION AND MEETINGS**

### **Representation**

- 3.1 The current membership of the PFC is as follows (as at [July-June 2016/2017](#))
- (a) ~~seven-eight~~ elected Members representing the administering authority who each hold one vote on the Committee
  - (b) two further elected Members representing the Fund's other largest employing bodies each holding one vote. One Member represents the City of York Council, the other is the District Councils' representative of Local Government North Yorkshire and York
  - (c) in addition, a number of substitute Members have been nominated to attend in the absence of each of the main Committee Members
  - (d) an invitation is also extended to allow three union representatives to attend every Committee Meeting. No voting rights are allocated to these positions
  - (e) the Chairman of the Pension Board is invited to attend all PFC meetings, in a non-voting capacity
  - (f) the quorum required for Committee Meetings is three

### **Meetings**

- 3.2 The PFC is governed by the decision making procedures defined in the Constitution of the Council, being a full Committee of the Council. These are fully compliant with

the terms of the Local Government Act 2000. In addition, the PFC complies with the procedural requirements defined in LGPS regulations.

- 3.3 Papers for all meetings of the PFC are provided to all the Members identified in **paragraph 3.1** above, including substitute members and union representatives. In addition, the ~~Investment Adviser and~~ Investment Consultant (who also attends every meeting), Fund Managers and the Fund Actuary are given the opportunity to view all items on the public agenda of each meeting.
- 3.4 PFC papers are also publicly available on the Council's website. The Communication Policy Statement explains in more detail the arrangements for engagement with all stakeholders.
- 3.5 The PFC convenes once each quarter, at County Hall in Northallerton. The Fund's investment managers are scheduled to attend additional meetings where the PFC specifically considers fund manager performance and related matters. At least four supplementary meetings a year are normally held for this purpose. In attendance at each meeting are ~~the Investment Adviser,~~ the Investment Consultant, the Treasurer and representative members of his staff involved with the NYPF and a Committee Clerk (NYCC).
- 3.6 The PFC has also included a specific meeting in July in its programme. This is in order to consider the draft Statement of Final Accounts and the set of updated governance documents, in addition to any other business requiring attention at that time.

## **4.0 OPERATIONAL PROCEDURES**

### **Training**

- 4.1 Myners first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". There are also legal requirements set out in the LGPS regulations and other relevant legislation, as well as best practice guidance published by CIPFA and other professional and regulatory bodies.
- 4.2 The Fund arranges a programme of internal and external training events and access to other resources designed to meet these requirements, recommendations and best practice guidance principles for Members of the PFC. A register of all training events is maintained and reported at each PFC meeting.
- 4.3 The costs incurred by Members of the PFC in attending training sessions are met by the Fund in accordance with the policies of the administering authority.

### **Reporting and Monitoring**

- 4.5 The PFC has a clearly defined Work Plan that is agreed at the start of each financial year which is reviewed regularly and is included in the Agenda papers for each meeting.



- 4.6 In relation to investment matters, the ~~Investment Adviser~~, Investment Consultant and each Investment Manager for the Fund is required to submit a quarterly report to the PFC summarising the investment activities within the Fund's portfolios during the preceding quarter and reporting the value and performance of the investments at the end of each such quarter. In addition, the Fund Custodian presents an independent report on the overall investment performance of the Fund, together with details relating to individual managers and different classes of asset.
- 4.7 In addition, the Treasurer will present reports to every PFC meeting detailing performance in relation to the administration activities of the Fund and other significant matters for Members' attention as determined by the Work Plan; topics will include reports on the budget position, updates on the Regulations, communication with stakeholders, training events and Admission Agreements, etc.
- 4.8 Outside of this periodic reporting to the PFC
- (a) the activities of the Benefits Administration Team are regularly monitored by the Treasurer as part of the ongoing performance monitoring arrangements operated with the Central Services directorate of the Council. In addition, the Fund participates in benchmarking and related value for money exercises with other Funds
  - (b) the performance of the investment managers is monitored on an ongoing basis by the Investment Consultant, ~~Investment Adviser~~ and the Treasurer. Meetings are held with the investment managers on a routine basis and/or when particular issues arise (e.g. staff changes) that may affect the performance of that manager on behalf of the Fund.

## 5.0 KEY POLICY / STRATEGY DOCUMENTS

- 5.1 In addition to the range of documents produced by the Fund explaining the benefits of the LGPS for scheme members and employers, the Fund publishes on [www.nypf.org.uk](http://www.nypf.org.uk) a number of other key documents relating to the administration and governance of the Fund. In addition to this Governance Compliance Statement, these additional documents are as follows:
- Funding Strategy Statement (FSS)
  - ~~Statement of Investment Principles (SIP)~~ [Investment Strategy Statement \(ISS\)](#)
  - Communications Policy Statement
  - Annual Communication Strategy + related Action Plan
  - Pensions Administration Strategy
  - Risk Register
  - Treasury Management SLA
  - Annual Report

## 6.0 COMPLIANCE WITH BEST PRACTICE PINCIPLES

### 6.1 Structure

a	The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	Fully compliant
b	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Fully compliant. It is assumed that the Pension Board fulfils the role of a secondary panel and these stakeholder groups are all eligible to be represented
c	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Fully compliant. It is assumed that the Pension Board fulfils the role of a secondary panel
d	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Fully compliant

### 6.2 Representation

a	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, eg admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers iv) expert advisers	Fully compliant
b	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights	Fully compliant

### 6.3 Selection and Role of Lay Members

a	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant
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**6.4 Voting**

a	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	Fully compliant
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Voting rights on the PFC are limited to representatives of the administering authority which is answerable for the effective and prudent management of the Scheme, and to representatives of the Fund's major employers. This arrangement provides an optimal number in terms of decision making effectiveness, therefore voting rights have not been extended to other stakeholders.

**6.5 Training / Facility Time / Expenses**

a	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Fully compliant
b	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Fully compliant

**6.6 Meetings (Frequency/Quorum)**

a	That an administering authority's main committee or committees meet at least quarterly	Fully compliant
b	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Fully compliant
c	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant

**6.7 Access**

a	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Fully compliant
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6.8 **Scope**

a	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant
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6.9 **Publicity**

a	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	Fully compliant
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## Pension Fund

Risk Register: **June 2017 Review – summary**  
 Next Review Due: **December 2017**  
 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Identity			Person		Classification												Fallback Plan			
Change	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		
◀▶	<b>44/4 - Pension Fund Solvency</b>	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	3	31/12/2017	M	M	H	L	M	2	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	<b>44/201 - LGPS Pooling Transition</b>	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	8	31/12/2017	M	M	H	L	M	2	N	
◀▶	<b>44/8 - Investment Strategy</b>	Failure of the investment strategy to achieve sufficient returns from investments	CD SR	CSD SR Senior Accountant Pensions	L	M	H	L	M	3	4	31/07/2017	L	M	H	L	M	3	Y	CSD SR Senior Accountant Pensions
◀▶	<b>44/20 - Fraud</b>	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 Senior Accountant Pensions	L	L	H	L	M	3	4	31/12/2017	L	L	H	L	M	3	Y	CSD SR Pensions Manager CSD SR Senior Accountant Pensions
▲	<b>44/16 - Key Personnel</b>	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 Pensions Manager	M	M	L	M	L	4	4	31/12/2017	M	M	L	M	L	4	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	<b>44/10 - LGPS Regulations and Employer Related Legislation</b>	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD SR	CSD SR Pensions Manager	M	L	L	L	M	4	2	31/12/2017	M	L	L	L	L	5	Y	CSD SR Senior Accountant Pensions CSD SR Pensions Manager
◀▶	<b>44/11 - Benefit Payments</b>	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD SR	CSD SR Pensions Manager	M	L	L	L	M	4	2	31/12/2017	L	L	L	L	M	5	Y	CSD SR Pensions Manager

## Pension Fund

Risk Register: **June 2017 Review – summary**  
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 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Identity			Person		Classification											Fallback Plan				
Change	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
◀▶	<b>44/7 - Investment Manager</b>	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	3	31/12/2017	L	M	M	L	L	5	Y	CSD SR Senior Accountant Pensions
◀▶	<b>44/14 - IT Systems</b>	Failure of IT Pension system or other IT systems for more than 2 days (or a critical time) resulting in backlog, incorrect payments, increased overtime, criticism	CD SR	CSD SR Pensions Manager	L	M	L	M	M	5	2	31/12/2017	L	M	L	M	M	5	Y	CSD SR Pensions Manager

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

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

## Pension Fund

Risk Register: **June 2017 Review – summary**  
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<b>Likelihood</b>	
Probability	H = > 60% or Probable M = 30% to 60% or Possible L = < 30% or Unlikely
<b>Impact</b>	
Objectives	H = Over 6 priorities adversely impacted M = 3-6 priorities adversely impacted L = Below 3 priorities 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

# Pension Fund

# Appendix 4

Risk Register: **June 2017 Review – detailed**  
 Next Review Due: **December 2017**  
 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Phase 1 - Identification											
<b>Risk Number</b>	44/4	<b>Risk Title</b>	44/4 - Pension Fund Solvency				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Senior Accountant Pensions
<b>Description</b>	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					<b>Risk Group</b>	Financial		<b>Risk Type</b>		
Phase 2 - Current Assessment											
<b>Current Control Measures</b>			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;								
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b> 2	
Phase 3 - Risk Reduction Actions											
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>	
<b>Reduction</b>	44/6 - Consultation with Actuary re assumptions used and discuss and carry out action plan (ongoing)						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/7 - Regular review of investment strategy to maximise investments; ongoing action linked to triennial valuations, strategy session to be held in July						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/8 - Discussion with employers re cost of the scheme and potential 'one off' contributions; employers have been provided with their new rates for the following three financial years and any queries resolved						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Fri-31-Mar-17	Fri-31-Mar-17	100%	
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b> 2	
Phase 5 - Fallback Plan											
<b>Fallback Plan</b>	44/428 - Increased contribution rate from employers and/or extend recovery period								<b>Action Manager</b>		
									CSD SR Senior Accountant Pensions CSD SR Pensions Manager		





## Pension Fund

Risk Register: **June 2017 Review – detailed**  
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Phase 1 - Identification											
<b>Risk Number</b>	44/201	<b>Risk Title</b>	44/201 - LGPS Pooling Transition				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Senior Accountant Pensions
<b>Description</b>	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.					<b>Risk Group</b>		<b>Risk Type</b>	CSD SR 32/24		
Phase 2 - Current Assessment											
<b>Current Control Measures</b>		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; pool legal advice; key decision agreed by full council; pooling briefing provided to members;									
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	H	<b>Category</b>	2
Phase 3 - Risk Reduction Actions											
						<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>		
<b>Reduction</b>	44/161 - Consultation with advisors on the implication of pooling; legal advice coming through at fund and pool levels;					CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/162 - Gain advice from advisors and other consultants on responding to the Government consultation; response provided now moved into advice on setting up the pooling					CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/163 - Keeping Members up to date, particularly new members following May 17 elections; on PFC agenda every quarter with update					CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/164 - Take key decisions for action to next Full Council					CSD SR Senior Accountant Pensions	Wed-15-Feb-17	Wed-15-Feb-17	100%		
<b>Reduction</b>	44/165 - Provide Pooling briefing at January Members seminar					CSD SR Senior Accountant Pensions	Tue-31-Jan-17	Tue-31-Jan-17	100%		
<b>Reduction</b>	44/166 - Ensure Pension Board and employers are kept up to date on progress					CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%		
<b>Reduction</b>	44/167 - Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress as we move towards June 2018					CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%		
<b>Reduction</b>	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					CSD SR Senior Accountant Pensions	Sat-30-Jun-18		0%		
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	2
Phase 5 - Fallback Plan											
<b>Fallback Plan</b>									<b>Action Manager</b>		



# Pension Fund

Risk Register: **June 2017 Review – detailed**  
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Phase 1 - Identification												
<b>Risk Number</b>	44/8	<b>Risk Title</b>	44/8 - Investment Strategy				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Senior Accountant Pensions	
<b>Description</b>	Failure of the investment strategy to achieve sufficient returns from investments					<b>Risk Group</b>	Strategic		<b>Risk Type</b>			
Phase 2 - Current Assessment												
<b>Current Control Measures</b>			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;									
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	3	
Phase 3 - Risk Reduction Actions												
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>		
<b>Reduction</b>	44/1876 - Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/1878 - Monitor appropriateness of strategy against prevailing market conditions (including Brexit); Strategy session to be held in July 2017 with PFC members and our consultants to consider future options and potential changes to the strategy						CSD SR Senior Accountant Pensions	Mon-31-Jul-17		0%		
<b>Reduction</b>	44/1879 - Monitor the Advisor and Consultants reports and act on professional advice						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/1895 - Continue to monitor the impact of MiFID II and ensure we are ready for January 2018 implementation, likely to involve discussions with fund managers and an "opt up", more will be known following release of paper in June 2018						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Phase 4 - Post Risk Reduction Assessment												
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	3	
Phase 5 - Fallback Plan												
										<b>Action Manager</b>		
<b>Fallback Plan</b>	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets								CSD SR Senior Accountant Pensions			



# Pension Fund

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Phase 1 - Identification											
<b>Risk Number</b>	44/20	<b>Risk Title</b>	44/20 - Fraud				<b>Risk Owner</b>	CD SR	<b>Manager</b>	CSD SR Senior Accountant Pensions	
<b>Description</b>	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation					<b>Risk Group</b>	Pers/Capacity	<b>Risk Type</b>			
Phase 2 - Current Assessment											
<b>Current Control Measures</b>		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									
<b>Probability</b>	L	<b>Objectives</b>	L	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	3
Phase 3 - Risk Reduction Actions											
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>	
<b>Reduction</b>	44/1887 - Continually review processes and procedures including authorisation levels						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1888 - Ongoing internal audit assessment and annual review by external auditors						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1894 - Review of external manager audit and risk reports; reports are also viewed by internal audit						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	L	<b>Objectives</b>	L	<b>Financial</b>	H	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	3
Phase 5 - Fallback Plan											
<b>Fallback Plan</b>	44/434 - Review incident and update procedures/processes accordingly							<b>Action Manager</b> CSD SR Pensions Manager CSD SR Senior Accountant Pensions			



# Pension Fund

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Phase 1 - Identification											
<b>Risk Number</b>	44/16	<b>Risk Title</b>	44/16 - Key Personnel				<b>Risk Owner</b>	CD SR	<b>Manager</b>	CSD SR Pensions Manager	
<b>Description</b>	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.					<b>Risk Group</b>	Capacity/performance	<b>Risk Type</b>			
Phase 2 - Current Assessment											
<b>Current Control Measures</b>			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;								
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	L	<b>Services</b>	M	<b>Reputation</b>	L	<b>Category</b>	4
Phase 3 - Risk Reduction Actions											
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>	
<b>Reduction</b>	44/1901 - Ensure effective management and transition arrangements are in place pending any review of management structure						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1905 - Continue to build resilience to meet current and anticipated future, demands and complexity						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1907 - Carry out appropriate induction and ongoing training for new PFC members						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1908 - Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)						CSD SR Pensions Manager CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	M	<b>Objectives</b>	M	<b>Financial</b>	L	<b>Services</b>	M	<b>Reputation</b>	L	<b>Category</b>	4
Phase 5 - Fallback Plan											
										<b>Action Manager</b>	
<b>Fallback Plan</b>	44/441 - Identify temporary cover arrangements plus additional resources where required										CSD SR Senior Accountant Pensions CSD SR Pensions Manager



# Pension Fund

Risk Register: **June 2017 Review – detailed**  
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Phase 1 - Identification											
<b>Risk Number</b>	44/10	<b>Risk Title</b>	44/10 - LGPS Regulations and Employer Related Legislation				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Pensions Manager
<b>Description</b>	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge					<b>Risk Group</b>	Performance		<b>Risk Type</b>	Int Fin 30/189	
Phase 2 - Current Assessment											
<b>Current Control Measures</b>		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									
<b>Probability</b>	M	<b>Objectives</b>	L	<b>Financial</b>	L	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	4
Phase 3 - Risk Reduction Actions											
						<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>		
<b>Reduction</b>	44/157 - Ongoing staff training programme					CSD SR Pensions Manager	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/1895 - Continue to monitor the impact of MiFID II and ensure we are ready for January 2018 implementation, likely to involve discussions with fund managers and an "opt up", more will be known following release of paper in June 2018					CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%		
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	M	<b>Objectives</b>	L	<b>Financial</b>	L	<b>Services</b>	L	<b>Reputation</b>	L	<b>Category</b>	5
Phase 5 - Fallback Plan											
<b>Fallback Plan</b>	44/437 - Review existing interpretations, take legal advice and amend procedures as required							<b>Action Manager</b>			
								CSD SR Senior Accountant Pensions CSD SR Pensions Manager			



# Pension Fund

Risk Register: **June 2017 Review – detailed**  
 Next Review Due: **December 2017**  
 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Phase 1 - Identification											
<b>Risk Number</b>	44/11	<b>Risk Title</b>	44/11 - Benefit Payments				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Pensions Manager
<b>Description</b>	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments					<b>Risk Group</b>	Performance		<b>Risk Type</b>		
Phase 2 - Current Assessment											
<b>Current Control Measures</b>			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								
<b>Probability</b>	M	<b>Objectives</b>	L	<b>Financial</b>	L	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	4
Phase 3 - Risk Reduction Actions											
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>	
<b>Reduction</b>	44/1893 - Effective communication with employers, with particular regard to customer expectations						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1896 - Regular liaison with ESS regarding operational arrangements; will be holding monthly meetings to ensure understanding of the issues on both sides leading to continued improvement						CSD SR Pensions Manager	Sun-31-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	L	<b>Objectives</b>	L	<b>Financial</b>	L	<b>Services</b>	L	<b>Reputation</b>	M	<b>Category</b>	5
Phase 5 - Fallback Plan											
										<b>Action Manager</b>	
<b>Fallback Plan</b>	44/435 - Correct errors and review and amend existing procedures									CSD SR Pensions Manager	



## Pension Fund

Risk Register: **June 2017 Review – detailed**  
 Next Review Due: **December 2017**  
 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Phase 1 - Identification											
<b>Risk Number</b>	44/7	<b>Risk Title</b>	44/7 - Investment Manager				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Senior Accountant Pensions
<b>Description</b>	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise					<b>Risk Group</b>	Performance		<b>Risk Type</b>		
Phase 2 - Current Assessment											
<b>Current Control Measures</b>			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;								
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	M	<b>Services</b>	L	<b>Reputation</b>	L	<b>Category</b>	5
Phase 3 - Risk Reduction Actions											
							<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>	
<b>Reduction</b>	44/1873 - Continue to monitor and report on investment returns on a regular basis						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers						CSD SR Senior Accountant Pensions	Sun-31-Dec-17		0%	
<b>Reduction</b>	44/1875 - Carry out when appropriate, 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-Dec-17		0%	
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	M	<b>Services</b>	L	<b>Reputation</b>	L	<b>Category</b>	5
Phase 5 - Fallback Plan											
										<b>Action Manager</b>	
<b>Fallback Plan</b>	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager									CSD SR Senior Accountant Pensions	



# Pension Fund

Risk Register: **June 2017 Review – detailed**  
 Next Review Due: **December 2017**  
 Report Date: **22<sup>nd</sup> June 2017 (cpc)**

Phase 1 - Identification											
<b>Risk Number</b>	44/14	<b>Risk Title</b>	44/14 - IT Systems				<b>Risk Owner</b>	CD SR		<b>Manager</b>	CSD SR Pensions Manager
<b>Description</b>	Failure of IT Pension system or other IT systems for more than 2 days (or a critical time) resulting in backlog, incorrect payments, increased overtime, criticism					<b>Risk Group</b>	Technological		<b>Risk Type</b>		
Phase 2 - Current Assessment											
<b>Current Control Measures</b>			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,								
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	L	<b>Services</b>	M	<b>Reputation</b>	M	<b>Category</b>	5
Phase 3 - Risk Reduction Actions											
						<b>Action Manager</b>	<b>Action by</b>	<b>Completed</b>	<b>%</b>		
<b>Reduction</b>	44/1884 - Regular review of contingency planning arrangements					CSD SR Pensions Manager	Sun-31-Dec-17		0%		
<b>Reduction</b>	44/1898 - Sense check any IT recovery assumptions with Tech & Change run systems					CSD SR Pensions Manager	Sun-31-Dec-17		0%		
Phase 4 - Post Risk Reduction Assessment											
<b>Probability</b>	L	<b>Objectives</b>	M	<b>Financial</b>	L	<b>Services</b>	M	<b>Reputation</b>	M	<b>Category</b>	5
Phase 5 - Fallback Plan											
									<b>Action Manager</b>		
<b>Fallback Plan</b>	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier								CSD SR Pensions Manager		







# North Yorkshire Pension Fund

## Communications Strategy

**2017/2018**



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

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## Introduction

The North Yorkshire Pension Fund is committed to providing excellent customer care. The Communications Strategy is a key part of our customer service plans. The Pensions Regulator expects that our communications are accurate, clear and accessible and readily available at all times. With this in mind, this year's Communications Strategy is focussing on simplified, targeted and timely communications.

## Goals 2017/18

Goals have been set in relation to the categories of LGPS stakeholders.

### Theme A – 'Simplified, targeted and timely communications for active members'

Develop a simplified Annual Benefit Statement with links to online examples and clear explanations. The focus will be on easy to understand pension values to help with retirement planning.

**Target date for completion: 31 July 2017**

Continue to promote online member self-service and e-communications. However, unless the member specifically requests this, the default will continue to be paper communications to their home address.

**Target date for completion: Ongoing**

Develop a guide to explain the impact of reducing contractual hours. This will be useful for restructures and members who want to reduce hours as part of their retirement plan.

**Target date for completion: 30 June 2017**

Develop a guide to explain the impact of reducing pensionable pay. This will be useful for restructures and members who want to change roles as part of their retirement plan.

**Target date for completion: 30 June 2017**

Develop a guide to explain the ill health retirement process. This may help with the number of appeals when a member's application is refused.

**Target date for completion: 31 October 2017**

Revisit the pensions telephone helpline options to assist callers in getting to the right team at the first point of contact.

**Target date for completion: 31 May 2017**

Collaborate with NYCC Employment Support Service and HR to develop retirement flowcharts for the intranet. These will be a useful tool to help members understand the processes when retiring.

**Target date for completion: 31 March 2018**

### Theme B – 'Simplified, targeted and timely communications for employers'

Review and amend, where appropriate, all employer administration forms.

**Target date for completion: 31 March 2018**

Update the existing 'Academy Factsheet' to give clearer guidance on the process, the employer's responsibilities and the full data requirements including developing a template spreadsheet.

**Target date for completion: 31 December 2017**

Develop an Admissions Agreement guide for employers and contractors.

**Target date for completion: 31 December 2017**

Collaborate with NYCC Employment Support Service and HR to develop retirement flowcharts for the intranet. These will be a useful tool to help line managers and HR understand the processes when a member is retiring.

**Target date for completion: 31 March 2018**

Assist employers in updating their ill health process to include information from the Pensions Ombudsman. This may help reduce the number of appeals or assist employers when dealing with appeals

**Target date for completion: 30 June 2017**

Continue to offer face to face training and support for new employers or new staff within existing employers

**Target date for completion: Ongoing**

### **Theme C – ‘Simplified, targeted and timely communications for retired members’**

A dedicated newsletter to include:

- Information on the National Fraud Initiative
- How your family can avoid pension overpayments when you die
- A reminder about the Pensioners’ Representative
- The Pensions Increase Review at April 2017
- Access to MyView for retired members
- Scheme funding snapshot
- How to get an electronic version of the newsletter

The newsletter is sent to pensioners’ home addresses unless an e-version has been specifically requested.

**Target date for completion: 1 April 2017**

Revisit the pensions telephone helpline options to assist callers in getting to the right team at the first point of contact.

**Target date for completion: 31 May 2017**

### **Theme D – ‘Simplified, targeted and timely communications for deferred members’**

Develop a guide to explain the ill health retirement process from deferred status.

**Target date for completion: 31 October 2017**

Review and amend, where appropriate, the Annual Benefit Statement.

**Target date for completion: 31 July 2017**

Revisit the pensions telephone helpline options to assist callers in getting to the right team at the first point of contact.

**Target date for completion: 31 May 2017**

Monitor the need for a newsletter in 2017/18; this is dependent on whether the amendment regulations are received. The newsletter would be sent to home addresses unless an email address is held on the deferred member’s pension record.

**Target date for completion: Ongoing**

### **Review of this Strategy**

This Strategy is prepared and considered by the Pension Fund Committee on an annual basis. However, employers can, at any time, suggest improvements to the Communications Strategy of the Fund.

## Stakeholders

This Communications Strategy applies to all the NYPF stakeholders who are defined as follows:

- Employers
  - Scheduled Bodies
  - Admitted Bodies
- Scheme Members (including councillor scheme members)
  - Active members (contributors)
  - Retired members and Dependents
  - Deferred members
- Eligible employees working for Fund employers but not currently contributing
- AVC provider (Prudential)
- Actuary
- Legal Adviser
- Pensions Administration Software Provider
- Members of the Pension Fund Committee
- Members of the Pension Board
- Officers in the Pension Section
- Other NYCC officers undertaking work on behalf of the Fund

Items in 2016/17 Strategy	Summary of 2016/17 Progress	Year End Status
<b>Theme A: Managing expectations and keeping active members up to date</b>	Continue to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits	Achieved
	Explain the potential impact of 'contracting-out' and signpost members to information about the New State Pension through a dedicated newsletter	Achieved
	Encourage members to plan for their retirement by providing pre-retirement presentations in conjunction with Affinity Connect. Information regarding financial planning and lifestyle adjustments will be provided	Achieved
	Manage the member's expectations by developing a simple flowchart explaining the timeline of the retirement process. This will show the flow of data between the employer and the pension fund from the time the member notifies their employer of their intention to retire to the payment of their pension benefits	Achieved
	Provide a dedicated page on the NYPF website to keep active members up to date on issues regarding investment reform (pooling)	Achieved
<b>Theme B: Managing expectations and keeping employers up to date</b>	Offer face to face training and support for new employers or new staff within existing employers	Achieved
	Develop a simple flowchart template explaining the timeline of the retirement process. The employer will be able to edit the flowchart to show their own timescales and internal contacts. This links in with managing the member's expectations at retirement	Achieved
	Continue NYPF OG meetings with the focus on practical sessions and current issues. Positive feedback has been received from previous sessions with employers enjoying the 'hands-on' approach in an informal group setting	Achieved
	Develop relationships with new employers to support them with the requirements of the LGPS. Following the Education Act 2011 there has been a significant growth in scheme employers largely in respect of Secondary schools converting to Academies and the trend is still continuing with Primary school Academies	Achieved
	Issue regular updates to all employers electronically including consultations, regulation changes (that impact the employer), best practice and promotion of pre-retirement courses	Achieved
	Assist employers with the delivery of up to date and accurate information by presenting at-retirement courses	Achieved
	Provide a dedicated page on the NYPF website to keep employers up to date on issues regarding investment reform (pooling)	Achieved

Items in 2016/17 Strategy	Summary of 2016/17 Progress	Year End Status
<b>Theme C: Managing expectations and keeping retired members up to date</b>	<p>A dedicated newsletter to include:</p> <ul style="list-style-type: none"> <li>• Why there was no pensions increase in April 2016</li> <li>• The potential impact of the New State Pension</li> <li>• A reminder about the Pensioners' Representative</li> </ul> <p>Monitor whether the retirement process flowchart results in improved feedback from the retired members' survey</p> <p>Provide a dedicated page on the NYPF website to keep retired members up to date on issues regarding investment reform (pooling)</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>
<b>Theme D: Managing expectations and keeping deferred members up to</b>	<p>A dedicated newsletter to include:</p> <ul style="list-style-type: none"> <li>• Why there was no pensions increase in April 2016 and leavers during 2015/16 affected by 0.1% negative revaluation</li> <li>• The potential impact of the New State Pension</li> <li>• When deferred benefits are payable</li> <li>• When NYPF will contact the member about payment of benefits</li> <li>• How members can keep track of their deferred benefits using the new online benefit projector.</li> <li>• How member can check their Annual Benefit Statement using the online member self-service facility</li> </ul> <p>Encourage electronic communication with deferred members. Processes have been updated to encourage deferred members to 'opt into' electronic communications. This will allow a quicker and more efficient retirement process when the member wants to claim their pension benefits. It will also allow regular updates to be provided more frequently. It will also increase the number of newsletters which can be sent via email rather than by post, saving on printing and postage.</p> <p>Provide a dedicated page on the NYPF website to keep deferred members up to date on issues regarding investment reform (pooling)</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>



# North Yorkshire Pension Fund

## Communications Policy Statement

**June 2017**



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



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## Communications Policy Statement

### 1.0 Background

1.1 Each of the Local Government Pension Scheme (LGPS) Funds in England and Wales is required to publish a Statement of policy under Regulation 61 of the Local Government Pension Scheme Regulations 2013 relating to the Communications Strategy for the Fund.

1.2 The key requirements for preparing the Statement are summarised as follows:

- (a) An Administering Authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and Scheme employers*
- (b) In particular the statement must set out its policy on the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers, the format, frequency and method of distributing such information or publicity, and the promotion of the scheme to prospective members and their employers*
- (c) the statement must be revised and published following a material change in the policy.*

1.3 North Yorkshire County Council (NYCC) as the administering authority for the North Yorkshire Pension Fund (NYPF) has published this Statement in accordance with these Regulations. This Statement has been prepared in consultation with appropriate interested parties.

### 2.0 Objectives

2.1 The Fund's objectives in communicating with stakeholders (as defined in **Section 3** below) are:

- to keep all stakeholders informed about the management and administration of the NYPF
- to inform stakeholders to enable them to make the decisions they need to make regarding pensions and the NYPF
- to consult major stakeholders on changes to regulations, policies and procedures that affect the NYPF
- to promote the Local Government Pension Scheme as an important tool in recruitment and as a benefit to scheme members
- to use the most effective ways of communicating with stakeholders
- to seek continuous improvement in the way we communicate

2.2 The Fund also needs to ensure that Stakeholders find it easy and convenient to communicate with the Fund.

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## 3.0 Stakeholders

3.1 The key stakeholders for the NYPF are:

- **the County Council's Pension Fund Committee** who make decisions about the way the Pension Fund and pension benefits are managed and administered
- **the Pension Board** who assist the Administering Authority (North Yorkshire County Council) in ensuring that the NYPF is managed and administered effectively and efficiently and complies with pensions' legislation and requirements imposed by the Pensions Regulator
- **scheme employers** who use the scheme to help recruit, retain and support employees and who themselves contribute to the Fund
- **scheme members** (current contributors, deferred and retired members) and their representatives who are ultimately the recipients of the benefits of the pension scheme
- **prospective scheme members** who are eligible to benefit from the scheme but have not yet joined
- **staff employed by the County Council and other employers who are responsible for the management and operation** of the Pension Fund and pension benefits

3.2 Other stakeholders who contribute to the NYPF include:

- the Fund Actuary
- the Investment Adviser
- the Investment Consultant
- the Independent Professional Observer
- investment managers
- the asset custodian
- the AVC provider
- the Fund Solicitor

3.3 Because the stakeholders referred to in **paragraph 3.2** above are the providers of services to the Fund, it is important that communication with them exists both to and from the Fund. Thus they must be made aware of changes affecting the Fund as well as have the ability and the means to provide advice / feedback, etc., to the Fund.

## 4.0 Methods of Communication

4.1 There are a variety of methods of communication adopted by the Fund. These are identified below with reference to each of the key stakeholders listed in **Section 3** above.

4.2 The items marked with an \* are available on the NYPF website.

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## **Pension Fund Committee**

4.3 The following are used to provide information to Committee Members:

- agenda papers – these are prepared for each Committee meeting and cover all matters (i.e. benefit administration and investment of the Fund's assets) relating to policy and performance of the Fund
- newsletters\* - Committee Members receive copies of all newsletters issued by NYPF
- workshops – organised for specific purposes usually linked to the review of a major piece of NYPF policy (e.g. Investment Strategy)
- third party training sessions – details are circulated to all Members on a regular basis

## **The Pension Board**

4.4 The following are used to provide information to Pension Board Members

- agenda papers – these are prepared for each meeting and cover all matters (i.e. benefit administration and investment of the Fund's assets) relating to policy and performance of the Fund
- newsletters\* - Members receive copies of all newsletters issued by NYPF
- third party training sessions – details are circulated to all Members on a regular basis

## **Scheme Employers**

4.5 The following will be provided to all Scheme employers:

- newsletter\* – updates delivered electronically
  - technical material – any information connected with the Scheme and its administration is issued to employer nominated liaison officer(s)
  - consultation – opportunities for NYPF/employer consultation wherever a collaborative approach is appropriate or policy changes are proposed or required
  - website – including discrete area for 'employer only' information
  - Pension Fund Officer Group (NYPFOG) – regular meetings held between NYPF and employer representatives
  - one to one employer meetings – dealing with any matters arising between NYPFOG meetings including training employers' staff engaged in pension administration activities
  - Employers Guide\* – detailing pension administration processes
  - Pensions Administration Strategy\* – agreed protocol setting out the respective responsibilities of NYCC (as the administering authority of the Fund) and the Fund's Employing Authorities
  - Communications Strategy setting out the current communication arrangements and future developments
  - Employer access to employee data – a means of providing data on line including starters, leavers, amendments and contributions
  - Admission Agreements – provide advice, process management and data analysis for any prospective employer pursuing admitted body status
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## **Scheme Members**

4.6 The following will be provided to active, deferred and retired members –

- Scheme Guide (short guide)\* – downloaded by new members of the Scheme or provided in hard copy on request by employers
- Scheme Guide (full)\* - available on the Fund website or provided on request
- Membership Certificate (Statutory Notice) – confirmation of participation in the LGPS following the commencement of employment
- estimate of benefits\* – calculated by members online or provided on request in appropriate cases
- annual benefit statement\* – provided on-line for active and deferred members or can be provided in hard copy on request
- newsletter\* – as appropriate for active and deferred members and once per year for retired members
- pre-retirement courses – support for employer led courses as required up to 6 times per year
- membership data on-line\* – personal data securely available to active and deferred members
- electronic satisfaction surveys – conduct surveys for qualitative assessments on such matters as payment of retirement benefits, satisfaction with call-handling etc. A hard copy is available on request.
- pay advice (sent to pensioners when they first retire and thereafter when gross pension changes by £1 or more per month)
- replies to any correspondence by letter or e-mail
- helpline – contact available via telephone during office hours or voicemail out of office hours
- website – including online benefits calculator and other self-service facilities. A generic email address is available with resulting queries being delivered to an Inbox which is dealt with on a daily basis during office hours by assigned staff members

## **Prospective Scheme Members**

4.7 The following will be available to prospective members:

- Scheme Guide (short guide)\* - distributed via the employers to all new employees or downloaded from the website
  - direct promotion – will assist the employer in promoting the Scheme via employer communication systems e.g. pay advice, newsletters, induction seminars, etc.
  - helpline – contact available via telephone during office hours or voicemail out of office hours
  - website – including Scheme guides to the LGPS.
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## 5.0 Annual Communications Strategy (incorporating Action Plan)

5.1 In consultation with Scheme employers and other stakeholders, the County Council prepares an **Annual Communications Strategy** for the NYPF detailing the current arrangements for communication with its stakeholders together with future communication developments. The Communications Strategy is subject to annual review and is presented to the Pension Fund Committee for approval at the start of each financial year.

5.2 The Strategy includes the following -

- commentary on current operating context for the Fund
- progress on actions included in previous Annual Strategy
- details of proposed actions for next year

## 6.0 Key Policy / Strategy Documents

6.1 In addition to the range of documents produced by the Fund explaining the benefits of the LGPS, for Scheme members and employers (see **paragraphs 4.5 to 4.7 above**), the Fund publishes a number of other key documents relating to the administration and governance of the Fund. These are as follows:

- Funding Strategy Statement (FSS)
- Investment Strategy Statement
- Annual Report
- Annual Communications Strategy
- Pensions Administration Strategy
- Governance Compliance Statement

6.2 All of these documents are available on the NYPF website.

## 7.0 Review of this Policy Statement

7.1 The Policy Statement will be reviewed annually to coincide with the approval of the **Annual Communications Strategy** as referred to in **Section 5**.

## 8.0 Further Information

8.1 If you would like to know more about our communications, or have a query about any aspect of the North Yorkshire Pension Fund, you can contact us in the following ways:

### By email

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

### By telephone

Pensions Help and Information Line: 01609 536335

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**In writing**

North Yorkshire Pension Fund  
County Hall  
Northallerton  
DL7 8AL

8.2 Further information can also be found on the NYPF website at  
[www.nypf.org.uk](http://www.nypf.org.uk)



# North Yorkshire Pension Fund

## Pensions Administration Strategy

**June 2017**

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





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## **Pensions Administration Strategy**

### **1.0 Purpose of Strategy**

- 1.1 This Strategy sets out the administration protocols between employers and the North Yorkshire Pension Fund (NYPF). The protocols aim to ensure the cost effective running of the Local Government Pension Scheme (LGPS) and the best service possible for LGPS members. The protocols ensure that the statutory requirements and timescales can be met and therefore must be followed at all times.
- 1.2 For the purpose of this Strategy no practical distinction is drawn between the statutory role of North Yorkshire County Council as the Administering Authority for the NYPF, its Pension Fund Committee, the Pension Administration Section or other sections of the Central Services Directorate all of whom play a role in the administration of NYPF – the term NYPF is used collectively to reflect all of the above roles within NYCC. The Pension Board also exists to assist the Administering Authority in ensuring that the NYPF is managed and administered effectively and efficiently and complies with pensions' legislation and requirements imposed by the Pensions Regulator.

### **2.0 Regulatory Background**

- 2.1 The protocols cannot override any provision or requirement in the Regulations outlined below or in any other relevant legislation.
- 2.2 This Strategy is made under regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013. The principal Regulations underpinning this document are:
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
  - The Local Government Pension Scheme Regulations 2013
  - The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
  - The Local Government Pension Scheme (Administration) Regulations 2007
  - The Local Government Pension Scheme (Transitional Provisions) Regulations 2007
  - The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
  - The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
  - The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and any amendments thereto)
  - The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (and any amendments thereto)
  - the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
  - the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (“the Disclosure Regulations”)
  - the Pensions Act 1995
  - the Pensions Act 2004
  - the Pensions Act 2008
  - the Data Protection Act 1998
  - the Finance Act 2004
  - the Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
  - the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 including amendments to any of these Regulations
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### **3.0 Review of the Strategy**

- 3.1 This Strategy will be kept under review by NYPF.
- 3.2 Employers may submit suggestions to improve any aspect of this Strategy at any time.
- 3.3 The Pension Fund Committee and the Pension Board will be asked by NYPF to formally review the Strategy on an annual basis.

### **4.0 Performance Levels**

- 4.1 Performance level agreements are set out in this document for both employers and NYPF. These will be reviewed annually, any changes will be communicated to employers and can be discussed at NYPF meetings.
- 4.2 This Strategy is the agreement between NYPF and employers about the levels of performance and associated matters to ensure that the statutory requirements and timescales can be met at all times.

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

#### **Contact Person**

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

#### **Authorised Signatories**

- 5.2 Each employer is required to provide a list of nominated individuals to act as authorised signatories whose names and specimen signatures are held by the NYPF. In signing a document an authorised officer is certifying that the form comes from the employer stated and also that the information being provided has been validated and is correct. Consequently if an authorised signatory is certifying information that someone else has completed, for example, leaving information including a final salary pay, career average pay, assumed pay, they should be satisfied that the correct validation process has been completed and the information is correct.
- 5.3 It is the employer's responsibility to ensure that details of the nominated contact and authorised signatures are correct and to notify the NYPF of any changes immediately. Failure to update authorised signatories will result in delays in carrying out pensions administration processes affecting individual scheme members, including payment of pension benefits.

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

- 5.4 The Pensions Regulator sets out specific requirements for public sector pension schemes set out in the '[Code of Practice No.14](#)'. Paragraphs 128 – 130 refer to the need for employers to understand and comply with the scheme manager's processes to ensure that the statutory requirements and timescales can be met at all times.
  - 5.5 From time to time NYPF's auditors may request member data. They may also request an employer site visit to carry out audits such as ensuring that correct and accurate pay calculations have been carried out. Employers are asked to co-operate with these requests.
  - 5.6 In the event of NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine. Examples of this would be, failure to provide leaver details on time or failure to provide sufficient and accurate year end
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information leading to delays in issuing Annual Benefit Statements and Pensions Saving Statements.

### Employee's Guide

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

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

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

### Member details – Employer performance levels

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

Event	Timescale for employer notifying the NYPF
<b>New starters (Employer Pen11 form)</b>	<b>Within one month of the employee joining</b>  Where an electronic Employer Pen11 has been submitted, the Employee Pen11 should be sent as soon as possible.
<b>Change in member's details (Change of Members Personal Details form)</b>	<b>Within 6 weeks of the event</b>
<b>Leavers (SU5 form)</b> There are two SU5s, one for members who have had an absence in their final year and one for members without absences	<b>Within 6 weeks of the employee leaving</b>
<b>Advanced Notification of Retirement (ADNOT form)</b>	<b>At least 30 days before the last day of employment</b>
<b>Retirements (SU5 form)</b> There are two SU5s, one for members who have had an absence in their final year and one for members without absences	<b>No later than 2 weeks following retirement</b>  Disclosure Regulations require that when a retirement takes place before Normal Pension Age (NPA) NYPF receives the SU5 no later than one month after the date of retirement. Where a retirement takes place on or after NPA, NYPF receives the SU5 no more than 20 days after the date of retirement.
<b>Death in Service</b>	<b>Within 3 working days of the employer being notified of the death of the member</b>

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## Year-end information

- 5.10 The employer (or their payroll contractor/agency for which the employer is responsible) shall provide NYPF with final salary (where applicable) and Career Average Revalued Earnings (CARE) year-end information as at 31 March each year in a notified format (provided by NYPF) no later than 30 April or the next working day. The employer will check the data for accuracy and completeness before submitting to NYPF.
- 5.111 The Council's Corporate Accountancy Team also requires separate information. After completion of the March contribution sheets, employers are required to review their full year contribution summary (contained within the same Excel document). All contributions for the year should be reconciled back to the organisational payroll and the relevant declaration is to be signed and dated before being returned to [pension.contributions@northyorks.gov.uk](mailto:pension.contributions@northyorks.gov.uk).
- 5.12 The employer is strongly advised to attend NYPFOG meetings (twice each year), particularly the meeting dedicated to year end processes.

## Contribution deductions

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

## Payment of contributions to NYPF

- 5.14 Contributions (but not Prudential Additional Voluntary Contributions) should be paid by BACS each month to NYPF.
- 5.15 All funds due to the NYPF in respect of employees and employers contributions must be cleared in the NYPF bank account by 19th of the month (or the last working day before where the 19th is not a working day) following the month the contributions relate to. Any employer wishing to pay by cheque must therefore ensure the cheque is received by NYPF by the 14th of the month (or the last working day before where the 14th is not a working day).
- 5.16 A penalty system will apply for employers failing to meet the deadlines, as stated in **paragraph 5.7** with a one month grace period for a 'first offence'. The penalty will be based on the number of days after the 19<sup>th</sup> of the month that the payment due is received in the NYPF bank account. This will take the form of a fixed penalty (£50) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. For persistent breaches of this protocol, the employer would be reported to the Pensions Regulator.
- 5.17 The employer can choose to pay either by cheque, payable to "North Yorkshire Pension Fund" or preferably by BACS direct to NYPF's bank account subject to the payment date guidance outlined above.
- 5.18 The employer must email a monthly return to [pension.contributions@northyorks.gov.uk](mailto:pension.contributions@northyorks.gov.uk), in advance of their payment. The monthly return is in a prescribed format and is provided by the Integrated Finance team. The form must state the employers name and reference number, the period and the amount of the payment split between employees and employers contributions. In addition, it should include the total pensionable pay, details of added-years contributions, Additional Regular contributions, Additional Pension Contributions and any other payroll related adjustments.
- 5.19 In the event of NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine.
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## **Additional Voluntary Contributions (AVCs)**

- 5.20 The employer will pay additional voluntary contributions to the AVC Provider, Prudential, within one week of them being deducted. Under the Pensions Act 2004 the Pensions Regulator may be notified if contributions are not received before the 19th of the month following that in which they were deducted. The employer will submit the schedule of AVCs in an agreed format directly to Prudential ahead of the actual remittance.
- 5.21 In the event of NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine.

## **Discretionary Powers**

- 5.22 It is a mandatory requirement that each employer is responsible for exercising the discretionary powers given to them by the Regulations. These Regulations extend to requiring the employer to publish its policy in respect of the key discretions as described by the Regulations to its employees. The Regulations also require that a copy of the relevant employer policies should also be lodged with the NYPF. Any subsequent changes to the policies must be published and copied to NYPF within one month of the change.
- 5.23 Employers will be responsible for responding to member complaints where a failure to maintain relevant employer policies results in a dispute case. This will include complying with the Internal Dispute Resolution procedure, where appropriate, and paying the associated fees for appointing a specified person.

## **Employer Decisions**

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

## **Independent Registered Medical Practitioner**

- 5.25 The employer is responsible for determining and employing their own appropriately qualified independent registered medical practitioner (IRMP) and providing details of those practitioners to the NYPF (see also **paragraph 6.8**). See the Pensions Ombudsman Service [newsletter](#) for useful information on the role of the IRMP.

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

- 5.26 NYPF is not responsible for verifying the accuracy of any information provided by the employer (including year end data) for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. The employer is solely responsible for ensuring that information has been validated and is correct. Failure to provide accurate and up to date information will result in delays in carrying out pensions administration processes affecting individual scheme members, including payment of pension benefits.
- 5.27 Any over payment made by NYPF resulting from inaccurate information supplied by the employer shall be recovered by NYPF from the employer.
- 5.28 The employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Pay or Human Resource sections).
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## Data Protection

- 5.29 Under the Data Protection Act 2003, the employer will protect from improper disclosure any information about a member contained (where applicable) on any item sent from NYPF. It will also only use information supplied or made available by NYPF for the operation of the Local Government Pension Scheme.

## Internal Dispute Resolution Procedure

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

## Fines imposed on NYPF

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

## Charges to the employer

- 5.32 NYPF will under certain circumstances consider giving written notice to employing authorities under regulation 70 on account of the authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under **paragraph 5.9** above. The written notice may include charges imposed by NYPF for chasing employing authorities for outstanding information as detailed in **paragraph 7.5**.

## 6.0 Responsibilities and Duties of NYPF

### Regulatory Issues

- 6.1 NYPF will administer the Pension Fund in accordance with the LGPS Regulations and any overriding legislation including employer discretions.
- 6.2 NYPF will issue a membership certificate to new members; this provides notification to members that they have joined NYPF.
- 6.3 NYPF is responsible for exercising the discretionary powers given to it by the regulations. NYPF is also responsible for publishing its [policy](#) in respect of the key discretions as required by the regulations.

### NYPF Performance Levels

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

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

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## Support to Employers

- 6.5 NYPF will support employers in running the Local Government Pension Scheme by:
- providing information, advice and assistance on the scheme and its administration
  - distributing regular technical information
  - arranging North Yorkshire Pension Fund Officers Group (NYPFOG) meetings/training sessions at least annually
  - delivering adhoc training sessions
  - attending pre-retirement seminars
  - maintaining an up to date and comprehensive website

See the **Communications Policy Statement** and **Annual Communications Strategy** for full details.

## Independent Registered Medical Practitioner

- 6.8 NYPF will verify that the individuals nominated by the employer (in accordance with **paragraph 5.17**) as independent registered medical practitioners are appropriately qualified to deal with ill health retirement cases. NYPF will seek confirmation at the point of **an employer being admitted** to the Scheme and confirm the information **at the time** of an ill health retirement.

## Services to Members

- 6.9 NYPF will produce benefit statements for members each year where the employer has submitted useable and accurate year-end financial data.
- 6.10 NYPF will provide a service to members that meets the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013.
- 6.11 In addition, NYPF will communicate with members through appropriate media and encourage at all times the use of member self-service facilities. Full details are provided in the **Communications Policy Statement** and **Annual Communications Strategy**.

## Multiple Language Literature

- 6.12 The process for providing multiple language literature has been established and certain NYPF documents have been amended to include reference to how to obtain an alternative version. In response to the need to work towards achievement of the Local Government Equalities Standard additional documents used by the NYPF will be amended to refer to the availability of alternative versions.

## Data Protection

- 6.13 Under the Data Protection Act 2003, NYPF will protect from improper disclosure any information held about a member. Information held will only be used by NYPF for the operation of the Local Government Pension Scheme.

## Internal Dispute Resolution

- 6.14 NYPF must identify a 'specified person' for any instances where an Internal Dispute Resolution Application (IDRP) application is submitted against the Administering Authority and meeting the associated costs.
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## **7.0 Contribution Rates and Administration Costs**

- 7.1 The Members' contribution rates are fixed within bands by the Regulations.
- 7.2 Employers contribution rates are determined by a triennial valuation process. Employers are required to pay contributions to secure the Fund's solvency in relation to their portion of the Fund and meet their liabilities over an agreed term.
- 7.3 NYPF is valued every 3 years by the Fund Actuary. The Actuary balances the assets and liabilities in respect of each employer and assesses the necessary contribution rate (and where applicable) the deficit amount for each employer. Employer contribution rates (and where applicable) the deficit amounts apply for 3 years except that an Admission Agreement may determine that reassessment should take place on a more frequent basis.
- 7.4 The administrative costs of running NYPF are charged by NYCC directly to the Fund and the Actuary takes these costs into account in assessing the employer contribution rate.
- 7.5 If NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work e.g.
- Non receipt of new entrant documentation requiring NYPF to set up temporary data and/or complete documentation on behalf of the employer
  - Chasing outstanding information following one reminder
  - IAS19/FRS102 valuations
  - ad hoc actuarial & legal advice (e.g. TUPE transfers and Academy conversions)
  - ad hoc technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)

## **8.0 Communications**

- 8.1 In accordance with the Fund's Communications Policy Statement and its Annual Communications Strategy, NYPF will work with employers to communicate relevant information to members.

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

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

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