Agenda

Meeting: Pension Fund Committee

Venue: Brierley Room, County Hall, Northallerton, DL7 8AD

(location plan attached)

Date: Thursday 4 July 2019 at 10 am

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Business

1. **Exclusion of the Public and Press – Exclusion of the public and press from the meeting during consideration of item 5 on the grounds that it involves the likely disclosure of exempt information as defined in the paragraphs 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to information)(Variation) Order 2006**

2. **Minutes of the meeting held on 23 May 2019 (attached) and the Special Meeting held on 20 June 2019 (Not yet available).**

   (Pages 6 to 28)

3. **Declarations of Interest**

Enquiries relating to this agenda please contact Steve Loach Tel: 01609 532216
or e-mail stephen.loach@northyorks.gov.uk Website: www.northyorks.gov.uk

4. Public Questions or Statements

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services *(contact details at the foot of page 1 of the Agenda sheet)* by midday on Monday 01 July 2019. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct those taking a recording to cease while you speak.

5. Death Grant Payment - Report of the Treasurer **(Pages 29 to 34)**

6. Pensions Administration Report - Report of the Treasurer **(Pages 35 to 62)**

7. NYPF Draft Statement of Accounts 2018/19 – Report of the Treasurer **(Pages 63 to 94)**

8. Budget/Statistics - Report of the Treasurer **(Report not yet available)**

9. Review of Governance Arrangements - Report of the Treasurer **(Pages 95 to 247)**

10. Investment Strategy Review – Report of the Treasurer **(Report not yet available)**

11. Pension Board – Draft Minutes of the meeting held on 11 April 2019 - Copy of the draft Minutes enclosed **-** Verbal update by the Chair of the Pension Board **(Pages 248 to 259)**

12. Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency

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

July 2019

Notes:

Emergency Procedures for Meetings

Fire

The fire evacuation alarm is a continuous Klaxon. On hearing this you should leave the building by the nearest safe fire exit. Once outside the building please proceed to the fire assembly point outside the main entrance

Persons should not re-enter the building until authorised to do so by the Fire and Rescue Service or the Emergency Co-ordinator.

An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

PENSION FUND COMMITTEE

1. Membership

County Councillors (8)		
	Councillors Names	*Political Group*
1	BLACKIE, John	NY Independents
2	CHAMBERS, Michael MBE	Conservative
3	LUNN, Cliff	Conservative
4	MULLIGAN, Patrick	Conservative
5	SOLLOWAY, Andy	Independent
6	SWIERS, Helen (Vice-Chairman)	Conservative
7	THOMPSON, Angus	Conservative
8	WEIGHELL, John OBE (Chairman)	Conservative

Members other than County Councillors (1 and 2) Voting (3) Non-voting		
1	CUTHBERTSON, Ian	City of York
2	CLARK, Jim	North Yorkshire District Councils
3	PORTLOCK, David	Chair of the Pension Board

Total Membership – (10)	**Quorum – (3) County Councillors**

Con	**Lib Dem**	**NY Ind**	**Labour**	**Ind**	**Other Voting Members**
6	0	1	0	1	2

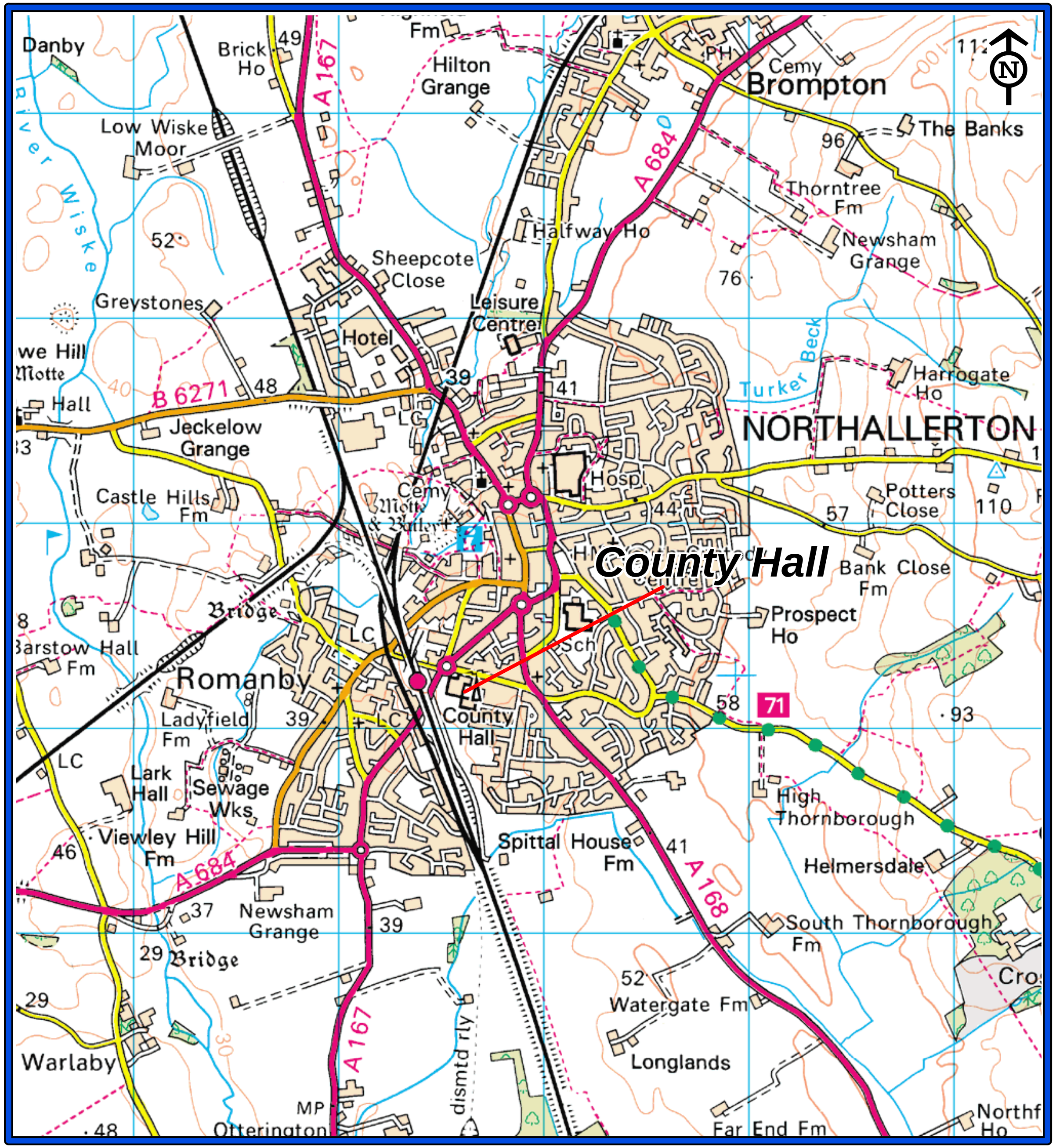
2. Substitute Members

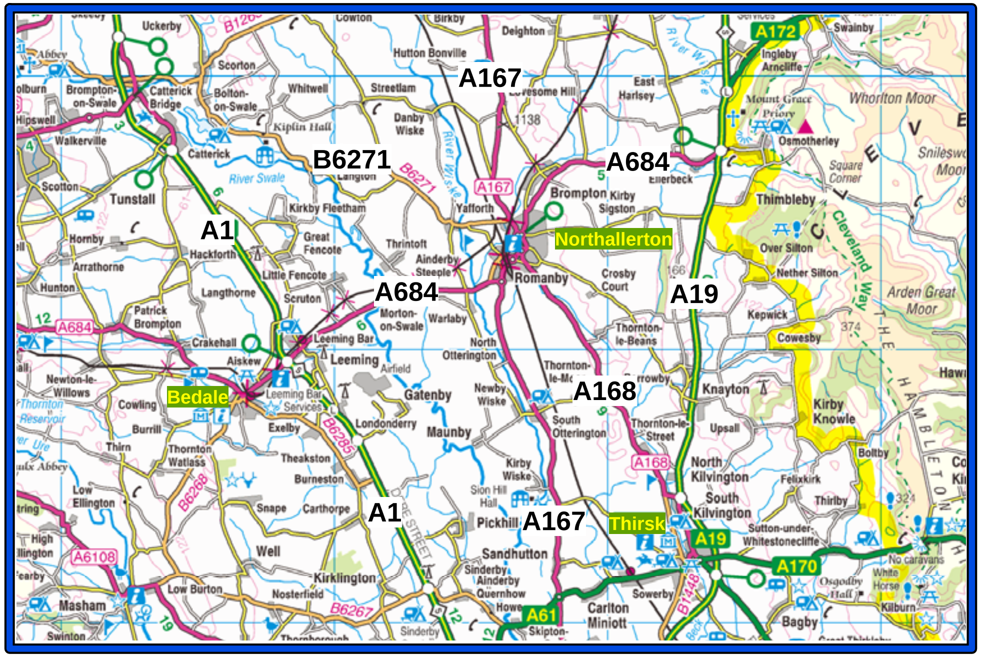
Conservative			
	Councillors Names		*Councillors Names*
1	BLADES, David	**1**	
2	PEARSON, Chris	**2**	
3	LES, Carl	**3**	
4	WINDASS, Robert	**4**	
5	MANN, John	**5**	

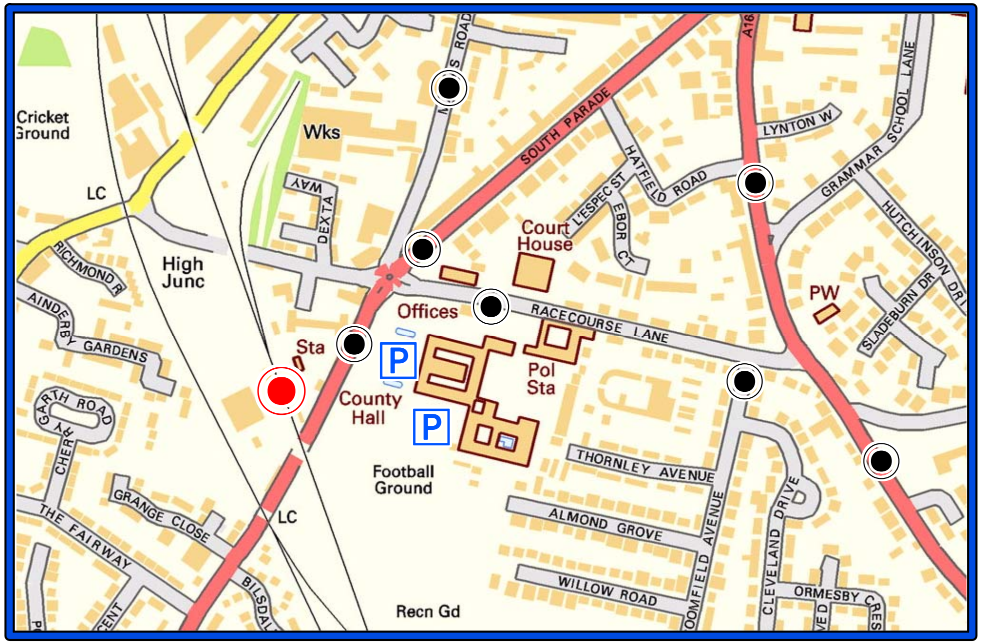
NY Independents			
	Councillors Names		
1			
2			
3			
4			
5			

3. Substitute Members

1	AYRE, Nigel	City of York
2	PEACOCK, Yvonne	North Yorkshire District Councils







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North Yorkshire County Council

North Yorkshire County Council

Pension Fund Committee

Minutes of the Meeting held on 23 May 2019 at County Hall, Northallerton, commencing at 10 am.

Present:-

County Councillors John Weighell OBE (Chairman), Michael Chambers MBE, Carl Les (as substitute for Angus Thompson), Patrick Mulligan, Andy Solloway and Helen Swiers.

Councillor Jim Clark - North Yorkshire District Councils.

David Portlock - Chair of the Pension Board.

In attendance - Brian Hazeldine (Unison)

There was one member of the public in attendance.

Apologies were received from County Councillors John Blackie, Cliff Lunn and Angus Thompson.

Copies of all documents considered are in the Minute Book

113a. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 117 on the grounds that this involves the likely disclosure of exempt information as defined in paragraphs 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

113b. Possible Exclusion of the Public and Press

Resolved -

That should, during consideration of Minute No. 118 - Investment Strategy Review - discussions arise that involve the disclose of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, then the public and press be excluded. The report relating to this item did not contain any exempt information.

114. Minutes

Resolved -

That the Minutes of the meeting held on 21 February 2019 and the special meeting held on 25 April 2019, were confirmed and read and signed by the Chairman as a correct record.

115. Declarations of Interest

County Councillor Carl Les declared a non-pecuniary interest in relation to him being a member of the Pension Scheme.

116. Public Questions or Statements

Dr Tim Thornton, a retired GP from Ryedale, addressed the Committee and highlighted the following statement and questions:

Thank you for the opportunity to speak to you on the subject of reducing and ending fossil fuel investment in the pension funds of North Yorkshire.

Local authorities around the UK have significant funds invested directly in fossil fuels as well as in mixed investment vehicles. Overall in UK authorities, £16 billion of investment in fossil fuels is exposed to an increasing risk of being caught out when the markets suddenly turn. The global coal crash caused an estimated £638 million to be wiped off the value off the UK authorities' pension funds and experts are warning that investors who hold onto investments in oil and gas will also suffer losses soon if they do not divest in time.

We know the impact of fossil fuels on the climate and that we have a very short time to respond to the threat of global overheating. We have already discovered about 5 times the quantity of fossil fuel reserves that theoretically might be exploited and the companies continue to seek out greater resources. If we are to come anywhere near the 1.5ºC maximum for global temperature rise we need to leave over 80% of the known resources in the ground. This would result in huge levels of stranded assets for the fossil fuel companies. This is no longer a matter of 'belief' but an accepted view from the vast majority of serious scientists. The facts are known, it is now for us all to consider how we respond to the challenge.

As with the transition from horse to motorcar, the end of coal fired power stations, the collapse of the asset value in fossils fuels is likely to be rapid and perhaps terminal for the companies. The assets of the pension funds are therefore at risk. This is not just a country GP expressing concern but is backed by Mark Carney who recently stated that the vast majority of the existing reserves of fossil fuels are literally un-burnable.

(The Bank of England issued a Supervisory Statement in April this year, noting the Climate Change and society's response to it, present financial risks which might crystallise out in full over longer horizons, they are becoming apparent now. The Prudent Regulatory Authority at the Bank of England spelled out the areas of challenge and recognises the need to transition the sector's thinking with regard to fossil fuels and their impacts.

I can imagine that the whole spectre of Climate Crisis and the investment decisions that must accompany the concept are burdensome and unprecedented but none of us can escape our responsibilities. You would not be alone in making the move however. Up to the present moment $8.68 trillion has been identified for divestment and the Norweigian Sovereign wealth funds has committed to divest around $7.5 billion of its fossil fuels holdings.

The UK Stewardship Code set out by The Financial Reporting Council also points to the responsibilities of the investors which include - risks that might arise from social and environmental matters.

In the NYCC pension fund strategy it is recognised in sections 6.0 and 7.0 that the Committee retains the responsibility for the investment strategy and asset allocation despite the day to day activity being the responsibility of the Pool.

Client Earth under the leadership of James Thornton, no relation, has listed a few common misconceptions in the relationships between Local Government Pension Schemes and the Local Authorities. It refers to the Keith Bryant QC opinion on the need to assess the financial risks of Climate Change and must take those risks into account when making that investment decisions. He noted that if the Authority failed to take due consideration it could be legally challenged. The opinion points out that the Authority cannot simply delegate the investment decision making to the investment managers, it is the Authority that carries the responsibility for strategic asset allocation.

Similarly delegating engagement activities to the LAPFF or to the Pool is not enough to discharge the rest of the administering authorities' legal duties to address climate risk.

It may be suggested that NYCC needs the cash flow and growth from fossil fuel investment. Somewhat surprisingly the evidence on the financial returns from fossils fuels would have had no impact on the value on the performance of funds.

New York State retirement fund would have been $22 billion dollars better off if it had divested 10 years ago. Nearly $20,000 for each of its funds' members.

Fossil free Standard and Poor Funds have outperformed the same funds with fossil fuels included.

Finally the option to influence large fossil fuel companies just doesn't exist. Their business model is business as usual and exploration for further fossil fuel resources continues unabated.

I would like to pose these questions.

Will the Pension Fund Committee please look at the risk that fossil fuels add to their portfolios, at the levels of exposure, and future expectations of challenges from cheaper and cleaner renewables?

Will the Committee accept the need to move away from fossil fuel investment?

Will the Committee set a short time period to achieve that divestment in order that the Pension Fund is protected from the anticipated or potential brisk drop in value of their pensions?

Dr Margaret Jackson, Senior Partner and GP (Sleights and Sandsend Practice) submitted the following statement which was read out by the Clerk:-

There are strong scientific and moral arguments to support divestment from fossil fuels. The financial and fiduciary arguments are also extremely persuasive.

Fossil fuel investments are widely thought to be overvalued. In order to hold global temperature rises to 2 degrees or less (Paris Climate Accord), 80% of known oil and gas reserves must remain unexploited - rendering them effectively worthless. Investments in extractive companies depend both on the promised value of known reserves as well as on the industry driving forward to prospect for yet more oil and gas. This approach is incompatible with any hope of holding warming to within 2 degrees. An analysis in 2017 by Share Action found that Shell's and BP's business plans are consistent with a 3-5 degree warming or more. This makes these investments highly risky because there are many forces intent on limiting warming to 2 degrees or less.

Renewable energy is gaining ever more market share - being increasingly available and affordable. Once a tipping point is reached ("peak fossil fuels"), it is likely that the value of fossil fuels will plummet substantially, rapidly and permanently rendering investments stranded. Carbon Tracker predict that this could happen in the early 2020s.

Pension fund trustees are legally required to consider climate risk "where it could present financial risks to the fund's investments" (ClientEarth senior corporate lawyer, Alice Garton). Additionally, recent EU law (IORP 2 Directive) mandates the consideration of environmental, social and governance factors by pension fund trustees. So it is necessary that the committee engages with this issue.

The question is asked whether investors should engage fossil fuel companies in an attempt to persuade them to move towards more sustainable energy sources as an alternative to divesting from them. Engagement can be successful in changing something other than a company's core business model. Unfortunately decades of shareholder engagement with fossil fuel companies has failed to make any meaningful changes. In 2017 Shell asked its shareholders to vote against a shareholders' AGM resolution requesting the company set and publish targets for reducing greenhouse gas emissions that align with the Paris Climate Agreement. The resolution was defeated, obtaining just 6.3% of investor support. A year later a similar resolution was defeated with even less than 6% investor support.

Of course the financial risk of an engagement strategy is enormous given the likely steep fall in the value of fossil fuel company assets.

I would therefore ask the committee to seriously consider re-investing its £175 million currently invested in fossil fuels in the same way that other councils in England have already done - South Yorkshire, Haringey, Waltham Forest, Southwark and Hackney.

The Chairman of the Committee provided a response to the public questioners as follows:-

NYPF has a duty to ensure that the Pension Fund is fully funded in order to meet the pensions' benefits due to its members without employers bearing undue contribution levels. In order to do this NYPF determines its investment strategy and appoints Fund Managers to make stock selections to maximise its investment returns.

Fund Managers are well aware of the value of individual stocks and we believe they are best placed to determine the best investment options. That is why we do not direct them to avoid investments in fossil fuels. It is clear, however, that fossil fuel investments are becoming less prevalent as the market recognises the move towards more sustainable energy as it is both environmentally and financially advantageous.

NYPF currently has around £58m (c.1.6% of the Fund) invested in oil and gas/energy sector, some of which will be indirectly invested in fossil fuels. NYPF does, however, recognise that there is a clear move away from fossil fuels to renewables and NYPF also has exposure to renewable energy (approx. £40m).

It must be borne in mind that a sudden disinvestment in all fossil fuels would undermine what is a necessary source of energy today. That will change over time and that can be seen happening as companies are increasingly challenged by shareholders about how they are becoming more sustainable but this transition needs to be managed.

NYPF produces its own Investment Strategy Statement that includes a section on environment, social and governance. NYPF continues to engage with companies on fossil fuels, climate change and investment in carbon stocks through its participation in the Local Authorities Pension Fund Forum (LAPFF). LAPFF's approach is to undertake robust engagement for an orderly carbon transition by requiring companies to identify and tackle carbon risks. The Fund also uses PIRC to exercise voting rights to ensure there is a responsible investment approach. NYPF therefore does recognise the risks associated with fossil fuel investments and envisages an orderly transition away from fossil fuels over the medium term.

It should also be noted that NYPF will, in the future, remain the body responsible for determining asset allocation but the choice of individual fund managers and any restrictions on their activities will be the subject of the Borders to Coast Pension Pool.

He noted that a fuller, written response would be provided to the public questioners in respect of the issues that they raised.

Following the initial questions/statements and response a short discussion took place and the following points were raised:-

- Dr Thornton recognised the difficulties in changes to investments, but emphasised the need for the Fund to consider the potential losses that would arise to the Fund from a move from fossil fuels to renewables over the next few years, and how that may affect investments unless action was taken now.

- In relation to this the Fund's Independent Investment Adviser stated that the new structure for investments, through the Pool, could see a different style introduced in terms of where investments were made, however, as with Fund Managers now, the NYPF would have no control over that. He noted that market conditions could lead to fluctuations in all types of investments and it was not necessarily the case that fossil fuel investments would plummet, as dis-investment would not necessarily take place.

- The Chairman emphasised that the use of fossil fuels was still widespread, particularly in a rural setting such as North Yorkshire and did not consider that investments in those fuels would significantly diminish in the 2020s, suggesting that it was more likely to be the 2030s when a significant downturn in fossil fuel investments would be seen. He noted the significant improvement in air quality over the last 50 years in terms of better use of cleaner fuels.

- The Treasurer stated that North Yorkshire Pension Fund was fully aware of the risks of investments in fossil fuels and the investment strategy would reflect that accordingly. It was noted that Fund Managers were employed to mitigate those risks and would take appropriate action in relation to those.

- Retired Unison Members representative, Brian Hazeldine, outlined his concerns regarding investments that were not taking account of significant environmental concerns. He stated that, as a taxpayer and pensioner, he was keen for the Pension Fund to recognise environmental concerns, to take account of future lives. He suggested that action was required soon, otherwise it could be too late. He asked that the issue be addressed politically and challenges made against investments that did not address ecological and environmental concerns, to ensure that worldwide agreements were being followed and that concerns were being addressed accordingly.

- In response the Chairman noted that over the last ten years there had been much more emphasis on environmental matters and Fund Managers were beginning to take account of those concerns. He emphasised that the matter was complex in terms of investments and further consideration of the issues raised would be undertaken, going forward.

- The Treasurer emphasised that the figure stated within the written statement in relation to investment in fossil fuels by NYPF was not recognised as being an appropriate figure.

- A representative of the Fund's Investment Consultants AON Hewitt, indicated that some Pension Funds were re-investing in relation to environmental issues and noted that the move to BCPP, in terms of the pooling arrangements, would likely address some of the issues raised, in terms of investments in renewable energies and less in fossil fuels, going forward. This was likely to be a longer term aspiration for Investment Managers. A Member noted that action had already been taken to address the situation with possible exposure to fossil fuels being a very small amount of the Fund.

- It was again stated that, a full detailed response would be provided to the questioners and copies would be provided to Members of the Pension Fund Committee.

Minute No. 117 - Death Grant Payment - included confidential details, as outlined in Minute No. 113a, and, as such, the minutes reflect the confidential nature of some of that information.

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117. Death Grant Payment

Considered -

The report of the Treasurer providing Members with information relating to the death of a Scheme Member in April 2014, in order that a decision could be made as to the beneficiary of the death grant now payable.

It was noted that it was an administering authority discretion, under the Regulations, to decide to whom death grants were paid. It was standard practice for the NYPF to pay death benefits in accordance with the nomination form completed by a member, however, the personal circumstances of the Scheme Member had changed prior to their death.

Members were asked to confirm to whom the death grant should be paid. This could be to a single or multiple beneficiary.

Full details of the situation regarding the Scheme Member and family members were outlined and next of kin information was provided.

Members undertook a discussion in relation to the details provided and the next of kin information provided.

Resolved -

That the death grant of the Scheme Member, as outlined in the report, be paid in equal amounts to the children detailed.

Minute No. 118 - Investment Strategy Review - could possibly include the disclosure of exempt information during the discussion of the item, as outlined at Minute No. 113b, and, as such, the Minute below reflects the confidential nature of some of that discussion.

118. Investment Strategy Review

Considered -

The report of the Treasurer requesting Members to:-

(i) Review and approve the long term Investment Strategy of the Fund as part of the 2019 triennial valuation.

(ii) Finalise the allocation to BCPP's Global Equity Alpha Fund.

(iii) Consider an initial allocation to the BCPP multi-asset credit sub-fund.

(iv) Consider an update on the equity protection implementation.

(v) Consider an update on the UK equity transition.

BCPP's Global Equity Alpha Fund

The Treasurer stated that BCPP had very recently provided details of the Fund Managers for the Global Equity Alpha Fund, however, as the information had only just been received by NYPF it would be impossible to make a decision on this matter at this meeting, as full details had to be considered appropriately. The Treasurer suggested, therefore, that a further meeting be arranged to discuss this matter before the end of June 2019. He stated that the Investment Strategy review was a separate matter to this decision and, therefore, could be considered separately.

Members discussed the initial Fund Manager selection by BCPP for the Global Equity Alpha Fund and the following issues were outlined:-

- Members expressed their significant disappointment that Baillie Gifford had not been chosen to be one of the Fund Managers.

- It was suggested that NYPF may have joined the wrong Pool in terms of how it wished its global equity investments to be implemented.

- Members were advised to be extremely cautious if considering an alternative Pool for investments. Members emphasised that the issue did not relate to the Fund Managers, per se, but the style of investment being offered in terms of global equities through the Pool.

- Members, the Chairman, the Treasurer and Investment Advisers discussed the position in terms of why the Pool was chosen and the restricted timescales in relation to that. It was emphasised that it would be significantly difficult to go through that process again in terms of opting for an alternative Pool.

- The Chair of the Pension Board noted there had been a meeting of Pension Board Chairmen, for those Pension Funds involved with BCPP, the previous day, and he had been party to some discussion with representatives of BCPP at that event.

- It was noted that representatives of BCPP would be attending a meeting with Pension Fund Committee Members on the day following this meeting and further discussions on the appointment of Fund Managers to the Global Equity Alpha Fund could be developed there.

- A Member, whilst having some sympathy with the suggestion of finding an alternative Pool, suggested there would be great difficulty in undertaking this and also NYPF may have problems in identifying an alternative Pool, at this stage. It was also a factor that other Pools may also not provide sub-fund that allow the Investment Strategy which Pension Fund Committee Members preferred to be implemented.

- Members emphasised the need to consider the details outlined by representatives of BCPP at the forthcoming meeting to determine how best to proceed.

- The Fund's Independent Investment Adviser stated that due diligence should be undertaken by the NYPF at this stage in respect of the managers picked to determine what they could offer and how this would affect the Fund's Investment Strategy, going forward.

- It was noted that BCPP were aware that the NYPF would have preferred Baillie Gifford to be one of the Investment Managers for global equities. The Chairman highlighted a number of issues in relation to his service to the Joint Committee of BCPP, the culture of that Pool and the political nature of that. He considered that it would be appropriate to put on hold the commitment to global equities to BCPP at this stage, given the due diligence information provided on the sub-fund. He also considered it appropriate to discuss the matter with representatives of BCPP the day following this meeting before any decisions were made on how to proceed.

- The Treasurer stated that a full explanation would be provided as to the Fund Managers that had been chosen for the global equity portfolio when Pension Fund Committee Members met with representatives of BCPP. He emphasised that additional due diligence would still be required in terms of the appointed Fund Managers in relation to the requirements of NYPF. He noted the discussions earlier in the meeting regarding the possibility of leaving the Pool and emphasised the costs that would be involved in doing that and the difficulty in finding the capacity to undertake the work involved around moving to an alternative Pool.

- The Fund's Investment Consultants and Investment Adviser provided their opinions on this matter highlighting the following:-

  - The Fund Managers chosen followed due process by BCPP.

  - Further talks with representatives of BCPP would allow a deeper exploration of this position

  - Talks with BCPP could continue until a sub-fund better aligned to the NYPF Investment Strategy was offered.

  - Details of the types of questions to ask of BCPP representatives at the forthcoming meeting were outlined.

- Details were provided of the portfolio styles and investment holdings of the chosen Fund Managers. An opinion was provided in relation to their performance how they were rated by the Investment Advisers NYPF.

- The investment style of BCPP, through its appointment of these managers, was discussed.

♦ Members emphasised the major contribution that Baillie Gifford had made to the upturn in fortunes of the Pension Fund in recent years and again reiterated their disappointment that they had not been chosen as one of the Fund Managers within BCPP's sub-group for global equities.

♦ It was again emphasised that discussions would be taking place with representatives of BCPP on the day following this meeting and further consideration of this matter could be undertaken at that stage.

<u>UK Equity Transition - Update</u>

The Treasurer reported that the transition of the high percent UK equities allocation to the BCPP UK Equity Alpha Fund was approved at the meeting of the Pension Fund Committee on 22 November 2018. The transition of the Funds to BCPP had taken place in May 2019.

<u>Equity Protection Implementation</u>

The Treasurer reported that, following the decision to implement an Equity Protection Strategy by the Committee in February 2019, authority was delegated to the Treasurer, in consultation with the Chair, to select and appoint an Equity Protection Manager.

Presentations were held with the shortlisted Equity Protection Managers prior to the Committee meeting on 25 April 2019. At that time Members were asked to consider their preference on the manager to help inform the selection. After further review from consultants on the details of the terms of the arrangements, the preferred manager had now been selected and terms were in the process of being agreed.

It was noted that action would be taken to undertake the transition of the Funds into this portfolio, as soon as possible, but care would be taken so as not to transfer at a time when markets were at an inappropriate level for this to take place.

<u>Investment Strategy Review</u>

The Treasurer reported that the Fund was currently in the process of undertaking an Investment Strategy review as part of the 2019 Triennial Valuation. Funding levels were much higher than during previous valuations, due to the strong performance of investments seen over recent years and, therefore, it was suggested that the Strategy of the Fund should change to reduce risk and reflect the much improved funding position.

The Committee had already responded to improving funding level and had taken steps to reduce risk in advance of the valuation. Recent changes made to the Investment Strategy and the current actual allocations were outlined in the report.

It was recognised that there was an equity risk to the Fund and the implementation of an equity protection strategy had been approved, in the short term, to reduce equity risk, until a long term strategy was determined and implemented.

The report allowed Members to discuss the Investment Strategy with the Investment Consultants and Investment Adviser and to determine a high level strategy to inform the Triennial Valuation assumptions.

In line with this, AON Hewitt, the Fund's Investment Consultants, provided a presentation, outlining the following:-

Purpose of Today's Meeting

- Agree the objectives for changes to the Investment Strategy.
- Agree investment beliefs of the Committee.
- Agree likely future changes to the long term Investment Strategy and next steps.
- Agree the level of risk to be taken within the long term Investment Strategy and asset allocation for use in valuation.

Agree the Objectives to changes to the Investment Strategy

- Objective - reduce investment risk to lessen the risk of adverse future funding positions: whilst continuing to target levels of expected investment return which do not increase the contribution rate.
- Define benefit liabilities.
- Funding targets.
- Diversification.
- Contributions stability.

Agree investment beliefs of the Committee

- Equity should be main driver of risk and returns.
- Active management can add value (particularly in equities).
- Avoid diversification for diversifications sake.
- Only add new assets when clear benefit and subject to training and suitability.
- Long term investor: can afford some volatility in assets.
- Long term investor: can afford some illiquidity if adds value.

Discussions took place about the objectives for changes and the investment beliefs of the Committee and the following issues were raised:-

♦ It was emphasised that all investments should be the main driver of risk and returns, not just equities.

♦ It was considered that there had been a large amount of diversification over the previous few years, with some being more successful than others. It was emphasised that there had to be some diversification to reduce the risk associated with the current high level of investment in equity, however, efforts would be made to ensure that diversification provided a level of return, similar to that of equities, but without the associated risks. Members stated that they would welcome this approach and emphasised the need to ensure that diversified investments also provided appropriate returns.

Proposed changes to the Investment Strategy

Reduce equity

- Why reduce the equity allocation
  - The Fund had enjoyed very strong returns from its equity allocation over ten years.
  - The Fund had a large allocation to equities and markets were expected to be volatile.
  - The biggest investment risk the Fund faced was a fall in equity markets.

- Steps to implementation

  - Reduce equity risk in short term using equity options.
  - Continue training on alternatives with BCPP on implementation.

- Sell equities and buy alternatives when appropriate.

Introduce illiquid growth

- Why invest in illiquid growth assets such as infrastructure
  - Capture an illiquidity premium available to the Fund due to its long term investment time horizon.
  - It is often with inflation linked income.
  - Provides diversification from equities.

- Risk/return
  - Risk - less opportunity with core/lower risk assets.
  - Risk - typically closed ended funds with 12-25 year lock-ups.
  - Return - more opportunity globally with core plus/value added managers.
  - Return - sufficient opportunities for skilled managers.

- Steps to implementation
  - Continue training on illiquid growth assets.
  - Work with BCPP on implementation.
  -

Introduce liquid credits

- Why invested in liquid credits
  - Liquid credit provides a fund with lower expected levels of risk and return than equities but higher expected return than gilts together with some diversification benefit.
  - Very broad investment universe.
  - Credit premium of the underlying assets provides a large portion of overall returns.
  - Multi asset credit managers add value by rotating across sectors and/or by security selection sectors.

- Steps to implementation
  - Continued training on credit and multi-asset credits.
  - Work with BCPP on implementation.
  - Invest when suitable funds available.

Replace DGF allocation with other absolute return strategies

- Why replace DGF
  - Displayed high correlation to traditional markets and can be dominated by equity risk.
  - Require a wide managed skillset.
  - Relatively expensive.
  - Performance generally being disappointing.

- Steps to implementation
  - Continued training on alternatives to DGF.
  - Work with BCPP on implementation.
  - Invest when suitable funds available.

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

♦ Other Funds were in a similar position to NYPF regarding equities and were also looking to control risk although NYPF was in a much stronger funding position than many other funds.

♦ The equity protection was in place to allow the new strategy to be created and the de-risking to take place.

♦ Illiquid growth suited the North Yorkshire Pension Fund objectives and views on investments. It was noted that this was mainly infrastructure and private equity. Further discussion on that matter would be undertaken with BCPP at the forthcoming meeting with their representatives.

♦ It was expected that BCPP would provide assistance with the development of liquid credit. This investment category was a medium risk, fixed income strategy. Members emphasised that they need to know about this category of investment, as, previously, during the markets crash in 2008, some investments had led to the Fund facing large losses. This position was acknowledged and work would be undertaken with the Committee in relation to how this particular investment operated.

♦ In relation to the replacement of DGF with absolute return strategies it was noted that work would be undertaken alongside BCPP to develop this investment and part of the presentation at the forthcoming meeting with BCPP representative would address this matter.

♦ Members again expressed the view that reducing the exposure to equities could, in turn, reduce returns and lower the current funding level. Representatives of the Investment Consultants agreed and emphasised the need to ensure that the new investments undertaken, if agreed, would generate appropriate returns whilst reducing the risk of equities. Members emphasised that there was a major balancing exercise to be undertaken to ensure that exposure to equities was not too low so as to significantly reduce returns.

Asset Allocation for Valuation - Risk Reduction

The presentation provided details of each asset class group, the current strategy, allocation to each asset class group for a 10% lower risk strategy and similarly for a 20% lower risk strategy. Key statistics were provided in relation to how the Fund would be affected in terms of implementing the 10% lower risk strategy and, in comparison, the 20% lower risk strategy. Members were asked to consider the details and decide which strategy they would prefer to adopt.

Members discussed the implications of adopting a 10% lower risk strategy as opposed to the 20% lower risk strategy and the following issues and points were raised:-

- Clarification was provided that a range of allocations was available for each asset class group within the Strategy, however, for the purposes of this exercise a definitive point had been outlined.
- The details provided related to the long term strategy in accordance with the details required by the actuary.
- It was noted that the balancing of the risk position had to be made against potential gain.
- It was clarified that the details being considered at the meeting related to what was required by the actuary at this stage in terms of the Triennial Valuation and additional factors would be fed into the process before the valuation was undertaken.

Resolved -

(i) That a special meeting of the Pension Fund Committee be arranged for 20 June 2019 at 11 am;

(ii) That the long term Investment Strategy of the Fund to inform the 2019 triennial valuation assumptions be agreed, together with the following specific issues:-

(a) that the objectives for changes to the Investment Strategy:-

- to reduce investment risk to lessen the risk of adverse future funding positions, whilst continuing to target levels of expected investment return which did not increase the contribution rate through defined benefit liabilities, funding target, diversification and contributions stability, be agreed;

(b) that the following investment beliefs of the Committee be agreed:-

- equity should be the main driver of risk and returns
- active management can add value
- avoid diversification for diversifications sake
- only add new assets when clear benefit and subject to training and suitability
- long-term investor: can afford some volatility in assets
- long-term investor: can afford some illiquidity if adds value;

(c) the following proposed future changes and next steps to the Investment Strategy be agreed:-

- reduce equity
- introduce illiquid growth
- introduce liquate credit
- replace DGF with other absolute return;

(d) that a 10% lower risk strategy, as outlined in the presentation, be agreed.

(iii) That the final commitment to the BCPP Global Equity Alpha Fund be deferred for consideration at the special meeting arranged for 20 June 2019.

(iv) That an initial indicative allocation to multi-asset credit be deferred for further consideration, following discussions with representatives of BCPP at a meeting to be held on 24 May 2019.

(v) That the update on the equity protection implementation be noted.

(vi) That the update on the UK equity transition be noted.

119. Performance of the Portfolio

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 31 March 2019.

The report indicated that the absolute overall return for the Quarter (8.3%) was above the customised benchmark for the Fund (7%) by 1.3%.

The 12 month absolute rolling return was -2.1%, 0.9% above the customised benchmark of -3%. The report provided details on individual Fund Manager's performance in respect of the following asset classes:-

- ♦ Overseas equities.
- ♦ Global equities.
- ♦ UK equities.
- ♦ Fixed income.
- ♦ Property.
- ♦ Diversified growth funds.
- ♦ Private debts.
- ♦ Insurance linked securities.
- ♦ Cash investment.

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

The Fund's Investment Consultants, AON Hewitt, provided an in-depth analysis of the investment performance.

The performance was discussed with Members and the following issues and points were highlighted:-

- There had been a significant “bounce back” during Quarter 1, in comparison to Quarter 4 2018/19.

- Previously, Quarter 4 had seen a 10% fall in the value of the Fund, which had resulted from market volatility due to increased USA interest rates and poor market liquidity.

- Quarter 1 had seen strong returns following the non-occurrence of expected interest rate rises in the UK and the basis for a strong recovery could be seen.

- Details of the Quarter 1 performance of Fund Managers were outlined and it was noted that all had performed well.

- Issues around the insurance linked securities portfolio were outlined. It was noted that the impact of a number of worldwide natural disasters in Quarter 4 had been felt by this portfolio, however, Quarter 1 had not seen significant incidents occurring, which had led to an increase in performance. It was asked whether climate change had an impact on this investment area and clarified that this was unlikely.

- A Member highlighted the consistent outperformance of the benchmark by Baillie Gifford as detailed in the information provided.

- The performance of the bond investments with M & G were highlighted and issues around the good returns seen from that investment were discussed.

- It was stated that overall, Quarter 1 had seen a good performance for the Fund’s investments.

Resolved -

That the investment performance of the Fund for the period ending 31 March 2019 be noted.

The meeting concluded at 1.40 pm

SLJR

North Yorkshire County Council

Pension Fund Committee

Minutes of the Special Meeting of the Committee held on 20 June 2019 at County Hall, Northallerton, commencing at 11 am.

Present:-

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

Councillor Jim Clark - North Yorkshire District Councils.

David Portlock - Chair of the Pension Board.

In attendance - County Councillor Carl Les - Leader of the Council

Apologies were received from Councillor Ian Cuthbertson (City of York Council).

Copies of all documents considered are in the Minute Book

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120. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 122 on the grounds that this involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

121. Declarations of Interest

There were no declarations of interest.

Minute No. 122 – Global Equity Transition - included confidential details, as outlined at Minute No. 120, and, as such, the Minute below reflects the confidential nature of some of that information.

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122. Global Equity Transition

Considered -

The report of the Treasurer:-

(i) Updating the additional due diligence work carried out on the BCPP Global Equity Alpha Fund.

(ii) Requesting Members to finalise the allocation to BCPP's Global Equity Alpha Fund.

(iii) Requesting Members to consider the allocation of the residual global equities within the Fund.

The Treasurer provided an initial opening statement in relation to this matter highlighting that in February 2019 the Pension Fund Committee had agreed a £1bn investment in the BCPP Global Equity Alpha Fund, based on market conditions at the time and subject to due diligence. This was around 30% of the total Fund value and around 60% of global equities. Authority was delegated to the Treasurer, in consultation with the Chairman of the Committee, to carry out the necessary due diligence on the BCPP Global Equity Alpha Fund prior to final commitment being approved.

The meeting of the Pension Fund Committee in May 2019 was provided with an update on the managers selected and their weightings in the BCPP Global Alpha Sub-Fund and details of the managers chosen were outlined.

An informal meeting of the Committee was held on 24 May 2019 and representatives of BCPP attended to provide Members with further details on the selection process for the managers, including the complementarity process and the rationale behind the final portfolio construction. Details of this were appended to the report.

As the Sub-Fund was due to launch in Quarter 3 2019 Committees had been asked to confirm their final commitment by around mid-June. This decision could not be taken, however, in May, due to short timeframes between the final due diligence information being made available and the meeting itself and it was agreed, therefore, that a special meeting be undertaken to consider this. The importance of the global equity allocation to the NYPF Strategy was of such importance that the Committee felt that additional due diligence work should be carried out before a final decision could be taken.

Since the May meeting due diligence had been carried out by AON, in conjunction with BCPP and NYPF officers, and the final report was attached as an appendix. The aim of the report was to provide Members with comfort over the selection process for the Sub-Fund and also to look into the complementarity at a Fund level to determine the optimum amount to invest in BCPP and what to do with any retained global equities.

Representatives of AON presented their report relating to the BCPP Global Equity Alpha Fund selection process. They outlined the scope of their report as follows:-

- Was there confidence in the process followed by BCPP and, therefore, comfort in making an allocation to the BCPP Global Alpha Equity Fund, subject to any further required manager level due diligence.

- Was there a strategic case for holding equity assets outside of BCPP.

- What would be an appropriate allocation to BCPP Global Alpha Fund, LTGG and other global equity funds in the short and longer terms.

- It was noted that the report did not provide full due diligence on the five individual managers and strategies selected to form the BCPP Global Alpha Fund.

- Details of the background information provided, and of that not provided, were outlined.

A Member asked for clarification about the Investment Strategy of the Pension Fund and whether de-risking the Fund was still the objective. Details were provided in clarification of this position and it was emphasised that the aim was still to de-risk the investments, however, determination of the equity portfolio was being undertaken at this meeting.

The AON report set out the following:-

<u>BCPP Pension Pool - Global Equity Alpha Fund Selection Process</u>

- Process review.
- Overall process.
- Technical questions.
- Value for money.
- Complementarity.
- Baillie Gifford LTGG in BCPP procurement process.

  In summary AON stated that, based on the information made available, they concluded that BCPP and Mercer (BCPPs Investment Advisors) had conducted a thorough and detailed procurement process.

  In respect of Baillie Gifford's LTGG strategy it was their view that the managers business stability, strong alignment and record of performance delivery were under represented in the BCPP scoring weights.

  No material flaws in the structure or execution of the assessment process had been identified in the details that had been made available. A number of specific points in relation to that were set out in the report.

  The analysis of the characteristics of the NYPF existing equity strategy, particularly Baillie Gifford LTGG, was that it was meaningfully differentiated from other Investment Managers. Moreover although there was some overlap with its most obvious comparator in the BCPP portfolio again meaningful differentiation was apparent which was believed to be also recognised by BCPP.

  It was believed that there was a strong case that a stand-alone allocation to Baillie Gifford LTGG would represent a strategic allocation to an unconstrained growth style which was not available through the BCPP Global Equity Alpha Fund. It was noted that LTGG's focused approach had the potential to significantly under perform under some market conditions.

  NYPF, working with BCPP and AON, should undertake regular reviews (at least every three years) regarding the rationale for keeping assets outside the Pool.

A detailed discussion was undertaken in relation to this matter and the following issues and points were raised:-

- Some concern was expressed by Members in relation to the procurement process undertaken by BCPP in appointing the five managers, particularly around the information that had not been released to AON, in the development of their report to the Pension Fund Committee. Representatives of BCPP, present at the meeting, highlighted why certain information had not been provided in relation to this. The Treasurer to the Fund emphasised that whilst this was not the most advantageous position in terms of the release of information, with the time constraints in place, it realised the best position for reporting to the Committee at this time. It was recognised that there were different parameters for BCPP, than the North Yorkshire Pension Fund (NYPF) in terms of the release of information. Representatives of AON emphasised that whilst not receiving all the information requested, they received sufficient to be able to undertake an analysis of the process and to provide a report to the Committee. The Committee's Independent Investment Adviser provided his thoughts on the process indicating that he agreed with AON that a thorough and detailed process had been carried out, however, he too considered that additional information should have been provided in relation to the development of the report.

- A Member noted that full due diligence had not yet been carried out on the five appointed managers by BCPP. In response the Treasurer explained that as two different Investment Consultants were involved in the process (AON and Mercer) care had to be taken so as not to set out their different views, which in the main would be subjective. The Chairman emphasised that Members had to be aware that the discussions at this meeting would not change the managers appointed by BCPP would not change at this stage and Members should focus on how NYPF was to allocate it's funding.

- BCPP representatives indicated that they had undertaken a robust process in appointing the five managers and had taken account of the needs of all 12 Funds involved in the Pool when making their decisions. A detailed discussion was undertaken in relation to the scoring and weighting process for the appointment of the managers and concern was expressed as to some of the weighting, which appeared to favour some managers over others. The representatives of BCPP highlighted their reasons for the weightings given and how that aligned with their overall strategy. The Fund's Investment Consultants, AON and the Independent Investment Adviser to the Fund both questioned the weighting and complementarity put in place for the process, by BCPP but again emphasised that the overall process had been materially sound.

- Discussions were undertaken in relation to the non-appointment of Baillie Gifford as one of the Fund Managers to the BCPP Global Equity Alpha Fund. The representatives of BCPP highlighted the reasons for not appointing Baillie Gifford noting that they were an excellent manager and had scored well in a number of categories within the process, however, ultimately the appointed managers had emerged as being more suited to the portfolio in terms of value for money and complementarity. The discussions highlighted the reasoning behind the decision and Members concerns in respect of that. The representatives of BCPP stated that they welcomed the challenge from the Pension Fund Committee and recognised the importance of Baillie Gifford to the NYPF, however, they highlighted their explanations as to the appointment of the five Fund Managers for the portfolio in respect of this.

<u>The Strategic Case for Holding Equity Assets outside of BCPP</u>

Representatives of AON outlined the following:-

- They had focused on Baillie Gifford's Long Term Global Growth (LTGG) strategy because it was the type of strategy which was most clearly not included in BCPP's portfolio. They had considered whether there was a case to maintain a strategic allocation to Baillie Gifford LTGG strategy by answering the following questions:-

- Does the strategy provide exposure to an area of the market that would be expected to outperform over the long term?

- Is the strategy differentiated compared to peers?

- Is the strategy differentiated compared to other strategies in the BCPP portfolio?

- Is the strategy different enough to the Loomis Sayles global equity opportunities to justify a stand-alone allocation?

- It was noted that NYPF, working with BCPP and AON, should undertake regular reviews (at least every three years) regarding the rationale for keeping assets outside the Pool.

A detailed discussion was undertaken in relation to this matter and the following issues and points were raised:-

♦ A Member asked whether money could be kept outside the Pool, by the Pension Fund, and if this was the case whether a legal challenge could be implemented. In response it was stated that the only recourse that could be undertaken in relation to this would be intervention from the Secretary of State. It was emphasised if there was a similar product within BCPP's portfolio then a challenge was more likely, however, as indicated earlier in the meeting, there is no unconstrained growth fund managers within the BCPP Global Alpha Fund.

♦ A Member raised concerns regarding such a large scale disinvestment with Baillie Gifford based on a flawed selection process, in his opinion. It was noted that a certain amount of the Baillie Gifford portfolio was being considered for disinvestment in terms of reducing the risk attached to the Investment Strategy of the Fund, as discussed at previous meetings and agreed by Members. It was emphasised that there were large scale risks in holding too much of the overall funds with one company, which was why the Investment Strategy was being altered accordingly.

♦ Clarification was provided as to how pooling was expected to operate and how, if desired, BCPP could create another portfolio to take account of the alternative global equity strategy requested by NYPF and managed that on their behalf, however, that was unlikely at this stage.

♦ Members recognised that there were differences between the BCPP Global Equity Alpha Fund portfolio and that sought by the NYPF in terms of the Investment Strategy, however, it was also recognised that other sub-funds being created by BCPP would be more compatible with the NYPF Investment Strategy and, therefore, investments would be put into those, going forward.

♦ Details of how the NYPF investment strategy differentiated compared to growth manager peers were provided within the Appendix to the report and comparisons were made to the Baillie Gifford LTGG strategy as opposed to the Loomis Sayles global opportunities, which were in the BCPP sub-fund, to determine whether the BCPP portfolio could match the aspirations of the NYPF Investment Strategy.

- Details were provided as to the information known about the Fund Managers appointed to the BCPP Global Alpha Fund portfolio.

- Members considered it appropriate to ensure that the feelings of the Pension Fund Committee were made to BCPP in relation to the process, highlighting the concerns that they had in relation to this, and why consideration was being given to investing outside of the Pool, in terms of the global alpha equity portfolio. It was emphasised that the majority of investments still had to be made with BCPP from NYPF and these would be undertaken accordingly.

- In conclusion AON believed that there was a strong case for a stand-alone allocation to Baillie Gifford LTGG which would represent a strategic allocation to an unconstrained growth style which was not available through the BCPP Global Equity Alpha Fund. It was noted that LTGG's focused approach had the potential to significantly under perform under some market conditions. If the Committee decided on this approach then, working with BCPP and AON, regular reviews would be undertaken, at least every three years, regarding the rationale for keeping assets outside the Pool.

<u>Recommendation on Appropriate Allocation</u>

The representatives of AON highlighted the following:-

- Retaining an allocation to LTGG understandably shifted the style balance of NYPF's global equity exposure towards growth characteristics compared to the BCPP portfolio. By also retaining Dodge and Cox and Veritas, stock selection remained the dominant contributor to active risk, which was desirable in their view, but the shift was not substantial and the case for retaining these managers, long term, and investing in the BCPP portfolio, was weak.

- Taking these matters into account, as well as seeking to reduce transaction costs as the Fund moved into a longer term position with a 10% lower allocation to equities, as agreed at the May Pension Fund Committee meeting, they proposed that:-

    - In the short term, move to a global equity split of 60% BCPP, 20% LTGG, 10% Dodge and Cox and 10% Veritas, representing a 7% (around £100m) reduction in allocation to LTGG compared with March 2019 levels.

    - In the longer term, as NYPF moved towards the strategic allocation, with a lower allocation to equities, remove the allocations to Dodge and Cox and Veritas entirely whilst keeping the full allocation to Baillie Gifford LTGG.

- The recommendations were based on the assumption that the Pension Fund were comfortable making an allocation to BCPP of around 60% of global equities (around £1.1bn).

- Furthermore they reminded Members that LTGG's focused approach had the potential to significant under perform under some market conditions.

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

- Members discussed the suggested investments and, although with some reluctance, agreed to the suggestions by AON, but requested further discussions, at this meeting in relation to the figures for the global equity split. A Member also considered that the holding with Baillie Gifford's LTGG was insufficient.

- AON representatives outlined their rationale behind the recommendations provided and produced appropriate figures in relation to that. They explained the reasoning behind holding the investments with Dodge and Cox and Veritas in the short term. It was considered that the proposals gave some flexibility in terms of the investment sums outlined.

- An update was provided on the current valuation of the Fund and how investments had performed since the previous meeting of the Committee.

- Members suggested that an allocation of £1bn be committed to the BCPP Global Equity Sub-Fund. The remaining funding would then be allocated accordingly to Baillie Gifford's LTGG, Dodge and Cox and Veritas. It was noted that the equity protection put in place would create some cover for the risk associated with maintaining the global equities in the short term. AON representatives provided figures in relation to the suggested recommendation by Members.

- The merits of the investments held with Dodge and Cox and Veritas were discussed and the reasons for maintaining these were highlighted.

- A Member raised concerns regarding the wording within the recommendations suggesting reference should be made to investing with an unconstrained growth manager, rather than simply highlighting the specific funds in which investment would be retained. It was agreed that some alterations would be made to the wording within the recommendations to reflect this.

Resolved -

(i) That the additional due diligence work undertaken by AON, and the content of the Appendix 2 attached to this report, be noted.

(ii) That an investment of £1bn into the BCPP Global Equity Alpha Fund, based on current market conditions, which represents around 55% of the global equity allocation, be approved.

(iii) That in order to ensure an ongoing exposure to an unconstrained growth manager, NYPF intends to retain an allocation of 25% with Baillie Gifford LTGG.

(iv) That, in the short term, allocations of 11% with Dodge and Cox an 11% with Veritas be retained, with the removal of these allocations in the long term, as the Fund moved towards its lower allocation to equities.

(v) That a review of the allocations to Baillie Gifford LTGG, alongside future options that may come from BCPP, continue to be undertaken.

(vi) That Members outline their thanks for the additional work undertaken by the Pension Fund's advisers in relation to this matter.

(vii) That the following statement be issued to BCPP in line with the wishes of Members as requested during the meeting:-

"NYPF has considered the BCPP Global Alpha Equity Fund and the work carried out by AON Hewitt on our behalf as part of our due diligence. NYPF remains concerned that the Global Equity Fund does not wholly meet the wishes of NYPF and its Investment Strategy. We have been very clear throughout that we wish to retain an exposure to an unconstrained growth manager and it is clear that global alpha does not contain that opportunity. We are also disappointed that some of the requests for information as part of our due diligence exercise were not met and we believe that, as both a customer and a shareholder, we should have been dealt with in an even more transparent fashion.

Our overall Investment Strategy seeks to de-risk by reducing our equity holdings and protect our healthy funding position. As a consequence of this strategy and the issues outlined above, we have decided to invest £1bn in the BCPP Global Alpha Fund but with some reluctance. The investment is subject to satisfactory explanation as to how BCPP intend to monitor the risk of concentrated ownership of the five Fund Managers within global alpha (noting that one manager accounts for 40% of the Fund and 50% of the Fund's Managers are ultimately owned by a French bank holding company). We felt that there was insufficient weighting and consideration of ownership and culture in the selection process. We hope that the Fund is truly successful and that our reluctance turns out to be misplaced. Given that BCPP will not offer an unconstrained growth global equity fund manager, and in order to comply with its Investment Strategy, NYPF intends to retain exposure to Baillie Gifford LTGG as this is largely uncorrelated to BCPP Global Alpha. We will, of course, keep this under review and should BCPP make a suitable equity fund, with a meaningful allocation to an unconstrained growth manager, available then we will clearly work with BCPP with a willingness to transition to BCPP should the mandate meet our Investment Strategy.

We see some great opportunities for BCPP to help deliver value for NYPF in the future, particularly in alternatives, bonds and multi-asset credit etc. We would urge BCPP to strengthen the way in which it engages with its customers on such future occasions in order to ensure that BCPP succeeds as its single purpose is to deliver for its customers - the partner funds."

The meeting concluded at 2.15 pm

SL/JR

North Yorkshire County Council

Pension Fund Committee

4 July 2019

Administration Report

Report of the Treasurer

1. Purpose of the Report

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

2. Admission Agreements & New Academies

2.1. The latest position relating to Admission Agreements and schools converting to academy status in the year are shown in **Appendix 1**. Whilst the numbers in progress have decreased we have a large volume of academy conversions in the pipeline.

3. Administration

3.1. **Membership Statistics**

Membership Category	At 31/12/2018	+/- Change (%)	At 31/03/2019
Active	32,979	+1.46	33,462
Deferred	36,774	+1.18	37,207
Pensioner (incl spouse & dependant members)	22,377	+1.55	22,724
Total	**92,130**		**93,393**

3.2. **Throughput Statistics**

- Period from 1 January 2019 to 31 March 2019

Casetype	**Cases Outstanding at Start**	**New Cases**	**Cases Closed**	**Cases Outstanding at End**
Transfer In quotes	9	54	60	3
Transfer Out quotes	9	125	108	26
Employer estimates	15	123	125	13
Employee estimates	0	136	123	13
Retirement quotes	31	462	440	53
Preserved benefits	118	643	586	175
Death in payment or in service	25	39	32	32
Refunds	29	613	564	78
Actual retirement procedure	62	363	319	106
Interfund transfers	43	116	116	43
Aggregate member records	45	129	133	41
Process GMP	132	1	0	133
Others	84	340	311	113
Total Cases	**602**	**3144**	**2917**	**829**

- Alongside the above cases the Pensions team also handled 5,743 phone calls (average 114 per day) and 1,861 emails received via the Pensions Inbox (average 29 per day) in the quarter to 31 March 2019.

3.3. **Performance Statistics**

- The performance figures for the period 1 January 2019 to 31 March 2019 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	96%
Customers surveyed ranking service good or excellent	94%	94%
Increase numbers of registered self-service users by 700 per quarter	700	888

- High work volumes and high demand within the team continue to impact our ability to meet the agreed performance indicator for work achieved within target however, we have seen a marked improvement in this quarter compared to the last one. We continue to promote member self-service wherever appropriate.

3.4. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Jan 2019	3	Professionalism and patience. Pro-active and positive.
Feb 2019	0	
Mar 2019	0	

Complaints

Date	Number	Summary
Jan 2019	0	
Feb 2019	0	
Mar 2019	1	IHER – appeal against tier 2 being awarded and not tier 1

- The complaint categories are:

1. Administration - these can relate to errors in calculations, delays in processing and making payment of benefits.
2. Regulatory - these relate to a complaint where regulations prevent the member being able to do what they want to.
3. Ill Health Early Retirement appeal - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

Lessons Learned

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

3.5. **Annual Benefit Statements 2019**

- The benefit statement templates have been updated and tested.
- Year-end files are starting to be received and processed.

4. Issues and Initiatives

4.1. **GMP Reconciliation**

- The reconciliation stage of the project is continuing to progress. It is anticipated we will start to see the numbers of reconciled records increase rapidly as we approach the end of the reconciliation stage.
- A project update has not been received from ITM since the last PFC meeting therefore there is no change in the current position of the reconciliation.
- The rectification stage has been scheduled with Active and Deferred member records due to be corrected in May 2019 and Pensioner records in March 2020. An up to date pensioner data cut has been provided to ITM to enable them to begin this stage.

- To enable this project to progress a number of decision are required as listed in **Appendix 2** and summarised below. These will provide parameters within which ITM can progress the rectification stage.
    - 4.1.1 To exclude all members who are No Liability status from the rectification stage.
    - 4.1.2 To exclude all members whose difference in GMP is within the agreed £2 tolerance from the rectification stage.
    - 4.1.3 To only correct dependants pensions and ignore any impact on the original deceased member of an incorrect GMP figure.
    - 4.1.4 Whether and how underpaid pensions in payment will be corrected.
    - 4.1.5 Whether historic underpayments will be paid to the member.
    - 4.1.6 Whether interest will be added to historic underpayments.
    - 4.1.7 Whether and how overpaid pensions in payment will be corrected.
    - 4.1.8 Whether historic overpayments will be recovered from the member.
    - 4.1.9 Whether interest will be added to historic overpayments.

4.2. **Breaches Policy & Log**

- The North Yorkshire Pension Fund's Breaches Log is included at Appendix 3 for review. There are no new entries.

4.3. **Efficiency Initiatives**

- The letters project continues to make progress with new letters being created to support changes to processes. Following the version upgrade to the administration software it was discovered the letters no longer extract calculation results from the system. This has halted progress until Heywood's are able to provide a solution.

4.4. **SAB Survey - Good Governance in the LGPS**

- The SAB have commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions. The SAB have asked Hyman Robertson to help them identify the real issues and potential options for change to the current arrangements which are proportionate, pragmatic and would improve LGPS governance in these areas. Officers responded to the survey in May and next stages are awaited.

5. Member Training

5.1. The Member Training Record showing the training undertaken over the year to 31 March 2019 is attached as **Appendix 4**.

5.2. Members will be asked to complete the CIPFA Skills Matrix in due course (attached as **Appendix 5**). These responses will be collated and used to produce a training plan that will address any gaps. A deadline should be set in order to ensure there is sufficient focus and suggestions are invited from the Committee.

5.3. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 6**. Please contact Ashleigh Burdess (01609 536053 or email Ashleigh.burdess@northyorks.gov.uk) for further information or to reserve a place on an event.

6. Meeting Timetable

6.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 7**. Due to the closure of the Brierley Building, there will be a change of venue for future meetings, Members will be updated once the new venue has been confirmed.

7. Recommendations

7.1. Members to note the contents of the report.

7.2. Members to agree the recommendations for the GMP rectification project as below:

- 7.2.1 To exclude all members who are No Liability status from the rectification stage.
- 7.2.2 To exclude all members whose difference in GMP is within the agreed £2 tolerance from the rectification stage.
- 7.2.3 To only correct dependants pensions and ignore any impact on the original deceased member of an incorrect GMP figure.
- 7.2.4 To correct underpaid pensions in payment to the correct amount as soon as practical.
- 7.2.5 To make payment of historic underpayments to the member.
- 7.2.6 To add interest to historic underpayments at the usual late payment interest rate of Bank of England base rate plus 1%.
- 7.2.7 To correct overpaid pensions in payment to the correct amount as soon as practical.
- 7.2.8 To not recover historic overpayments from the member.
- 7.2.9 To not add interest to historic overpayments as they will not be recovered.

7.3. Members to note the contents of the Breaches Log.

7.4. Members to suggest a deadline for completion of the CIPFA skills matrix for all PFC Members.

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

26 June 2019

Academy Conversions – 37 ‘in progress’

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
George Pindar School	NYCC	Hope Learning Trust	1.3.2019	Complete
Graham School	NYCC	Hope Learning Trust	1.3.2019	Complete
Rufforth primary School	COYC	Pathfinder Multi Academy Trust	1.3.2019	Complete
All Saints RC Primary School, Thirsk	NYCC	Nicholas Postgate Catholic Academy Trust	1.6.2019	In progress
St Augustine's RC Secondary	NYCC	St Margaret Clitherow Academy Trust	1.6.2019	In progress
St Francis Xavier RC/CofE	NYCC	St Margaret Clitherow Academy Trust	1.6.2019	In progress
St George's Roman Catholic Primary School, Scarborough	NYCC	St Margaret Clitherow Academy Trust	1.6.2019	In progress
St Joseph's Roman Catholic Primary School, Pickering	NYCC	St Margaret Clitherow Academy Trust	1.7.2019	In progress
St Mary's Roman Catholic Primary School, Malton	NYCC	St Margaret Clitherow Academy Trust	1.7.2019	In progress
St Mary's Roman Catholic Primary School, Richmond	NYCC	St Margaret Clitherow Academy Trust	1.7.2019	In progress
Sacred Heart Roman Catholic Voluntary Aided Primary School, Northallerton	NYCC	St Margaret Clitherow Academy Trust	1.8.2019	Will be progressed nearer the time
St Benedict's Roman Catholic Primary School, Ampleforth	NYCC	St Margaret Clitherow Academy Trust	1.8.2019	Will be progressed nearer the time
St Peter's Roman Catholic Primary School, Scarborough	NYCC	St Margaret Clitherow Academy Trust	1.8.2019	Will be progressed nearer the time
Friarage Primary School	NYCC	Scalby Learning Trust	1.8.2019	Academy Order pending. Preferred sponsor is Scalby Learning Trust. Will be progressed when sponsor has been confirmed
All Saints, York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
OLQM York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Aelred’s York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
St George's RC Primary School, York	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
St Wilfrid's RC Primary School	COYC	St Margaret Clitherow Academy Trust	1.9.2019	Will be progressed nearer the time
Northallerton School & Sixth Form College	NYCC	Arete Learning Trust	1.9.2019	Actuarial calculation has been provided. Conversion now delayed from 1.4.2019
Starbeck Primary School	NYCC	Northern Star Academies Trust	1.9.2019	Delayed from 1.4.2019. Will be progressed nearer the time
Brayton CoE Primary School	NYCC	STAR Multi Academy Trust	1.9.2019	Academy Order pending. Preferred sponsor is STAR Multi Academy Trust
St Hedda's Roman Catholic Primary School	NYCC	St Margaret Clitherow Academy Trust	1.10.2019	Will be progressed nearer the time
St Hilda's Roman Catholic Primary School	NYCC	St Margaret Clitherow Academy Trust	1.10.2019	Will be progressed nearer the time
Carnagill Community Primary School	NYCC	Dales Academies Trust	1.10.2019	Will be progressed nearer the time
St John's CoE VC Primary School Knaresborough	NYCC	Elevate Multi Academy Trust	1.10.2019	Delayed from 1.6.2019. Will be progressed nearer the time
Marton cum Grafton VA Primary School	NYCC	Elevate Multi Academy Trust	1.11.2019	Delayed from 1.6.2019. Will be progressed nearer the time
Danesgate Community School	COYC	South York Multi Academy Trust	1.11.2019	Will be progressed nearer the time
Skipton Parish CoE School	NYCC	Yorkshire Causeway Schools Trust	1.11.2019	Will be progressed nearer the time
Skelton Primary School	COYC	Hope Learning Trust	Not known	Delayed from 1.4.2019.Will be progressed when new conversion date known
Naburn CoE Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.10.2018. Will be progressed nearer the time
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.11.2018. Will be progressed nearer the time
Fishergate Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.12.2018. Will be progressed nearer the time
Escrick CoE VC Primary School	NYCC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
St Oswald's CE Primary School	COYC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
Elvington CoE Primary School	COYC	South York Multi Academy Trust	Not known	Actuarial calculations provided based on conversion date of 1.7.18. Conversion delayed, new date not yet known
Langton Primary School	NYCC	Evolution Schools Learning Trust	Not known	Original conversion date was 1.10.2016 but MAT advised it has been delayed. New date not yet known.
Thirsk School & Sixth Form College	NYCC	Arete Learning Trust	Not known	Original conversion date was 1.2.2018. MAT has advised no definite agreement in place at present
Sherburn High School	NYCC	Star Multi Academy Trust	Not known	Original conversion date was 1/6/2018. Conversion now on hold
Stillington Primary School	NYCC	Not yet known	Not known	Proposed conversion date was 1.2.2019 with Hope Learning Trust. Project now on hold. School no longer converting with Hope Learning Trust and new sponsor being sought

Admission Bodies –14 ‘in progress’

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Barlby High School (Hope Learning Trust)	Hutchison Catering Ltd	4.3.2019	Complete
Outwood Primary Academy Greystone (Outwood Grange Academies Trust)	ISS Mediclean	5.11.2018	Complete
Hope Learning Trust (Vale of York Academy - previously known as Canon Lee)	Hutchison Catering Limited	20.7.2018	Complete
Glusburn Community Primary School (NYCC)	Bulloughs Cleaning Services Ltd	1.4.2018	Transfer of cleaning staff – only found out about the contract in February 2019. Now in progress
NYCC – catering contracts at: Bedale CoE Primary School Colburn Community Primary School Masham CE (VC) Primary School	Mellors Limited	1.9.2018	In progress
Baldersby St James CoE Primary Academy (Hope Learning Trust)	Absolutely Catering Limited (part of the CH&Co Catering Group)	5.11.2018	In progress - transfer of catering staff
Skelton School (COYC school joining the Hope Learning Trust 1.4.19)	Absolutely Catering Limited (part of the CH&Co Catering Group)	TBC	Delayed from 1.4.2019. In progress
City of York Council libraries	Explore York Libraries & Archives Mutual Limited	1.4.2019	In progress
Outwood Grange Academies Trust: Outwood Academy Ripon Easingwold School Outwood Primary Academy Greystone	Churchill Contract Services	1.4.2019	In progress - transfer of cleaning staff
Woodthorpe Primary School (South Bank Academy Trust)	Lark Cleaning Services Ltd	15.4.2019	In progress - transfer of cleaning staff
City of York Council (Haxby Hall Care Home)	Yorkare Homes Ltd	TBC – on hold	Future service rate provided, admission agreement will be progressed nearer the time. The transfer is now on hold (service was due to transfer January 2019)
George Pindar School (part of the Hope Learning Trust)	Hutchison Catering Limited	1.9.2019	In progress
Graham School (part of the Hope Learning Trust)	Hutchison Catering Limited	1.9.2019	In progress

Exiting Employers – 9

Name of Employer	Date exited the Fund
OCS Group UK Limited	31.3.2017
Superclean Services Limited	16.7.2017
Joseph Rowntree Charitable Trust	31.12.2017
York Arts Education (Community Interest Company)	31.3.2018
Hutchison Catering Limited (contract at Canon Lee School)	19.7.2018
Be Independent	31.7.2018
Housing & Care 21	31.8.2018
Dolce Limited	14.4.2019 – in progress
Absolutely Catering Limited	Two contracts ceased 4.1.2019 – in progress

ID	Decision Description	Proposal	Commentary and ITM experience	NYPF recommendation
D1	Is it acceptable that members who are "No liability" are entirely excluded (and hence treated as if they are also in Band 1)?	It is proposed that members will be included in Band 1 (no rectification required) when: • identified during Stage 2 as having suspect HMRC data that cannot be successfully challenged and hence will not be rectified, or • the member has a "no liability" status	In addition to the challenge of confirming the existence and address for no liability members, it is not appropriate for the Pension Fund to contact no liability members who no longer have an on-going relationship with the Fund.	Accept ITM's proposal
D2	Is it acceptable to apply the easement and remove these members from the population that are submitted for rectification processing?	It is proposed to accept the HM Treasury easement to accept Fund records where GMP differences are within £2 pw at the point of comparison, for pensioners and dependant members. This point of comparison will be GMP age or Date of Death for pensioners and dependants respectively.	This is consistent with the approach being taken in reconciliation to not investigate differences below the £2 pw tolerance.	Accept ITM's proposal
D6	Is it acceptable to not attempt to take account of the impact of incorrect GMP on a deceased member's pension, and hence on the dependant's initial pension level, for the reasons set out in column D?	Where the deceased member died in retirement after GMP date then it is possible to either rectify the dependant's benefits only or to rectify both the deceased member's benefits and the dependant's benefits. ITM's preference is to correct pension increases from date of death for all dependant pensioners. However, ITM's preferred method is that only the dependant's GMP will be corrected, that is no attempt will be made to assess if the deceased member's pension was impacted by incorrect GMP.	To date all ITM's clients have corrected dependant pensions from the deceased member's date of death and have not sought to correct benefits payable to the deceased member. This is because: • A dependant's GMP being incorrect does not necessarily mean the member's GMP was incorrect • Data availability is usually too poor to enable the deceased member's pension to be reliably corrected Also NY / The Pensions Committee need to be clear what action would be taken should an underpayment of benefits to a deceased member be identified as in many cases the deceased member's estate will no longer be active. It is suggested that existing administration practice should dictate the approach taken.	Accept ITM's proposal
D8	Whether and how underpaid pensions in payment will be corrected?	Once NY / The Pensions Committee are aware that incorrect benefits are being paid then legal advice is usually that they have a duty to correct them. Therefore pensions that are currently being underpaid (and the change is non-trivial) should be increased to the correct level as soon as is practical.	All of ITM's clients have made good any non-trivial underpayments. NY have a duty to pay members the correct benefits which they cannot disregard. Of course the Pensions Committee should consider the impact on Fund liabilities.	Accept ITM's proposal

ID	Decision Description	Proposal	Commentary and ITM experience	NYPF recommendation
D9	Whether historic underpayments will be paid to the member?	Historic underpayment of benefits should be made good through a single payment.	Existing administration practice for making good past underpayments is often followed. Substantial one-off payments may impact a member's tax and state benefits. Members may request a tax year breakdown of any past underpayment and interest so that this can be provided to HMRC to help with adjustment of any tax liability arising. This breakdown can also be provided for all members with a past underpayment.	Accept ITM's proposal
D10	Whether interest will be applied to historic underpayments?	Interest may be applied to these underpayments in line with LGPS regulations (e.g. Bank of England base rates or the rate interest applied when past underpayments are corrected as part of business as usual processing).	Pension Fund rules or administration practice may dictate that interest needs to be applied and may also dictate the rate of interest to be applied. Also any benefit to the Fund from late payment of benefits (that is interest accrued) should be made good to the member.	Accept ITM's proposal
D11	Whether and how overpaid pensions in payment will be corrected?	Once NY / The Pensions Committee are aware that incorrect benefits are being paid then they have a duty to correct them. Therefore pensions that are currently being overpaid (and the change is non-trivial) should be decreased to the correct level as soon as is practical, but allowing the member enough time to adjust their financial arrangements or query the change with the Pension Fund. Alternatively NY could augment benefits to maintain benefits at their current, overstated level. A third option is to freeze benefits at their current level until pension increases/bonuses cause the rectified pension amount to catch-up with the frozen benefit. This option also involves carrying out an augmentation, possibly on an annual basis for each member whose pension has not "caught up" with the frozen level. Any augmentation may or may not be passed onto dependants in the event of an overpaid member's death.	NY may also wish to consider: 1 – The reduction to Fund liabilities arising from reducing future pension payments. 2 – The likely impact on Fund operations due to member queries and potential IDRP cases arising. 3 – The impact on Fund reputation of reducing benefits, especially where hardship may arise. ITM's Local Authority clients have tended to decrease the pension to the correct level. Freezing pension benefits is only viable where administration and payroll functions permit the recording of both the frozen benefits in payment and the lower rectified benefit level.	Accept ITM's proposal

ID	Decision Description	Proposal	Commentary and ITM experience	NYPF recommendation
D12	Whether historic overpayments will be clawed back and whether interest will be applied?	Historic overpayments can be recouped and the NY / The Pensions Committee may feel that they have a duty to the Pension Fund to do so. However, in ITM's experience it is more common for Trustees / Pensions Committees to waive historic overpayments. ITM understand that some of our clients have received advice that waiving the recoupment of an overpayment does not result in that overpayment being treated by HMRC as an unauthorised payment, as long as the overpayment was made "by mistake". NY may decide to look at extreme cases and take the to the Pensions Committee for advice on how to proceed.	The majority of ITM's clients waive historic overpayments, particularly public sector clients. Where ITM's clients have initially considered recouping historic overpayments these attempts have to date not been followed through. However, ITM will continue to monitor the situation as more clients move from GMP reconciliation to GMP rectification. Note that	Accept ITM's proposal

Appendix 3

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator	Progress Review 1	Progress Review 2	Progress Review 3
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.		85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end.	14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N	30/11/2017	28/02/2018	30/05/2018
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N	30/04/2018	31/08/2018	30/09/2018
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC			
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.		86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated	22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N	N/A	N/A	N/A

Appendix 4

Date	Title or Nature of Course	Blackie J	Mulligan P	Swiers H	Weighell J	Clark J	Portlock D	M Chambers	A Solloway	A Thompson	C Lunn	I Gillies	C Steward	Unison (Vacancy)	Unison (Vacancy)
21-23 May 2018	PLSA Conference					✓									
25 May 2018	Property Debt Workshop	✓	✓	✓	✓	✓	✓	✓			✓				
18 June 2018	CIPFA Pension Board						✓								
27 June 2018	CIPFA Pension Board Annual Event						✓								
5 July 2018	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓			
13 September 2018	Investment Strategy Workshop		✓	✓	✓		✓	✓		✓	✓		✓		
14 September 2018	Investment Strategy Workshop		✓	✓	✓	✓	✓	✓		✓					
17- 19 October 2018	PLSA Annual Conference, Liverpool			✓	✓										
31 October 2018	Additional PFC meeting- Investment Strategy	✓	✓	✓	✓	✓		✓		✓			✓		
8- 9 November 2018	BCPP Annual Conference		✓	✓	✓	✓	✓			✓					
22 November 2018	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓			✓	✓			
5-7 December 2018	LAPFF Conference - Bournemouth	✓													
14 February 2019	Investment Strategy Workshop	✓	✓	✓	✓	✓	✓	✓		✓					
21 February 2019	Investment Strategy Workshop		✓	✓	✓		✓	✓	✓	✓	✓				
25 February 2019	LGPS Members Spring Seminar - Leeds						✓								

North Yorkshire Pension Fund

Training Policy for the Pension Fund Committee

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

Contents

Introduction

North Yorkshire County Council (NYCC) as the administering authority for the North Yorkshire Pension Fund (NYPF) recognises that effective financial administration and decision making can only be achieved where those involved have the relevant skills, knowledge and experience.

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. Members of the Pension Fund Committee (PFC) are not legally trustees and are not bound by this law, however they should aim to reach a similar standard

The (PFC) has adopted the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills and the CIPFA Knowledge and Skills Framework for Elected Members and Non Executives in the Public Sector (**Appendix A**) as the basis of its training policy and programme.

Application of the Policy

The training policy applies to all members of the PFC and council officers that have involvement in managing the Pension Fund, at any level.

Training Requirements

In order to identify and meet training needs and assess whether those governing the Fund are meeting the CIPFA Framework requirements, all PFC Members agree to:

- Complete the Pensions Regulator's online toolkit (new Members) at https://trusteetoolkit.thepensionsregulator.gov.uk/
- Attend a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee, or as a refresher when required.
- Undertake, as a Committee, regular training as set out in the annual training plan.
- Highlight any areas where further training is required following subjects covered in PFC meetings or, following attendance at any external training events or conferences.
- Undertake an annual self-assessment of the CIPFA knowledge and skills framework for Elected Members and Non Executives in the Public Sector.

Officers with responsibility for managing the LGPS are expected to have a detailed understanding of the CIPFA Knowledge and Skills Framework requirements for LGPS Practitioners, taking account of the requirements of their roles.

Officers will engage with the Individual Performance Management (IPM) process to identify any knowledge gaps and address training requirements.

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Training Delivery

Training will be delivered using a variety of methods including but not limited to:

- Bespoke sessions, delivered internally by the Fund's actuary, Fund Managers, Investment Consultants and officers
- Attendance at external conferences and seminars
- Regular updates provided at PFC meetings by officers and advisers
- Online material such as the Pension Regulator's Toolkit and other e-learning, webinars and publications
- New PFC Members will be assigned an established PFC Member during the first 12 months of term to act as a 'buddy'.

Relevant training events will be emailed to PFC Members as and when they become available. After attendance at a training event the attendee will provide feedback at the next PFC meeting. Officers will maintain a log of all events attended for compliance with reporting and monitoring requirements.

Review

The policy is reviewed and updated annually.

The PFC will approve a training programme for the next financial year and will review the content and delivery of the training programme at each subsequent meeting.

Costs

All training costs will be met by the Pension Fund.

Appendix

Appendix A - Pensions Fund Committee: Knowledge and Skills Framework

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Pensions Fund Committee: Knowledge and Skills Framework			
Learning needs analysis		**Training requirements and plan**	
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Pensions legislative and governance context			
General pensions framework			
A general awareness of the pensions legislative framework in the UK.	**1 2 3 4 5**		
Scheme specific legislation			
An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.	**1 2 3 4 5**		
An awareness of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and the LGPS Administration Regulations 2008 and their main features.	**1 2 3 4 5**		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	**1 2 3 4 5**		

Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
A regularly updated appreciation of the latest changes to the scheme rules.	**1 2 3 4 5**		
Knowledge of the role of the administering authority in relation to the LGPS.	**1 2 3 4 5**		
Pensions regulators and advisors			
An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	**1 2 3 4 5**		
General constitutional framework			
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	**1 2 3 4 5**		
Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	**1 2 3 4 5**		

Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Pension scheme governance			
An awareness of the LGPS main features.	**1 2 3 4 5**		
A detailed knowledge of the duties and responsibilities of committee members.	**1 2 3 4 5**		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	**1 2 3 4 5**		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	**1 2 3 4 5**		
Pensions accounting and auditing standards			
Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	**1 2 3 4 5**		

Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Awareness of the role of both internal and external audit in the governance and assurance process.	**1 2 3 4 5**		
Financial services procurement and relationship management			
Understanding public procurement			
Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	**1 2 3 4 5**		
A general understanding of the main public procurement requirements of UK and EU legislation.	**1 2 3 4 5**		
Supplier risk management			
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	**1 2 3 4 5**		
Performance and risk management			
Total fund			
Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks.	**1 2 3 4 5**		

Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Performance of advisors			
Awareness of the Myners principles of performance management and the approach adopted by the committee.	**1 2 3 4 5**		
Performance of the committee			
Awareness of the Myners principles and the need to set targets for the committee and to report against them.	**1 2 3 4 5**		
Performance of support services			
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	**1 2 3 4 5**		
Financial markets and products knowledge			
Investment strategy			
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).	**1 2 3 4 5**		
Understanding of the role of these asset classes in long term pension fund investing.	**1 2 3 4 5**		

Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Financial markets			
Understanding of the primary importance of the investment strategy decision.	**1 2 3 4 5**		
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	**1 2 3 4 5**		
An awareness of the limits placed by regulation on the investment activities of local government pension funds.	**1 2 3 4 5**		
Actuarial methods, standards and practices			
Valuations			
Knowledge of the valuation process, including developing the funding strategy in conjunction with the Fund actuary, and inter-valuation monitoring.	**1 2 3 4 5**		
Awareness of the importance of monitoring early and ill health retirement strain costs.	**1 2 3 4 5**		

Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	**1 2 3 4 5**		
Outsourcing			
A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.	**1 2 3 4 5**		

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APPENDIX 6

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	*Course / Conference Title*	*Date(s)*	*Location*	*Themes / Subjects Covered*
LGC	Investment Summit	5-6 September 2019	Celtic Manor, Newport	To cover- a UK and Global perspective on the economy; the future of pooling; fixing our broken housing market; incorporating ESG into fixed income; infrastructure investments; managing risks; de-risking; governance and stewardship
LGIM	Client Conference	10 September 2019	Landmark London Hotel	The theme of this event is ‘Engaging today for the challenges of tomorrow’
Baillie Gifford	Investment & Training Seminar	9-10 October 2019	The Royal College of Surgeons, Edinburgh	The theme for this seminar is ‘Investment for Life’, covering how to search for growth assets to provide returns and reduce costs; how to achieve stability and diversification as schemes mature; and, how to employ income-generating assets as cash flows eventually turn negative
BCPP	Annual Conference	10-11 October 2019	Royal Armouries, Leeds	To cover: private markets, setting investment strategies, partner fund needs and what next for pooling
PLSA	Annual Conference & Exhibition 2019	16-18 Oct 2019	Manchester Central, Windmill Street, Petersfield, Manchester, M2 3GX	Our flagship event, a three day conference attracting over 1,500 attendees – the most important event of the year for anyone involved in pensions (trustees, pension scheme managers, administrators, HR specialists, finance directors and their advisers). The event includes a trade exhibition of approximately 80 exhibition stands.

Room 151	LGPS Asset Allocation Forum	7 November 2019	London Stock Exchange	To cover- asset allocation, pooling and governance; climate change; growth assets vs de-risking; valuations and investment strategy; rebalancing your portfolio; using consultants in a pooled environment; private markets and Infrastructure and local investments
LAPFF	Annual Conference	4,5,6 December 2019	Hilton Hotel, Bournemouth	TBC – Save the date
LGA	LGPS Annual Governance Conference	23-24 January 2020	Principal Hotel, York	The planned programme includes sessions on: • Scheme Advisory Board • Checking compliance • Cost cap • Regulating the reforms • Scheme simplification • Investment spotlight • Legal

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2019/20

Meeting Date	Time & Venue	Event	Fund Managers
4 July 2019	10am, Brierley Room	Pension Fund Committee	
12 September 2019	10am, TBC	Pension Fund Committee	
13 September 2019	10am, TBC	Pension Fund Committee	2 Managers TBC
21 November 2019	10am, TBC	Pension Fund Committee	
22 November 2019	10am, TBC	Pension Fund Committee	2 Managers TBC
20 February 2020	10am, TBC	Pension Fund Committee	
21 February 2020	10am, TBC	Pension Fund Committee	2 Managers TBC

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

4 JULY 2019

STATEMENT OF FINAL ACCOUNTS 2018/19

Report of the Treasurer

1.0 **PURPOSE OF REPORT**

1.1 To approve the draft Statement of Final Accounts for the financial year 2018/19.

2.0 **STATEMENT OF ACCOUNTS**

2.1 The draft Pension Fund Statement of Final Accounts for 2018/19 is attached as **Appendix 1**. This complies fully with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2.2 Due to the earlier deadline for the production and publication of the Statement of Final Accounts (SOFA) for the County Council which, as administering authority, includes the NYPF accounts, the draft SOFA was presented to the Audit Committee on 21 June 2019 and the final version is set to be considered by the Audit Committee on 22 July 2019.

2.3 The Constitution currently states that the Pension Fund Committee should “approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee”. Given that the Audit Committee is required (by legislation) to approve the SOFA including those of NYPF there is an inconsistency which will need to be addressed at some point in the near future, as detailed in the Governance Review item on the agenda. It is clearly proper that the Pension Fund Committee receives a report on the SOFA for the Pension Fund but not necessarily that it is “approved”.

2.4 Whilst the SOFA and the Pension Fund accounts may well change before 22 July 2019 there is no scheduled PFC meeting before 22 July 2019. It is therefore suggested that the PFC “approves” the draft NYPF accounts attached as **Appendix 1** and any subsequent material changes will be reported to the Committee Members in between scheduled meetings with a formal agenda item at the next available Pension Fund Committee on 12 September 2019. As the accounts reflect the activities of the Pension Fund it is appropriate that they are brought to the PFC to provide the PFC with the opportunity to feed any comments to the Audit Committee. A verbal update will be provided in the 4 July meeting on any changes that may have already occurred.

2.5 One area to highlight at this stage is an emerging issue that has been raised nationally regarding a legal case known as the McCloud judgement, which has recently been considered by the Court of Appeal. The Court of Appeal in the McCloud case has ruled that transition arrangements in relation to changes to Public Service Pension Schemes were discriminatory. The UK Government is currently attempting to appeal the decision of the Court of Appeal through the Supreme Court. However, it will be several weeks before the matter will be heard by the Supreme Court and it is still unknown whether there will be an issue for LGPS and the extent of any potential impact. As a result there is considerable uncertainty regarding the impact of any judgement on NYPF and employers within the fund and whether this will result in any changes to the accounts at this stage.

2.5 Once audited, these Accounts will be incorporated into the Pension Fund Annual Report which will be placed on the NYPF web site www.nypf.org.uk. The Annual Report will be submitted to Members at the PFC meeting on 12 September 2019 and the Pension Fund Committee are required to approve this Annual Report.

3.0 **RECOMMENDATIONS**

3.1 Members are asked to approve the draft Statement of Final Accounts for 2018/19 and provide any comments that they would wish to bring to the attention of the Audit Committee.

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

24 June 2019

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

2017/18 £000			2018/19 £000	2018/19 £000
	CONTRIBUTIONS AND BENEFITS			
	Contributions			
74,612	Employers	- Normal	78,973	
46,345		- Deficit	4,091	
2,738		- Early Retirement Costs Recharged	1,722	
26,692	Employees	- Normal	28,154	
163		- Additional Voluntary	141	
150,551	**Total Contributions Receivable (note 7)**			113,081
13,782	**Transfers in (note 8)**			13,542
	Less			
	Benefits			
(80,592)	Pensions		(85,199)	
(21,912)	Commutation and Lump Sum Retirement Benefits		(21,251)	
(2,615)	Lump Sums Death Benefits		(2,532)	
(105,119)	**Total Benefits Payable (note 9)**			(108,982)
	Leavers			
(423)	Refunds to Members Leaving Service		(827)	
(92)	Payments for Members Joining State Scheme		(35)	
(8,957)	Transfers Out		(10,106)	
(9,472)	**Total Payments on Account of Leavers (note 10)**			(10,968)
(2,097)	**Management Expenses (note 11)**			(2,615)
47,645	**Net additions from dealings with Members**			4,058
	RETURNS ON INVESTMENTS			
23,545	Investment income (note 12)			17,712
(371)	Taxation (note 13)			(452)
(24,523)	Investment Management Cost (note 11)			(25,090)
246,433	Change in market value of investments (note 14a)			250,447
245,084	**Net returns on investments**			242,617
292,730	**Net increase in the Fund during the year**			246,675
3,035,836	**Opening Net Assets of the Fund**			3,328,566
3,328,566	**Closing Net Assets of the Fund**			3,575,241

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2018 £000		31st March 2019 £000
	INVESTMENT ASSETS (note 15 and 16)	
626,598	Fixed Interest Securities	639,513
592,013	Equities	394,926
1,839,822	Pooled Investments	2,016,885
276,831	Pooled Property Investments	288,502
3,335,265		3,339,826
13,887	Cash Deposits	220,078
24,990	Investment Debtors	4,947
3,374,142	**TOTAL INVESTMENT ASSETS**	3,564,851
	INVESTMENT LIABILITIES (note 15 and 16)	
(62,965)	Investment Creditors	(811)
(62,965)	**TOTAL INVESTMENT LIABILITIES**	(811)
3,311,177	**NET INVESTMENT ASSETS (note 14a)**	**3,564,040**
	CURRENT ASSETS	
8,470	Contributions due from employers	9,030
765	Other Non-Investment Debtors	1,023
12,471	Cash	4,431
21,706	**TOTAL CURRENT ASSETS**	14,484
	CURRENT LIABILITIES	
(4,317)	Non-Investment Creditors	(3,283)
(4,317)	**TOTAL CURRENT LIABILITIES**	(3,283)
3,328,566	**TOTAL NET ASSETS (note 14c)**	**3,575,241**

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

NOTES TO THE NORTH YORKSHIRE PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2019

1. Description of the Fund

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

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2018/19 and the statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

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

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

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

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

(b) Membership

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

Organisations participating in NYPF include:

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

At 31 March 2019 there were 167 contributing employer organisations within NYPF including the County Council itself, and over 93,000 individual members, as detailed below

118 Scheduled Bodies incl 76 Academies

Ainsty 2008 Internal Drainage Board
Askham Bryan College
Chief Constable NYP
City of York Council
Craven College
Craven District Council

North Yorkshire Police and Crime Commissioner
Northallerton & Romanby JBB
Northallerton Town Council
Norton on Derwent Town Council
Pickering Town Council
Richmond Town Council

Easingwold Town Council
Filey Town Council
Foss 2008 Internal Drainage Board
Fulford Parish Council
Great Ayton Parish Council
Hambleton District Council
Harrogate Borough Council
Haxby Town Council
Hunmanby Parish Council
Knaresborough Town Council
Malton Town Council
North York Moors National Park Authority
North Yorkshire County Council
North Yorkshire Fire & Rescue
Richmondshire District Council
Ripon City Council
Ryedale District Council
Scarborough Borough Council
Selby College
Selby District Council
Selby Town Council
Skipton Town Council
Sutton in Craven Parish Council
Tadcaster Town Council
Thornton (Vale of Pickering) IDB
Whitby Town Council
York College
Yorkshire Dales National Park Authority

Academy Trusts

Arete Learning Trust - Richmond School
Arete Learning Trust - Stokesley Prim Acad
Bishop Wheeler Catholic Academy Trust
Craven Educational Trust
Dales Academies Trust
Ebor A.T. - Braeburn Primary & Nursery
Ebor A.T. - Brotherton & Byram CP
Ebor A.T. - Camblesforth CP
Ebor A.T. - Filey Academy
Ebor A.T. - Filey COE Nursery and Infants
Ebor A.T. - Haxby Road
Ebor A.T. - Hob Moor CP
Ebor A.T. - Hob Moor Oaks
Ebor A.T. - Lakeside Primary
Ebor A.T. - Osbaldwick Primary
Ebor A.T. - Park Grove
Ebor A.T. - Robert Wilkinson
Ebor A.T. - Staynor Hall CP
Ebor A.T. - Tadcaster Primary
Ebor A.T. - Tockwith School
Elevate MAT
Enquire Learning Trust - East Whitby Primary
Enquire Learning Trust - Roseberry Primary
Enquire Learning Trust - Stakesby Primary
Enquire Learning Trust - Stokesley CP School
Great Smeaton Academy Primary School
Hope Learning Trust - Baldersby St James School
Hope Learning Trust - Barlby High
Hope Learning Trust - Burton Green Primary
Hope Learning Trust - Forest of Galtres
Hope Learning Trust - George Pindar School
Northern Star AT - Skipton Girls High School
Norton College – an 11-19 academy
Outwood Grange A.T. - Easingwold
Outwood Grange A.T. - Greystone CP School
Outwood Grange A.T. - Outwood Acad.Ripon
Pathfinder MAT - Acomb Primary
Pathfinder MAT - Archbishop Holgates School
Pathfinder MAT - Badger Hill School
Pathfinder MAT - Clifton with Rawcliffe School
Pathfinder MAT - Hempland School
Pathfinder MAT - Heworth School
Pathfinder MAT - New Earswick School
Pathfinder MAT - Rufforth Primary School
Pathfinder MAT - St Lawrence School
Pathfinder MAT - Tang Hall School
Red Kite Learning Trust Pooled
Rodillian MAT - Brayton High School
Rossett School Academy
Scalby Learning Trust - Newby & Scalby Primary
Scalby Learning Trust - Scalby School
Selby Educational Trust
South Bank Multi Academy Trust
South Craven Academy Trust
South York MAT - Fulford School
STAR MAT
The Grove Academy,
The Woodlands Academy
Thomas Hinderwell Primary Academy
Yorkshire Causeway S.T - All Saints CE
Yorkshire Causeway S.T - Hampsthwaite
Yorkshire Causeway S.T - North Rigton

Hope Learning Trust - Graham School
Hope Learning Trust - Manor CoE Academy
Hope Learning Trust - Poppleton Ousebank
Hope Learning Trust - Vale of York
Northern Star AT - Harrogate High
Northern Star AT - Hookstone Chase
Northern Star AT - New Park Primary
Yorkshire Causeway S.T - Oatlands Infant
Yorkshire Causeway S.T - Pannal Primary
Yorkshire Causeway S.T - Richard Taylor CE
Yorkshire Causeway S.T - St Aidans
Yorkshire Causeway S.T - St Peters CE
Yorkshire Collaborative Academy Trust
Yorkshire Endeavour Academies Trust

49 Admitted Bodies

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

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

	31st March 2019 No.	31st March 2018 No.
Number of Employers with Active Members	167	157
Employees in the Fund		
NYCC	17,119	17,690
Other employers	16,343	15,420
Total	33,462	33,110
Pensioners		
NYCC	12,396	11,636
Other employers	10,328	9,826
Total	22,724	21,462
Deferred Pensioners		
NYCC	23,341	22,515
Other employers	13,866	13,284
Total	37,207	35,799

(c) Funding

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

(d) Benefits

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

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

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

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

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its year end position as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

(a) Contribution Income

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

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

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

(b) Transfers To and From Other Schemes

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

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

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

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

(c) Investment Income

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

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

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

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

Fund Account – Expense Items

(d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the financial year end. Any amounts due but not paid are disclosed in the Net Assets Statement as current liabilities.

(e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Management expenses

All investment management expenses are accounted for on an accruals basis. The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

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

- Permira- Private Debt

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

Net Assets Statement

(g) Assets

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

(h) Foreign Currency Transactions

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

(i) Derivatives

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

(j) Cash and Cash Equivalents

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

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

(k) Liabilities

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

(l) Actuarial Present Value of Promised Retirement Benefits

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

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

(m) Additional Voluntary Contributions

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

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

(n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical Judgement in Applying Accounting Policies

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

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These Accounts require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the for revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from those based on these assumptions and estimates.

The item in the Net Assets Statement as at 31 March 2019 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 1.9%, a 0.1% increase in inflation would increase liabilities by 1.9%, and an increase in life expectancy of one year would increase liabilities by 2.9%.

6. Events After the End of the Reporting Period

The Local Government Pension Scheme Investment Regulations 2016 required LGPS funds to pool their assets in order to achieve cost savings whilst maintaining investment performance. North Yorkshire County Council, as administering authority of the North Yorkshire Pension Fund, is a member of the Border to Coast Pension Partnership (BCPP), a pool with a total of 12 funds. The pool became licenced to trade on 1st July 2018 and the North Yorkshire Pension Fund holds both class A and B shares in the company, however NYPF made no investments with BCPP in 2018/19. During the financial year 2019/20 the phased transition of investment assets from the Fund to Border to Coast Pension Partnership will begin. Some investment assets will continue to be managed by the current Internal and External managers.

7. Contributions Receivable

By category

	2018/19 £000	2017/18 £000
Employees' Contributions	28,295	26,855
Employers' Contributions		
Normal contributions	78,973	74,612
Deficit recovery contributions	4,091	46,345
Early Retirement Recharges	1,497	2,504
Compensatory Added Years Recharges	225	234
Total Employers' Contributions	113,081	150,551

By authority

	2018/19 £000	2017/18 £000
Contributions Receivable		
North Yorkshire County Council	47,062	71,483
Other Scheduled Bodies	59,858	69,233
Admitted Bodies	6,161	9,835
	113,081	150,551

8. Transfers In from Other Pension Funds

All Transfers In were individual transfers. There were no group transfers during the year.

9. Benefits Payable

	2018/19 £000	2017/18 £000
Benefits Payable		
North Yorkshire County Council	45,961	45,588
Other Scheduled Bodies	55,936	52,701
Admitted Bodies	7,085	6,830
	108,982	105,119

10. Payments To and On Account of Leavers

All payments were in relation to individual members. There were no group transfers during the year.

11. Management Expenses

	2018/19 £000	2017/18 £000
Administrative Costs	1,581	1,507
Investment Management Costs	25,090	24,523
Oversight and Governance Costs	1,034	590
	27,705	26,620

Investment Management Costs includes £2,359k (2017/1: £7,376k) in respect of performance related fees payable to the Fund’s investment managers and £6,624k in respect of transaction costs (2017/18 £3,964k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see Note 14a).

(a) Investment Management Expenses

	2018/19 £000	2017/18 £000
Management Fees	11,999	11,381
Performance Related Fees	2,359	7,376
Custody Fees	304	90
Transactions Costs	6,624	3,964
Other	3,804	1,712
	25,090	24,523

12. Investment Income

	2018/19 £000	2017/18 £000
Income from Bonds	3,084	3,418
Income from Equities	12,713	16,302
Pooled Property Investments	1,292	1,307
Pooled Investments - Other Managed Funds	0	413
Interest on Cash Deposits	22	47
Other	601	2,058
	17,712	23,545

(a) Taxes on Income

	2018/19 £000	2017/18 £000
Witholding Tax on Dividends	452	371

13. Other Fund Account Disclosures

	2018/19 £000	2017/18 £000
Payable in respect of external audit	19	25
Payable in respect of other services	0	1
	19	26

14. Investments

(a) Reconciliation of Movements in Investments and Derivatives

	Value at 31st March 2019 £000	Change in market value at 31st March 2019 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2018 £000
Fixed Interest Securities	639,513	33,444	(1,769,707)	1,749,178	626,598
Equities	394,926	10,166	(450,874)	243,621	592,013
Pooled Investments	2,016,885	190,808	(661,477)	647,732	1,839,822
Pooled Property	288,502	15,362	(3,690)	0	276,831
Private Equity	0	0	0	0	0
Derivative Contracts	0	0	0	0	0
Total Invested	3,339,826	249,779	(2,885,748)	2,640,531	3,335,265
Cash Deposits	220,078	668			13,887
Net Investment Debtors	4,136				(37,975)
Net Investment Assets	3,564,040	250,447			3,311,177

	Value at 31st March 2018 £000	Change in market value at 31st March 2018 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2017 £000
Fixed Interest Securities	626,598	10,127	(1,413,385)	1,606,992	422,864
Equities	592,013	19,987	(440,004)	424,231	587,799
Pooled Funds	1,839,822	189,370	(1,457,130)	1,365,549	1,742,033
Pooled Property	276,831	26,818	(2,953)	0	252,966
Private Equity	0	(51)	0	0	51
Derivative Contracts	0	182	0	0	(182)
Total Invested	3,335,265	246,433	(3,313,472)	3,396,772	3,005,531
Cash Deposits	13,887				10,123
Net Investment Debtors	(37,975)				4,564
Net Investment Assets	3,311,177	246,433			3,020,218

(b) Analysis of Investments (excluding derivative contracts)

	2018/19 £000	2017/18 £000
Fixed Interest Securities		
UK Public Sector Quoted	639,513	626,598
Equities		
UK Quoted	162,021	326,188
Overseas Quoted	232,905	265,825
	394,926	592,013
Pooled Investments		
UK Equity	93,070	67,277
UK Property	288,502	276,831
Overseas Equity	1,531,363	0
Private Debt	86,995	1,462,601
Insurance Linked Securities	159,391	0
	2,159,321	1,806,709
Diversified Growth Funds - UK	146,066	309,944
Total Investments (excl Derivatives)	3,339,826	3,335,265
Cash Deposits	220,078	13,887
Net Investment Debtors	4,136	(37,975)
Net Investment Assets	3,564,040	3,311,177

(c) Investments analysed by Fund Manager

	31st March 2019 £000	%	31st March 2018 £000	%
Investment Manager				
M&G Investments	696,339	19.5	585,246	17.6
Baillie Gifford & Co. - Global Alpha	649,071	18.2	658,308	19.8
Baillie Gifford & Co. - LTGG	509,401	14.2	475,901	14.3
Fidelity International	283,369	7.9	323,116	9.7
Veritas	213,915	6.0	151,620	4.6
Dodge & Cox	208,283	5.8	149,844	4.5
Threadneedle	182,564	5.1	174,545	5.2
Standard Life Investments - Equities	169,991	4.8	338,416	10.2
NYCC Treasury Management	151,293	4.2	0	0.0
Newton Investments	146,066	4.1	136,467	4.1
Legal & General	70,000	2.0	67,572	2.0
Permira	58,068	1.6	33,346	1.0
Leadenhall Remote Fund	53,617	1.5	0	0.0
Leadenhall Diversified Fund	53,229	1.5	0	0.0
Leadenhall NAT CAT Fund	52,545	1.5	0	0.0
Hermes Property Unit Trust	36,528	1.0	35,304	1.1
Bluebay	28,928	0.8	8,016	0.2
BCPP	833	0.0	0	0.0
Standard Life Investments - DGF	0	0.0	173,477	5.2
Internally Managed (cash and net debtors)	11,201	0.3	17,389	0.5
	3,575,241	100.0	3,328,566	100.0

The investments with Baillie Gifford, Threadneedle, Dodge & Cox and Veritas each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

The BCPP investment listed above is the Class A and B shares held by the pension fund. This has been valued at cost as the company only became licenced to trade on 1 July 2018.

(d) Stock Lending

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or in any previous years.

15. Analysis of Derivatives

The Fund does not hold derivatives.

16. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required

Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Notes to the North Yorkshire Pension Fund Account for the year ended 31 March 2019	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th Edition)	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental Growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Value at 31 March 2019 £000	Value on Increase £000	Value on decrease £000
Assessed valuation range (+/-)			
Pooled investments- Private Debt	86,995	0	0
Pooled investments – hedge funds	0	0	0
Freehold and leasehold property	0	0	0
Unquoted overseas equity	0	0	0
Private equity	0	0	0
Total	86,995	0	0

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1
Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3
Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2019				
Financial assets at fair value through profit and loss	1,273,948	2,218,392	86,995	3,579,335
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(4,094)	0	0	(4,094)
Net investment assets	1,269,854	2,218,392	86,995	3,575,241

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2018				
Financial assets at fair value through profit and loss	1,279,194	2,075,292	41,362	3,395,848
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(67,282)	0		(67,282)
Net investment assets	1,211,912	2,075,292	41,362	3,328,566

b. Reconciliation of Fair Value Measurements Within Level 3

	Market Value at 1 April 2018 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains and Losses £000	Realised Gains and Losses £000	Market Value at 31 March 2019 £000
Private Debt	41,362	0	0	53,052	(13,382)	3,639	2,325	86,995

17. Financial Instruments

(a) Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category.

31st March 2018 Designated as fair value through profit and loss £000	31st March 2018 Loans and Receivables £000	31st March 2018 Financial Liabilities amortised at cost £000		31st March 2019 Designated as fair value through profit and loss £000	31st March 2019 Loans and Receivables £000	31st March 2019 Financial Liabilities amortised at cost £000
			Assets			
626,598	0	0	Fixed Interest Securities	639,513	0	0
592,013	0	0	Equities	394,926	0	0
1,529,878	0	0	Pooled Investments	1,870,819	0	0
276,831	0	0	Pooled Property	288,502	0	0
309,944	0	0	Diversified Growth Funds	146,066	0	0
0	0	0	Private Equity	0	0	0
0	0	0	Derivative Contracts	0	0	0
0	26,358	0	Cash	0	224,509	0
24,990	0	0	Investment Debtors	4,947	0	0
0	9,234	0	Non Investment Debtors	0	10,053	0
3,360,255	35,592	0		3,344,773	234,562	0
			Liabilities			
0	0	0	Derivate Contracts	0	0	0
62,965	0	0	Investment Creditors	811	0	0
0	0	4,317	Non Investment Creditors	0	0	3,283
62,965	0	4,317		811	0	3,283
3,297,290	35,592	(4,317)		3,343,962	234,562	(3,283)

(b) Net Gains and Losses on Financial Instruments

	2018/19 £000	2017/18 £000
Fair Value Through Profit & Loss	250,447	246,433
Loans and Receivables	248,302	(38,775)
	498,749	207,658

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. NYCC manages these investment risks as part of its overall approach to Pension Fund risk.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. A Risk Register has been established to identify and analyse the risks faced by NYCC's pensions operations. This document is periodically reviewed regularly to reflect changes in activity and in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Register includes identifying, managing and controlling market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the PFC and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through advice from the investment advisers to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments through Investment Management Agreements

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period.

Asset Type	Potential Market Movements (+/-) %
Cash and Cash Equivalents	0.5
UK Bonds	11.3
UK Equities	19.0
Overseas Equities	20.0
UK Pooled Equity	19.0
Overseas Pooled Equity	20.0
Pooled Property Investments	12.5
Diversified Growth Funds	9.0
Other Pooled Investments	5.4
Non Investment Debtors/Creditors	0.0

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31st March 2019 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	220,078	1,100	221,178	218,978
UK Bonds	639,513	72,379	711,892	567,134
UK Equities	162,021	30,784	192,805	131,237
Overseas Equities	232,905	46,581	279,486	186,324
UK Pooled Equity	93,070	17,683	110,753	75,387
Overseas Pooled Equity	1,531,363	306,273	1,837,636	1,225,090
Pooled Property Investments	288,502	36,063	324,565	252,439
Diversified Growth Funds	146,066	13,146	159,212	132,920
Other Pooled Investments	246,386	13,185	259,571	233,201
Non Investment Debtors/Creditors	6,770	0	6,770	6,770
Total Assets	3,566,674		4,103,868	3,029,480

Asset Type	Value as at 31st March 2018 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	13,887	139	14,026	13,748
UK Bonds	626,598	56,394	682,992	570,204
UK Equities	326,189	61,976	388,165	264,213
Overseas Equities	265,825	53,165	318,990	212,660
UK Pooled Equity	108,639	20,641	129,280	87,998
Overseas Pooled Equity	1,421,239	284,248	1,705,487	1,136,991
Pooled Property Investments	276,831	34,604	311,435	242,227
Diversified Growth Funds	309,944	30,994	340,938	278,950
Non Investment Debtors / Creditors	4,918	0	4,918	4,918
Total Assets	3,354,070		3,896,231	2,811,909

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Fund and its investment advisers through the risk management strategy including monitoring the exposure to interest rates and assessment of actual interest rates against the strategic benchmark.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2018/19 £000	2017/18 £000
Cash and Cash Equivalents	220,078	13,887
Fixed Interest Securities	639,513	626,598
	859,591	640,485

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £8,596k and for 2017/18 asset values, £6,405k.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is monitored in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-8.6%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, an 8.6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31st March 2019 £000	Value on 8.6% Increase £000	Value on 8.6% Decrease £000
Overseas Equities	1,764,268	1,915,995	1,612,541
Overseas Bonds	0	0	0
Total Assets	1,764,268	1,915,995	1,612,541

Asset Type	Value as at 31st March 2018 £000	Value on 9.9% Increase £000	Value on 9.9% Decrease £000
Overseas Equities	1,687,064	1,854,083	1,520,045
Overseas Bonds	0	0	0
Total Assets	1,687,064	1,854,083	1,520,045

(b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by recognised rating agencies.

Deposits are not made with banks and financial institutions unless they are rated independently and meet NYCC's credit criteria. NYCC has also set limits as to the maximum amount of deposits placed with any one financial institution. The banks and institutions chosen all have at least the minimum credit rating as described in NYCC's Treasury Management Strategy.

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2019 was £4.4m (31 March 2018, £12.5m) and was held with the following institutions:

	Credit Rating	31 March 2019 £000	31 March 2018 £000
Call Accounts			
Barclays	A+ / F1	417	1,539
Fixed Term Deposit Notice Accounts			
Handelsbanken	AA / F1+	244	0
Santander UK	A+ / F1	543	1,430
Bank of Scotland	A+ / F1	488	1,904
National Westminster Bank PLC	A+ / F1	342	0
Nationwide BS	A / F1	98	423
Commonwealth Bank of Australia	AA- / F1+	98	635
Goldman Sachs	A / F1	586	1,692
Standard Chartered	A+ / F1	98	0
Sumitomo Mitsui BCE	A / F1	98	0
Helaba	A+ / F1+	293	0
Aberdeenshire Council	-	0	212
Ashfield District Council	-	0	85
Birmingham City Council	-	49	423
Doncaster Metropolitan Borough Council	-	0	212
Dudley Metropolitan Borough Council	-	0	254
Dundee City Council	-	49	212
Eastbourne Borough Council	-	49	592
Flintshire County Borough Council	-	49	0
Glasgow City Council	-	98	0
Hambleton District Council	-	20	212
Lancashire County Council	-	98	212
Lancashire PCC	-	0	212
London Borough of Barnet	-	49	0
London Borough of Croydon	-	49	0
London Borough of Enfield	-	98	0
London Borough of Newham	-	98	0
Moray Council	-	29	0
North Tyneside Metropolitan Borough Council	-	0	212
Plymouth City Council	-	98	0
Redcar & Cleveland Council	-	49	0
Runnymede Borough Council	-	0	212
Rushmoor Borough Council	-	39	0
Slough Borough Council	-	29	0
Tewkesbury Borough Council	-	0	212
Thurrock Borough Council	-	78	0
Warrington Borough Council	-	0	592
West Dunbartonshire Council	-	0	381
West Yorkshire PCC	-	0	190
Woking Borough Council	-	49	423
Wokingham Borough Council	-	49	0
		4,431	12,471

(c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings, subject to the fixed periods determined when deposits are placed. These deposits are scheduled to ensure cash is available when required.

The Fund also has access to an overdraft facility for short term (up to three months) cash needs. This facility is only used to address changes in the strategic benchmark and is met by either surplus cash from contributions received exceeding pensions paid or if necessary, disinvesting.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31 March 2019 the value of illiquid assets was £0 (31 March 2018, £0k).

All liabilities at 31 March 2019 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008 the Fund's Actuary, Aon Hewitt, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2016.

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

At the 2016 Valuation the aim was to achieve 100% solvency over a period of 24 years from April 2017 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 Triennial Valuation the Fund was assessed as 90% funded (73% at the 2013 Valuation). This reflected a deficit of £283m (£668m at the 2013 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2018/19 the common rate (determined at the 2016 Valuation) is 17.8% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	For Future Service Liabilities	
Investment Return	4.40%	per annum
Inflation	2.00%	per annum
Salary Increases	3.25%	per annum
Pensions Increases	2.00%	per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current Pensioners	22.7 years	26.2 years
Future Pensioners (assumed current age 45)	24.9 years	28.5 years

Commutation Assumption
It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and for post-April 2008 service.

50:50 Option
It is assumed that no active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an **Appendix**.

21. Current Assets

	2018/19 £000	2017/18 £000
Debtors		
Investment Debtors		
Investment Transactions	319	19,805
Accrued Dividends	2,252	3,204
Withholding Taxes Recoverable	2,376	1,981
	4,947	24,990
Other Debtors		
Contributions due from Scheduled (Government) Bodies	8,557	8,054
Contributions due from Admitted Bodies	473	416
Pensions Rechargeable	738	377
Interest on Deposits	0	0
Other	285	388
	10,053	9,235
	15,000	34,225

22. Current Liabilities

	2018/19 £000	2017/18 £000
Creditors		
Investment Creditors	811	62,965
Sundry Other Creditors	3,283	4,317
	4,094	67,282

23. Additional Voluntary Contributions (AVCs)

	Market Value 30th March 2019 £000	Market Value 31st March 2018 £000
Prudential	20,061	20,267

AVC contributions of £2,186k were paid directly to Prudential during the year (£2,007k in 2017/18).

24. Agency Services

The North Yorkshire Pension Fund does not operate Agency Services contracts.

25. Related Party Transactions

North Yorkshire County Council
The North Yorkshire Pension Fund is administered by North Yorkshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £1,376k (£1,322k in 2017/18) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £47.1m to the Fund in 2018/19 (£71.5m in 2017/18).

Part of the Fund's cash holdings are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2019 the Fund had an average investment balance of £7.2m (£14m during 2017/18) paid interest of £57.6k (£69.1k received in 2017/18) on these funds.

Governance

As at 31 March 2019 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for the Treasurer was accrued on exactly the same basis as for all other members of the Fund.

Key Management Personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS 24. This exemption applies in equal measure to the accounts of the Fund. The disclosures required by The Accounts and Audit (England) Regulations can be found in the main accounts of NYCC.

26. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year-end (£nil in 2017/18).

27. Contingent Assets

Three admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of an employer default.

28. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2017/18).

Statement of the Actuary

North Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2019

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund’s assets as at 31 March 2016 (of £2,417.8M) covering 90% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

- 17.8% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 24 years from 1 April 2017 (the secondary rate), amounting to £13.6M in 2017/18, and increasing by 3.25% p.a. thereafter).

3. In practice, each individual Employer's or group of Employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the Employers.

4. The funding plan adopted in assessing the contributions for each individual Employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods were agreed with the Administering Authority reflecting the Employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled bodies *	4.4% p.a.
Orphan bodies **	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled bodies *	4.4% p.a.
Orphan bodies **	2.5% p.a.
Rate of pay increases	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

** The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

***In addition the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):

- **Increases to GMPs:**
  HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.

- **Cost Management Process and McCloud judgement:**
  Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, North Yorkshire County Council, the Administering Authority of the Fund, in respect of this Statement.

11. The actuarial valuation report is available on the Fund's website at the following address:
https://www.nypf.org.uk/nypf/valuationreports.shtml

Aon Hewitt Limited

30 April 2019

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

4 JULY 2019

GOVERNANCE ARRANGEMENTS

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To review a range of governance documents and for the Committee to approve or note the following documents, as appropriate:

a) Investment Strategy Statement
b) Governance Compliance Statement
c) Funding Strategy Statement
d) Communications Policy
e) Admissions and Terminations Policy
f) Risk Register
g) Risk Management Policy
h) Pensions Administration Strategy
i) Administering Authority Discretions Policy
j) Internal Dispute Resolution Procedure (IDRP) Guide
k) Governance Roles and Responsibilities
l) Charging Policy
m) Business Plan
n) Breaches Policy
o) GDPR Privacy Notice
p) GDPR Memorandum of Understanding

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 (PFC). Regulations require that certain governance documents and the Pension Fund Final Accounts form 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.

2.2 The completed Annual Report will be presented to the PFC on 12 September 2019. The following governance documents form part of the Annual Report:

- Investment Strategy Statement
- Governance Compliance Statement
- Funding Strategy Statement
- Communications Policy

3.0 GOVERNANCE ARRANGEMENTS FOR NYPF

3.1 A description of each of the Fund's governance documents is included in the following paragraphs, together with comments on the changes that have been made since they were last approved and any actions that are required by the PFC. Where changes have been made to previously approved versions then changes can be seen in tracked changes in the appropriate appendix.

3.2 Governance documents to be included in the Annual Report

3.2.1 The **Investment Strategy Statement** (ISS) sets out the Fund's approach to investing. The version approved in July 2018 is attached as **Appendix 1** for information only. There are a number of areas that are currently in flux, so an updated ISS will be brought to the September PFC meeting for approval.

3.2.2 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; minor changes have been made to remove the reference to Myners and replace it with CIPFA guidance but the underlying principles remain.

A number of suggested changes to the terms of reference for the PFC are also contained within section 2.1.1 of Appendix 2. These are made to reflect the changes in circumstances of the PFC (including pooling); to reflect that the Audit Committee now approves the statement of final accounts; and to remove some areas of prescription where there are multiple ways of achieving the objective (e.g. removal of the "performance measurer". These changes, if agreed, will need to be considered by the Members Constitutional Working Group for further consideration by the Executive and then County Council as these are Constitution changes.

3.2.3 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 last 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 is attached as **Appendix 3**. The policy will be reviewed again as part of the 2019 Triennial Valuation and will be brought to the PFC for approval later in the year.

3.2.4 The **Communications Policy** attached as **Appendix 4**, details the policy for communicating with all the Fund's stakeholders. The policy has been amended following feedback last year to clarify what we will communicate, when, how and to whom.

3.3 Other Governance Documents

3.3.1 The **Admissions and Terminations Policy** attached as **Appendix 5** outlines the Fund's policy on admissions into the Fund and the methodology for assessing an exit payment when an admission body leaves the Fund. A minor change has been made to clarify that payment of any surplus on exit will only be made by BACS.

3.3.2 The **Risk Register (Appendix 6 & 7)** 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, four as amber and five as green. The assessment of the highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.

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 significant impact on the way in which the Fund implements its investment strategy.

Pension Fund solvency also remains a red risk, despite the latest funding level of 108%, 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.

3.3.2 The **Risk Management Policy** for the Fund was approved in the November 2017 meeting. It was recommended by the Risk Management Team that this document be reviewed at least once every three years and when a specific change is required. There have been no changes required since initial approval, so approval is not required by Members at this meeting. The latest version of this document is attached as **Appendix 8** for information.

3.3.3 The **Pensions Administration Strategy** attached as **Appendix 9** sets out the administration protocols between employers and the Fund. Minor amendments have been made to this document.

3.3.4 The **Administering Authority Discretions Policy**, attached as **Appendix 10**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. This policy has been updated to reflect the current position of NYCC regarding its discretions.

3.3.5 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 11** for Members to approve, sets out how scheme members can resolve problems or complaints they may have about their pension benefits. There have been no updates made to this guide.

3.3.6 The **Governance Roles and Responsibilities**, attached at **Appendix 12**, sets out the governance arrangements for the Fund. It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS. Amendments have been made to clarify the governing bodies responsible for the LGPS and to clarify the purpose of the document.

3.3.7 The **Charging Policy**, attached at **Appendix 13**, should be read in conjunction with the Pensions Administration Strategy and sets out the Fund's policy on charging employers for poor quality data and late submissions of information required to calculate member benefits. This policy has had major changes made to it to assist employers understanding and redefine the pension team's process for contacting and managing employers performing poorly.

3.3.8 The **Business Plan**, attached at **Appendix 14**, sets out the purpose and strategy of the Fund for the next 3 years to enable the PFC to plan ahead and comply with legal requirements. It sets out the key initiatives of the Fund with delivery dates to enable tracking of progress. Target delivery dates have been added this year and the plan has been moved onto cover the period 2019 - 2021. This Business Plan was approved in February 2019 and an updated plan covering 2020-2022 will be brought to the February 2020 PFC meeting, alongside the 2020/21 budget, for approval.

3.3.9 The **Breaches Policy**, attached at **Appendix 15**, sets out the Fund's policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice". There have been no changes made to this policy.

3.3.10 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 16**, sets out how and why NYCC processes personal data in relation to the Fund. This Notice follows that of the administering Authority in order to ensure compliance. Some minor amendments have been made to this notice.

3.3.11 The **GDPR Memorandum of Understanding**, attached at **Appendix 17**, sets out for employers the statutory basis on which data will be shared between the parties and NYPF's expectations of employers during their participation in the Fund. This again follows the approach taken by the administering Authority. Minor amendments have been made to this memorandum.

4.0 NEXT STEPS

4.1 Following approval of the governance documents attached, a governance review of the Fund will be carried out by the Independent Professional Observer and a report will be produced. This report will be presented to the PFC and any feedback provided will be reflected in the governance documents where necessary. The Independent Professional Observer will be asked to attend the September meeting to discuss the governance of the Fund with Members.

4.2 The following documents will also be brought to the September PFC meeting for Members to approve:

- NYPF Annual Report
- Investment Strategy Statement

5.0 RECOMMENDATIONS

5.1 Members are asked to approve the changes made to the following governance documents:

- Governance Compliance Statement (Appendix 2)
- Communications Policy (Appendix 4)
- Admissions and Termination Policy (Appendix 5)
- Risk Register (Appendix 6 & 7)
- Pension Administration Strategy (Appendix 9)
- Administering Authority Discretions Policy (Appendix 10)
- Governance Roles and Responsibilities (Appendix 12)
- Charging Policy (Appendix 13)
- GDPR Privacy Notice (Appendix 16)
- GDPR Memorandum of Understanding (Appendix 17)

5.2 Members are asked to note the following governance documents:

- Funding Strategy Statement (Appendix 3)
- Risk Management Policy (Appendix 8)
- IDRP Guide (Appendix 11)
- GDPR Memorandum of Understanding (Appendix 14)
- Breaches Policy (Appendix 15)

5.3 Members are asked to recommend to the Members Constitutional Working Group that changes be made to the Pension Fund Committee's terms of reference in line with section 2.1.1 of Appendix 2

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

24 June 2019

NORTH YORKSHIRE PENSION FUND

INVESTMENT STRATEGY STATEMENT

TABLE OF CONTENTS

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 22017, following the 2016 Triennial Valuation, with the agreed changes currently being implemented. 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 and Independent Adviser 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	40	52	65
Alternatives	20	30	35
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), Private Debt (2016) and Insurance Linked Securities (2018). These asset classes have served to further diversify the Fund's investments, spreading risk and reducing short term volatility. There are also plans to introduce Property Debt investments into the Fund's portfolio.

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%
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
Leadenhall	Insurance Linked Securities (Diversified)	To outperform Money Market Fund (MMF) returns by 4% to 5.5%
Leadenhall	Insurance Linked Securities (Nat Cat Focus)	To outperform Money Market Fund (MMF) returns by 6.5% to 7.5%
Leadenhall	Insurance Linked Securities (Remote)	To outperform Money Market Fund (MMF) returns by 3% to 4%

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”).

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.

Index Linked Bonds	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.
Diversified Growth Funds	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.
UK Property	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.
Private Debt	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.
Insurance Linked Securities	is a term used to cover an array of financial instruments whose values are driven by insurance loss events - catastrophes. These instruments are linked to property losses caused by natural and man-made catastrophes and represent a unique asset class given that returns are both uncorrelated and independent from the general financial market. ILS themselves are bond like instruments which are securitised on the underlying catastrophe risks. Typically they are provided through pooled fund arrangements.
Property Debt	are direct loans secured against commercial properties and their income. The majority of the return comes from coupon payments which are distributed quarterly. They are bond like returns that do not suffer from capital losses. Typically they are provided through pooled fund arrangements.
Derivative Instruments	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.
Cash	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 and Adviser.

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 to 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 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 100% of NYPF's assets will be transitioned into the Pool once suitable sub-funds are in place; certain illiquid investments, comprising approximately 14%, will be retained by NYPF until they are fully realised over a period of up to 8 years, at which point new investments will be made through the pool if there is a suitable subfund in place. The legal structures of these illiquid assets are such that it may not be practical to transfer ownership without a substantial loss in value.

6.5 The July 2016 submission to Government of BCPP, available on the Fund's website 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 A Financial Conduct Authority regulated company has been established to manage the assets of BCPP partner funds. 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. The company is due to go live in July 2018, with transitioning of funds to take place from 2018 onwards.

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 also has a representative on the Shareholder Board, which as an owner provides 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 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.

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 2018.

20 June 2018

Appendix 2

North Yorkshire Pension Fund

Governance Compliance Statement

April 2019

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

Index

Section

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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 (LGPS) 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 (which includes pooling entities for the purposes of this Statement) to manage and invest Fund monies on the Council's behalf
- to receive reports from the appointed managers, at least once every quarter, setting out the action they have taken under their appointment
- to receive reports, at least once every quarter regarding the investment performance of the appointed investment managers and the Fund overall
- to regularly review investments and 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 receive a Statement of Final Accounts and approve associated governance statements for submission to the Audit Committee
- from time to time reporting to the Executive and making appropriate recommendations on matters relating to the Pension Fund

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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.

Pension Board

2.2 To comply with regulation 106 of the LGPS (Amendment) (Governance) Regulations 2015, terms of reference to establish the Council's Pension Board were approved at its meeting on 18 February 2015.

2.3 The Pension Board is responsible for assisting the Council in securing compliance with the regulations, and to ensure the efficient and effective governance and administration of the LGPS. The Pension Board will have an oversight role in the governance of the Fund.

2.4 The key points from the terms of reference are:

- there are 9 members of the Pension Board, being 4 scheme member representatives (voting), 4 employer representatives (voting) and 1 independent chair (non-voting)
- there will be 4 meetings each year
- the Pension Board has its own policies on conflicts of interest and training
- costs of the Pension Board will be met by the Fund
- the quorum required for the Pension Board meetings is the Chair, one scheme and one employer representative

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Independent Professional Observer

2.5 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 Ministry of Housing, Communities and Local Government's (MHCLG) best practice principles, and also offer advice on governance related matters.

Functions Delegated to Officers

2.6 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, 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

The North Yorkshire Pension Fund Officer Group (NYPFOG)

2.8 NYPFOG meets periodically to provide an opportunity for employers and NYPF officers to meet and address any issues relating to the administrative arrangements of the Fund.

3.0 Representations and Meetings

Representation

3.1 The current membership of the PFC is as follows:

- eight elected Members representing the administering authority who each hold one vote on the Committee
- 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
- a number of substitute Members have been nominated to attend in the absence of each of the main Committee Members
- three union representatives are invited to attend every Committee meeting, in a non-voting capacity
- the Chairman of the Pension Board is invited to attend every Committee meeting, in a non-voting capacity
- 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 attend 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 Communications Policy Statement explains in more detail the arrangements for engagement with all stakeholders.

3.5 The PFC convenes once each quarter, usually 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. Four supplementary meetings a year are normally held for

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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 (e.g. Head of Pensions Administration, Senior Accountant), 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 undertake the annual review of the governance documents, in addition to any other business requiring attention at that time.

4.0 Operational Procedures

Training

4.1 In the CIPFA Pensions Finance Knowledge and Skills Framework it states that "Administering Authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively". There are legal requirements set out in the LGPS regulations and other relevant legislation, as well as best practice guidance on training published by professional and regulatory bodies.

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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.

4.4 Members of the Pension Board must have the required knowledge and understanding of the Scheme and the law and regulations relating to pensions in order to properly exercise their duties.

Reporting and Monitoring

4.5 The Fund has a Business 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 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, communications with stakeholders, training events and admission agreements, etc.

4.8 Outside of this periodic reporting to the PFC;

- the activities of the Benefits Administration team are regularly monitored by the Treasurer as part of the ongoing performance monitoring arrangements operated within the Central Services directorate of the Council. In addition, the Fund participates in benchmarking as well as value for money exercises with other Funds

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- the performance of the investment managers is monitored on an ongoing basis by the Investment Consultant 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.

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5.0 Key Policy and Strategy Documents

5.1 In addition to the range of information provided by the Fund for Scheme members and employers, the Fund publishes a number of other key documents relating to the administration and governance of the Fund. These are as follows:

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- Administering Authority Discretions for NYCC
- Administration Strategy
- Annual Communications Strategy
- Annual Report
- Breaches Policy
- Employers Guide
- Funding Strategy Statement (FSS)
- Governance Compliance Statement
- Governance Roles and Responsibilities
- Internal Dispute Resolution Procedure
- Investment Strategy Statement

6.0 Compliance with Best Practice Principles

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 or panel 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 (as the Board is not a committee in legal terms)
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. Chair of Pension Board attends the PFC in a non-voting capacity

Representation

a	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • employing authorities (including non-scheme employers, e.g. admitted bodies • scheme members (including deferred and pensioner scheme members) • where appropriate, independent professional observers • 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

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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

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

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.

Training, Facility Time and 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

Meetings (Frequency and 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

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

Scope

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

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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NORTH YORKSHIRE PENSION FUND (NYPF)
2016 Funding Strategy Statement (FSS)

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

1. INTRODUCTION

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

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

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

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

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

Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the NYPF should be set so as to "secure its solvency” and to "ensure long-term cost efficiency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

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

The purpose of this Funding Strategy Statement is:

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

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

3. AIMS AND PURPOSE OF THE NYPF

The aims of the Fund are to:

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

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,

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

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

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

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date

- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding

- pay any exit payments on ceasing participation in the NYPF

The Fund actuary should:

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

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

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

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target as at 31 March 2016 are set out in Appendix 1.

Underlying these assumptions are the following two tenets:

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

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

- stepping in of contribution rate changes for employers where the orphan funding target is being introduced (as defined later in this statement). For the 2016 valuation, the Administering Authority's default approach is to step contribution increases over a period of 3 years, although in certain circumstances a longer period may be considered, after consultation with the Actuary.
- a longer deficit recovery period than the average future working lifetime, particularly where there are a number of younger active members .

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

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Scheme.

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

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- A default recovery period of 18 years will apply.

- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 24 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).

- In the current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2013 funding plan where substantial deficits remain.

- For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted at the 2016 valuation as follows:

    - Where the funding level is 100-110% employers will pay the future service rate only.
    - Where the funding level is over 110% the default approach for Scheduled Bodies and Admission Bodies with no subsumption commitment from a Scheduled Body in the Fund (as defined in Appendix 1) will be to remove any surplus in excess of 10% over a period of 6 years.
    - Where the funding level is over 110% the default approach for Admission Bodies with a subsumption commitment from a Scheduled Body in the Fund will be to remove any surplus in excess of 10% over the recovery period adopted by that Scheduled Body at the 2016 valuation.

- If surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount.
- The current level of contributions will be phased down as appropriate.

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

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

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

- a percentage of pensionable payroll in respect of the future accrual of benefit
- a schedule of lump sum amounts over 2017/20 in respect of the past service deficit subject to the review from April 2020 based on the results of the 2019 actuarial valuation.

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

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

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

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

Deficit Recovery Plan

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

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

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

- the size of the funding shortfall;
- the business plans of the employer;

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

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore, after specific agreement has been obtained by Fund Officers from the North Yorkshire Pension Fund Committee, would be willing to use its discretion to negotiate an **evidence based** affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence and on the basis that it is not inconsistent with the requirements to set employer contributions so as to ensure the solvency and long-term cost efficiency of the NYPF.

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

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

The results of the 2016 valuation show the liabilities at 31 March 2016 to be 88% covered by the current assets, with the funding deficit of 12% being covered by future deficit contributions.

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

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

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

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

Asset Class (Summary)		**%**
	Equities	50-75
	Bonds	15-30
	Alternatives	10-20
	TOTAL	**100**

The funding strategy adopted for the 2016 valuation is based on an assumed long-term investment return assumption of 4.4% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of 6.4% as at the valuation date.

Bespoke Investment Strategy

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

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

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

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

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

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

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

What are the Risks?

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

Investment risk

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

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

The specific risks associated with assets and asset classes are:

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

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

Employer risk

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

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

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

Liquidity/Maturity risk

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

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

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

Liability risk

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

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

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

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

Regulatory and compliance risk

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

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

8. MONITORING AND REVIEW

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

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

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

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

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

APPENDIX 1

ACTUARIAL VALUATION AS AT 31 MARCH 2016
Method and assumptions used in calculating the funding target

Risk Based Approach

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

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

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

Solvency Target

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

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

For Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume the Admission Body's assets and liabilities in the NYPF following its exit, appropriate actuarial methods and assumptions are taken to be:

- the Projected Unit method of valuation; and
- assumptions such that, if the Fund had reached the Solvency Target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 25 years.

This then defines the Solvency Target.

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

Probability of Funding Success

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

The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 75% chance that the Fund would reach or exceed its Solvency Target after 25 years.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the primary contribution rates and adjustment for the surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period. The key assumptions used for assessing the Funding Target are summarised in Appendix 1.

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

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

Funding Targets and assumptions regarding future investment strategy

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

For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

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

For Admission Bodies and other bodies whose liabilities are expected to be orphaned on exit (with the exception of the universities where a different approach will be adopted at the 2016 valuation as set out below), the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

For the two universities that are Admission Bodies in the Fund where there is no subsumption commitment but which continue to admit new members to the Fund, the Administering Authority has considered these employers to be sufficiently financially secure to adopt the Scheduled Body / Subsumption funding target at the 2016 valuation of the Fund. In advance of the 2019 valuation the Administering Authority will consider whether this remains an appropriate funding target, or whether the orphan funding target, or another funding target, which reflects the circumstances at eventual exit of these employers from the Fund, would be more appropriate. Notwithstanding the adoption of the Subsumption funding target at the 2016 valuation, if either of these employers were to exit the Fund the funding target on exit would be the least risk funding target as described in the Admissions and Terminations Funding Policy.

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

Financial assumptions

Investment return (discount rate)

The discount rate for the 2016 valuation is 4.4% p.a. with the exception of Admission Bodies which will ultimately give rise to orphan liabilities where the discount rate is:

- 4.1% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2% p.a.) and
- 2.5% left service, (which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.4% p.a. to take account of expected increases in gilt yields after the valuation date).

The gilt yield referred to is based on the Bank of England Bond Curve as at the valuation date.

Inflation (Consumer Prices Index)

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

Salary increases

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

Pension increases/Indexation of CARE benefits

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

Demographic assumptions

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S2P tables, year of birth base rates, adjusted by a scaling factor.
Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health)	100%
Females (normal health)	85%
Males (ill-health)	100%
Females (ill-health)	130%

Future improvement to base rates

An allowance for improvements in line with the CMI 2014, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

Pre-retirement mortality

Males:	As for normal health retirements but with a 70% scaling factor
Females:	As for normal health retirements but with a 40% scaling factor

Early retirements

Active members and Deferred members who left before 1 April 2016 who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits.

Active members who joined the LGPS after 31 March 2014 are assumed to retire at their normal retirement age (which is aligned with state pension age).

All other active and deferred members are assumed to retire at age 65.

Withdrawals

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

Retirement due to ill health

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

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

Family details

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

75% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death. 75% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

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

Take up of 50/50 scheme

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

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.4% of Pensionable Pay added to the cost of future benefit accrual.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "primary contribution rate") for the 2016 actuarial valuation

Investment return / Discount Rate (scheduled bodies and admission bodies with a subsumption commitment from a scheduled body)	4.4% p.a.
Investment Return / Discount Rate for orphan bodies In service	4.1% p.a.
Left service	2.5% p.a.
CPI price inflation	2.0% p.a.
Long Term Salary increases	3.25% p.a.
Pension increases/indexation of CARE benefits	2.0 p.a.

North Yorkshire Pension Fund

Communications Policy

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

v1.1_April 19

Index

1. Introduction

The North Yorkshire Pension Fund (NYPF) is administered by North Yorkshire County Council (NYCC). This policy sets out the Fund's strategy of engagement with its stakeholders and has been produced to satisfy the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013.

The Pensions Regulator expects that our communications are accurate, clear and accessible and readily available at all times. With this in mind, we aim to keep our stakeholders informed about the scheme in a clear and understandable way. The Plain English principles have been adopted in all of our documents.

We will review this policy annually.

2. Stakeholders

The key stakeholders for the NYPF are:

- scheme members and their representatives
- prospective scheme members
- scheme employers
- NYCC, as the scheme manager
- Pension Fund Committee
- Local Pension Board

Other stakeholders who support 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

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3. Objectives

Our key objectives are:

- to keep all stakeholders informed about the management and administration of the NYPF
- to provide clear and easy to understand information to enable informed decisions
- to promote the LGPS as an important and valued part of the employment package
- to identify and use the most appropriate means of communicating with stakeholders, taking account of their different needs
- to seek continuous improvement in the way we communicate
- to use technology to provide up to date and timely information

4. What we communicate

We provide targeted communications to each of our stakeholder groups as outlined below.

Stakeholder	Communication	When	How
Pension Fund Committee	Committee papers	Quarterly	Website, email, paper
	Newsletter	Annual	Website, email, paper
	Workshops	As required	Face to face
	3rd party training	As required	Face to face
Local Pension Board	Board reports	Quarterly	Website, email, paper
	Newsletters	Annual	Website, email, paper
	Third party training	As required	Face to face
Scheme Employers	Periodic updates	As required	Email
	Technical material	As required	Email
	Dedicated website	Permanently Available	Website
	Bespoke training	As required	Webinar, YouTube, face to face, Skype
	Employers guide	Permanently Available	Website
	Employer forums	Annual	Face to face
	Pensions Administration Strategy	Permanently Available	Website, email
	Admission Agreements guide	Permanently Available	Website, email
	Academies guide	Permanently Available	Website, email
Scheme Members	Scheme guides	Permanently Available	Website
	Membership Certificate	Upon joining	Paper
	Estimate of benefits	When requested	Email, online, paper
	Annual benefit statement	Annual	Online, paper
	Newsletter	Annual	Website, paper
	Membership data online	Permanently Available	Online
	Electronic satisfaction surveys	Upon retirement	Online
	Pensioner pay advice	Monthly	Online, paper
	Telephone helpline	Available during working hours	Telephone
	Website	Permanently Available	Website
Prospective Scheme Members	Scheme guides	Permanently Available	Website
	Telephone helpline	Available during working hours	Telephone
	Website	Permanently Available	Website

5. Strategy

To ensure we manage our stakeholder's expectations and meet our regulatory requirements, we continually evaluate the effectiveness of our communications using the following methods:

- feedback questionnaires
- monitoring compliments and complaints
- review by the Local Pension Board

To ensure continuous development we plan to:

- continue to increase the number of Member Self Service users
- continue to develop and simplify annual benefit statements
- continue to review and develop letter content
- review and update our website
- continue to update guides and policies
- improve the information we give to employers

6. Key Documents

We publish a number of other key documents on our website at www.nypf.org.uk relating to the administration and governance of the Fund. These are as follows:

- Administering Authority Discretions for NYCC
- Administration Strategy
- Admissions and Terminations Policy
- Annual Report
- Breaches Policy
- Charging Policy
- Employers Guide
- Funding Strategy Statement (FSS)
- Governance Compliance Statement
- Governance Roles and Responsibilities
- Internal Dispute Resolution Procedure
- Investment Strategy Statement
- Privacy Notice
- Memorandum of Understanding

7. Further Information

If you would like to know more about our communications you can contact us in the following ways:

Email
pensions@northyorks.gov.uk

Website
www.nypf.org.uk

Telephone
01609 536335

Post
North Yorkshire Pension Fund
County Hall
Northallerton
DL7 8AL

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North Yorkshire Pension Fund

Admissions and Terminations Funding Policy

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V3.1 – April 19

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1 Introduction

1.1 This document details the North Yorkshire Pension Fund's (**Fund**) policy on admissions into the Fund and the methodology for assessment of a deficit or surplus payment on the exit of an employer's participation in the Fund. It supplements the general funding policy of the Fund as set out in the [1]Funding Strategy Statement (**FSS**).

2 Admissions to the Fund

2.1 Admission bodies are a specific type of employer under the Regulations that do not automatically qualify for admission into the Local Government Pension Scheme (**Scheme**) and must satisfy certain criteria set out in the Local Government Pension Scheme Regulations 2013 (as amended) (**Regulations**). Admission bodies are required to have an 'admission agreement' with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

2.2 North Yorkshire County Council (**NYCC**) as the Administering Authority for the Fund will decide which bodies can become an admission body in the Fund. The Fund will enter into an admission agreement that is 'open' or 'closed' to new employees depending on the circumstance of the admission. Whether the admission is 'open' or 'closed' is generally at the option of the applicable transferring employer (if any) and admission body, but there might be an impact on the rate of contributions payable.

2.3 In general paragraph 1(d) admission bodies will be admitted on a 'fully funded' basis i.e. a funding shortfall will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall is passed to the admission body.

2.4 All actuarial and legal fees will be recharged to the transferring employer or the admission body. The Administering Authority will ask for confirmation of who is paying the fee before the invoice is issued.

3 Subsumption, guarantor or bond requirements for entry

3.1 The Regulations require the admission body to carry out (to the satisfaction of the Fund and where applicable the transferring employer) an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. The Regulations further require that where the level of risk identified by the assessment is such as to require it, the admission body shall enter into an indemnity or bond in a form approved by the Fund with a third party financial services organisation. If for any reason a bond is not desirable the Regulations require that the admission body secures a guarantee in a form acceptable to the Fund.

[1] The FSS can be found on the Fund's website at www.nypf.org.uk > Pension Fund / Investments > Policies and Strategies.

3.2 Whilst each application is assessed on its own merits under the above criteria, the Administering Authority wishes to limit the risk to the Fund and to other employers arising from any proposed admission. The Administering Authority's expectation is that in the substantial majority of all admissions it will require the admission body to provide either a qualifying bond or guarantee. The Administering Authority further considers that the costs inherent in the provision of a third party bond by the admission body is sufficient reason why it may not be desirable for the admission body to secure a bond. Therefore, the Administering Authority will in most cases be prepared to accept that the admission instead proceeds on the basis of a guarantor being offered. This is most often the transferring employer.

3.3 Further, when considering applications for admission body status the Administering Authority’s clear preference is that there should be a subsumption commitment from a suitable Scheme employer (as well as a guarantor from within the Fund). However, where there is no suitable party willing to give a subsumption commitment and/ or where there is no suitable and willing guarantor, the Administering Authority will still consider applications on a case-by-case basis.

3.4 A subsumption commitment means that a Scheme employer in the Fund (usually the transferring employer) agrees that they will take on responsibility for the future funding of the liabilities of the admission body once they have exited the Fund, and (where relevant) the admission body has paid any exit payment as determined by the actuary.

3.5 A guarantor provides a commitment to meet any obligation or liability of the admission body under the admission agreement.

3.6 The guarantor must be a party permitted to give such a guarantee under the Regulations and must be acceptable to the Administering Authority. Usually, this is the transferring employer.

3.7 The Administering Authority will, if it deems appropriate, accept an admission where there is no guarantee or subsumption commitment offered. This acceptance may be subject to additional conditions. Such conditions will often include the following:

- the Fund’s actuary will be asked to use the low risk funding target or the ongoing orphan funding target to assess contribution requirements; and/or

- the admission body must have a bond or indemnity from an appropriate third party in place. Any bond amount will be subject to review on a regular basis in line with the Regulations; and

- the admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide.

3.8 Some relevant factors that the Administering Authority may consider when deciding whether to apply any of the conditions above, in the absence of a guarantor or subsumption commitment, are:

- uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;

- if the admission body has an expected limited lifespan of participation in the Fund;

- the general trading risk of the proposed admission body and their financial record;

- the average age of employees to be admitted and whether the admission is closed to new joiners.

Admission bodies formerly known as Transferee Admission Bodies (TABs)

3.9 The most frequent category of admission body is those admitted under paragraph 1(d)(i) of Part 3 to Schedule 2 of the Regulations, namely that the proposed admission body is providing (or will provide) a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.

3.10 The settlement of commercial terms between the transferring employer and the proposed admission body (including any mitigations that might be offered to the proposed admission body in respect of the usual costs of participation as an employer in the Scheme) are a commercial matter which the Administering Authority will not be involved in.

3.11 Deficit recovery periods for these admission bodies will be set in line with the Fund's general policy as set out in the FSS.

Admission bodies formerly known as Community Admission Bodies (CABs)

3.12 Where a body believes that it is eligible for admission other than under paragraph 1(d)(i) of Part 3 to Schedule 2 of the Regulations and requests admission into the Fund, the Administering Authority will consider each application on a case-by-case basis.

Town and Parish Councils

3.13 New town and parish councils entering the Fund will be treated as follows:

- If there is a subsumption commitment from a suitable Scheme employer then the participation will be approved with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements.

- If there is no subsumption commitment from a suitable Scheme employer then the town or parish council must pre-fund for termination with contribution requirements assessed using the low risk funding target or ongoing orphan funding target.

3.14 Deficit recovery periods will be determined consistent with the policy set out in the FSS. Alternatively, the Administering Authority may determine an employer specific deficit recovery period will apply.

Grouped bodies

3.15 The Fund groups the following types of employers for setting contribution rates.

- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 1 April 2008, Drainage and Burial Boards).

- Local Management of Schools (LMS) Pools (NYCC LMS pool and the City of York Council (CoYC) LMS pool) admitted prior to 1 April 2019.

3.16 The LMS pool refers to the grouping of a number of transferee admission bodies relating to catering and cleaning contracts within schools who were admitted to the Fund prior to 1 April 2019. Employers in the LMS pool pay the same aggregate total contribution rate as that payable by NYCC or the CoYC depending on which pool they are in.

3.17 At each triennial valuation, the actuary will pool together the assets and liabilities of the council with the other employers within the appropriate LMS pool to determine the employer contribution rate.

4 Employer contributions and funding targets

4.1 The Fund's actuary will calculate the employer contributions payable from the start of the admission agreement.

4.2 These will consist of the future service rate (FSR) or primary contribution rate and additional (secondary) contributions required to remove any funding shortfall. Where the admission body transfers on a fully funded basis (i.e. the level of notional assets is set to be equal to the full value of the transferring liabilities using the appropriate funding target described below) then the initial contribution rate will be equal to the FSR. This would generally be the case in an outsourcing of a service or function from a Scheme employer.

4.3 The FSR is net of employee contributions but includes an allowance for the lump sum death benefit payable on death in service and administration costs.

4.4 The actuary will also calculate the funding position of the admission body at the commencement date. This shows the notional assets attributable to the admission body, along with the value of liabilities using the appropriate funding target. This is needed even when the admission body starts fully funded since any accounting figures or calculations at future triennial valuations will use the assets and liabilities at commencement as their starting point. In some cases the asset transfer may need to be re-calculated if the commencement date or data on transferring members is different to that used by the actuary in their initial calculations.

4.5 If the transferring employer is providing a subsumption commitment, the subsumption funding target will be used by the actuary when calculating the FSR and the value of liabilities. The low risk funding target can be used where explicitly requested by the transferring employer. The appropriate funding target to be adopted depends on what will happen to the liabilities of the admission body once the contract ends or it has otherwise exited the Fund (e.g. when the last active member has left).

Subsumption funding target

4.6 This approach can be used where the admission body has a 'subsumption commitment' from a suitable Scheme employer (usually the transferring employer). It is used to calculate the initial assets allocated to the admission body and its contributions as well as for the exit valuation (updated to allow for financial market conditions at the exit date).

4.7 The assumptions used under the scheduled body / subsumption funding target assume investment in assets that are the same as the long term investment strategy of the Fund as a whole.

4.8 Therefore the potential outperformance over low risk investment in government bonds (gilts) is factored in, giving a lower contribution rate but also there is exposure to the volatility of equity based investments and the risk of the expected outperformance not being achieved and the impact on the contributions.

4.9 This funding target gives a lower contribution rate but less certainty that the liabilities are being fully covered and can therefore lead to volatility in the FSR over the life of the admission agreement and increases the risk of a shortfall or surplus emerging over the period of participation of the admission body in the Fund. This approach results in the same assumptions being used to set contributions for the admission body as apply to the Scheme employer letting the contract (although the assumptions are updated to allow for financial market conditions at the calculation date, whether that is the date of commencement or exit).

Ongoing orphan funding target

4.10 This approach is used where the transferring employer is not prepared to offer a subsumption commitment in relation to the admission body. This means that no employer exists in the Fund that would be prepared to take on future responsibility of the liabilities of the admission body once the admission body has exited the Fund.

4.11 On the exit of the admission body, its liabilities will become 'orphan liabilities' in the Fund. This means that should a shortfall arise in respect of these liabilities after the admission body has exited the Fund, all remaining employers in the Fund would be required to pay additional contributions to pay off this shortfall.

4.12 In that case, the exit valuation of the admission body would be carried out on the low risk funding target in order to protect the other employers in the Fund. This assumes that after the exit of the admission body the Administering Authority would wish to back the orphan liabilities with low risk investments such as government bonds.

4.13 The assumptions used under the ongoing orphan funding target are broadly designed to target the low risk funding target at exit of the admission body but reflect the fact that exit of the admission body will occur at some point in the future and allow for the possibility of the expected return on government bonds changing before the exit date.

4.14 Prior to the exit date it is still assumed that the assets of the admission body are invested in line with the long term investment strategy of the Fund as a whole and this is reflected in the "in-service" discount rate adopted as part of the ongoing orphan funding target.

4.15 This funding target would generally result in a higher initial contribution rate than if a subsumption commitment existed (where the subsumption funding target would be adopted), but a lower initial contribution rate than if the low risk funding target is adopted (see below), although unlike the matched approach described below investment risk underlying the Fund's investment strategy is retained under this approach.

Low risk funding target

4.16 This approach is used to reduce the risk of an uncertain and potentially large shortfall being due to the Fund at the exit of the admission body.

4.17 The low risk approach assumes a notional investment in government bonds for the admission body. Under this approach the investment risk is substantially reduced and it is expected that the assets and liabilities of the admission body would move broadly in line with either other. It does not eliminate investment risk and other funding risks remain, but it gives more certainty that the employer rate is providing funding to 'match' the liabilities. However it gives a substantially higher contribution rate as no allowance for any expected outperformance of the Fund's assets over the low risk funding target is factored in.

5 Termination of an employer

Exit events

5.1 In accordance with Regulation 64 the LGPS Regulations 2013, when an employer (including an admission body) leaves the Fund, an exit valuation is carried out by the Fund's actuary to determine the level of any surplus or deficit in the outgoing employer's share of the Fund. All actuarial and legal fees relating to the exit will be passed on to the exiting employer unless a prior agreement is in place with the transferring employer.

5.2 There are a number of events that will trigger an exit:

- when a contract comes to an end;
- when a contract is terminated early;
- when the employer no longer has any active members in the Fund;
- when the admission body is in breach of its obligations under the admission agreement, or the admission agreement is otherwise terminated by one of the parties;
- the insolvency, winding up or liquidation of the admission body
- the withdrawal of approval by HMRC to continue as a Scheme employer; or
- the admission body fails to pay any sums due in a timely manner.

5.3 When an admission agreement comes to an end or a scheduled body exits the Fund, any active employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

Basis of exit valuations

5.4 An exit valuation is carried out to value the liabilities of the employer at the date of exit. The basis used to calculate the liabilities depends on the circumstances of the exit and in particular who takes responsibility of any future liabilities. The Fund's policy is outlined below; however each exit will be assessed on a case by case basis.

5.5 If the employer has a subsumption commitment in place from a suitable Scheme employer within the Fund, the subsumption funding target will be used as the basis of the exit valuation. If the transferring employer requested that the low risk funding target was adopted on admission to the Fund, the same funding target will be used as the basis of the exit valuation. The subsuming employer will, following any termination payment made by the employer, be responsible for any future liabilities that arise in relation to the former employees of the exiting employer. Any liabilities formally attributable to the exiting employer will be assessed at each Triennial Valuation and the subsuming employer's contribution rates will be adjusted to reflect this.

5.6 For all other exiting employers where there is no subsumption commitment in place, the Fund's policy is to use the low risk funding target as the basis of the exit calculation. This is to protect the other employers in the Fund who will become responsible for any future 'orphan liabilities' that arise in relation to the former employees of the exiting employer post exit.

Grouped Scheduled Bodies - Town and Parish Councils admitted prior to 31 March 2008

5.7 On termination of participation within the grouped scheduled bodies, the exit valuation is based on a simplified share of the group deficit amount, which is calculated on a subsumption funding target. This involves calculating the notional deficit share, as at the last triennial valuation, based on the proportion of payroll that body has within the group. An adjustment to the date of exit will normally be made in line with the assumptions adopted as at the last triennial valuation unless the actuary and Administering Authority consider that the circumstances warrant a different treatment, for example, to allow for actual investment returns over the period from the last actuarial valuation to exit. Any liability that cannot be reclaimed from the exiting employer will be underwritten by the group and not all employers in the Fund.

5.8 Following the termination of the grouped body, any residual assets and liabilities will be subsumed by any guarantor body for the group, or in the absence of a guarantor, subsumed by the Fund as a whole.

Grouped Bodies - LMS Pools admitted prior to 1 April 2019

5.9 On termination of an admission body within the LMS pool, a termination valuation will generally be calculated on a scheduled body funding target. The assets and liabilities relating to the active employees will, assuming there is a subsumption commitment in place in the admission agreement relating to that admission body, be subsumed by NYCC or the CoYC depending on which pool they are in. If there is no subsumption commitment in place, the parties will be offered the opportunity to put one in place on exit. If this option is not taken then the low risk funding target will be used to calculate any exit debt.

Notification of termination

5.10 In many cases termination of an admission agreement can be predicted, for example, because the admission body wishes to terminate their contract. In this case admission bodies are required to notify the Fund of their intention as soon as possible. The Fund requires a minimum of 3 months' written notice for early termination of an admission agreement.

5.11 Where termination is disclosed in advance or in the opinion of the Administering Authority there are circumstances which make it likely that an employer will become an exiting employer, the Fund may request a revised certificate from the Actuary that specifies the amount that the rates should be adjusted by prior to exit in line with Regulation 64(4) of the Regulations. This will allow the Fund to address any shortfall or surplus over a period of time rather than requesting a single lump sum payment on exit.

Payment of exit debt

5.12 If the Fund actuary has calculated a deficit at the exit date the exiting employer is liable for payment. The Fund will usually require a lump sum payment from the exiting employer in the first instance. Where an exit payment cannot be met in full or in part by the exiting employer the Fund will attempt to recover any outstanding payment from a bond or alternative indemnity that may be in place.

5.13 Following the use of any bonds or indemnities (if any), any remaining debt will be recovered in a lump sum payment from the guarantor (if there is one).

5.14 If there is no guarantor any outstanding debt will be recovered from any related employer in the case of a Schedule 2, Part 3, 1(d)(i) body. The Fund may request a lump sum payment or it may be agreed, if the related employer is a contributing employer of the Fund, that the rates and adjustment certificate be revised to allow for the recovery of the remaining debt over a reasonable period of time, as determined by the Fund.

5.15 In any other case the debt will be subsumed by all other employers in the Fund. The rates and adjustment certificate for all contributing employers will be revised to allow for the recovery of any remaining exit debt over a reasonable period of time, determined by the Fund, at the next triennial valuation following exit.

5.16 Any lump sum payments will be required within 30 days following the issue of the revised rates and adjustment certificate showing the exit payment due unless another period is specified by the Fund. Any late payments will incur charges in accordance with the Fund's Charging Policy.

5.17 In exceptional circumstances the Fund may consider allowing an exiting employer to pay an exit payment over an agreed period of time, where it is not considered to pose a material risk to the solvency of the Fund.

Suspending payment of exit amounts

5.18 At the absolute discretion of the Administering Authority, a suspension notice may be awarded to an exiting employer under Regulation 64(2A) of the Regulations. This can be for a period of up to three years after the exit date (the maximum period permitted by the Regulations).

5.19 Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply;

- The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice
- The employer is not a 'closed' Admitted Body (no new active members are permitted to join the Fund).
- Any application for the Administering Authority to grant a suspension notice is made within three months of the exit date.

5.20 The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the employer.

5.21 If a suspension notice is awarded, the exit valuation will be deferred until the earlier of

- the end of suspension period, or;
- the point at which the suspension notice is withdrawn (for any reason).

5.22 If one or more new active members are admitted to the Fund the employer's full participation in the Fund will resume.

5.23 During the period of any suspension notice, the employer must continue to make contributions to the Fund as certified in the rates and adjustments certificate.

Surplus on Exit

5.24 If the actuary has calculated a surplus at the exit date, Regulation 64(2ZA) requires the Administering Authority to pay the surplus to the exiting employer within three months of exit or, such longer time as the administering authority and the exiting employer may agree. Payment will only be made by BACS.

5.25 If the scheme employer and admission body wish to change the default position on the payment of an exit credit then they should include suitable provisions in any service agreement between themselves. The Regulations require the Administering Authority to pay the exit credit to the exiting employer in all circumstances and regardless of whether this might be considered fair in light of the relative risk and cost exposure of the parties.

5.26 When an exit credit payment is made, no further payments are due from the Administering Authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

Appendix 6

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – summary final draft for sign off**
Next Review Due: **October 2019**
Report Date: **9th April 2019 (*na*)**

Identity			Person		Classification														Fallback Plan	
					Pre						RR		Post							
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat	FBPlan	Action Manager
◀▶	**44/4 - Pension Fund Solvency**	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	M	**2**	7	31/05/2019	M	M	H	L	M	**2**	Y	CSD SR Senior Accountant Pensions
◀▶	**44/201 - LGPS Pooling Transition**	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD SR	CSD SR Senior Accountant Pensions	M	M	H	L	H	**2**	7	31/05/2019	M	M	H	L	M	**2**	Y	CD SR
▲	**44/207 - Resources**	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	H	M	M	M	M	**2**	4	31/05/2019	M	M	M	M	L	**4**	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
◀▶	**44/8 - Investment Strategy**	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	31/10/2019	L	M	H	L	M	**3**	Y	CSD SR Senior Accountant Pensions
◀▶	**44/20 - Fraud**	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation	CD SR	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	L	L	H	L	M	**3**	4	31/10/2019	L	L	H	L	M	**3**	Y	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions
- new -	**44/1 - Employer Contributions**	Sustainability and affordability of LGPS puts pressure on the employer contributions from 1st April 2020	CD SR	CSD SR Head of Pensions Administration	M	M	M	Nil	M	**4**	6	31/07/2019	M	M	M	Nil	M	**4**	Y	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions
◀▶	**44/11 - Benefit Payments**	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	M	**4**	5	30/06/2019	L	L	L	L	M	**5**	Y	CSD SR Head of Pensions Administration

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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		
▲	**44/16 - Key Personnel**	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.	CD SR	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration	M	M	L	M	M	**4**	5	31/05/2019	L	M	L	M	M	**5**	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
◀▶	**44/10 - Regulations and Legislation**	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD SR	CSD SR Head of Pensions Administration	M	L	L	L	L	**5**	2	31/10/2019	M	L	L	L	L	**5**	Y	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
◀▶	**44/14 - IT Systems**	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism	CD SR	CSD SR Head of Pensions Administration	L	M	L	M	M	**5**	3	31/10/2019	L	M	L	M	M	**5**	Y	CSD SR Head of Pensions Administration
◀▶	**44/7 - Investment Manager**	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise	CD SR	CSD SR Senior Accountant Pensions	L	M	M	L	L	**5**	3	31/10/2019	L	M	M	L	L	**5**	Y	CSD SR Senior Accountant Pensions

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

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

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Likelihood	
Probability	H = > 60% or Probable M = 30% to 60% or Possible L = < 30% or Unlikely
Impact	
Objectives	H = Three or four of the Fund's key objectives adversely impacted M = No more than two of the Fund's key objectives adversely impacted L = No more than one of the Fund's key objectives adversely impacted
Financial	H = Substantial/Over 2% (£48M) increase in contribution rate or loss of major opportunity M = Notable/0.5%-2% (£12M-£48M) increase in contribution rate or loss of notable opportunity L = Minor/Up to 0.5% (£12M) increase in contribution rate or loss of some opportunity
Services	H = Widespread impact, 2/3 services affected, significant project slippage M = Declining Performance, notable inconvenience L = Minor service impact, resolved locally, minor inconvenience
Reputation	H = Significant Member/Employer complaints, national media M = Notable Member/Employer complaints, regional media, L = Some Member/Employer complaints, local adverse media coverage

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
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Report Date: **4th April 2019 (na)**

Phase 1 - Identification							
Risk Number	44/4	**Risk Title**	44/4 - Pension Fund Solvency	**Risk Owner**	CD SR	**Manager**	CSD SR Senior Accountant Pensions
Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period			**Risk Group**	Financial	**Risk Type**	

Phase 2 - Current Assessment											
Current Control Measures	Deficit recovery period; adopt prudent actuarial assumptions; all assumptions reviewed every 3 years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; fixed income review; new rates provided for employers;										
Probability	M	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	2

Phase 3 - Risk Reduction Actions		**Action Manager**	**Action by**	**Completed**	**%**
Reduction	44/6 - Consultation with Actuary re assumptions used and discuss and carry out action where necessary (ongoing)	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/7 - Regular review of investment strategy to maximise investments; ongoing action linked to triennial valuations	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/475 - Take appropriate action following the pre-valuation data quality and cash flow analysis by the actuary; High priority data quality items have been completed	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Sun-31-Mar-19	Sun-31-Mar-19	100%
Reduction	44/551 - Continue to monitor risk around unguaranteed funds and pursue DfE for confirmation of their status as guarantor for Academies	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/552 - Ensure employer covenants for each employer are completed as part of triennial valuation; actuary is completing the risk assessment	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1912 - Work through transition plan and new operation model for the new Pensions Pool; continuing to work through the transition and implement post pool operating model with a view to beginning fund transfer from May 2019	CSD SR Senior Accountant Pensions	Fri-31-May-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	M	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	2

Phase 5 - Fallback Plan

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Risk Register: **April 2019 Review – final draft for sign off**
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		Action Manager
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period	CSD SR Senior Accountant Pensions

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Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification							
Risk Number	44/201	**Risk Title**	44/201 - LGPS Pooling Transition	**Risk Owner**	CD SR	**Manager**	CSD SR Senior Accountant Pensions
Description	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.			**Risk Group**	Change Mgt	**Risk Type**	CSD SR 32/24

Phase 2 - Current Assessment											
Current Control Measures	Pension Fund Committee involvement in key pooling decisions; NYPF officer involvement in pooling working groups; Periodic reporting of updates to the Pension Fund Committee; further detail behind the plans received; providing updates to the pension board on a quarterly basis around governance; legal advice on behalf on partner funds; key decision agreed by full council; pooling briefing provided to members;										
Probability	M	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	H	**Category**	2

Phase 3 - Risk Reduction Actions		Action Manager	Action by	Completed	%
Reduction	44/161 - Consultation with advisors on the implication of pooling and advice on setting up arrangements including sub funds; ongoing advice being sought	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/163 - Keeping Members up to date; an update on pooling is on the PFC agenda every quarter	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/166 - Ensure Pension Board and employers are kept up to date on progress	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/167 - Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress as we move towards the first transition in May 2019	CSD SR Senior Accountant Pensions	Fri-31-May-19		0%
Reduction	44/447 - Ensure that as the sub-funds are set up that we can invest into and the process of transition is developed, NYPF have as much involvement as possible to shape this and ensure that it is suitable for our needs; establish due diligence prior to fund transfer for each asset class	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/553 - Ensure transitions are made at optimum time to reduce exposure to market volatility and costs impact	CSD SR Senior Accountant Pensions	Fri-31-May-19		0%
Reduction	44/1913 - Ensure post go live reporting and information is as required; working group looking at reporting needs	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	M	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	2

Phase 5 - Fallback Plan		Action Manager
Fallback Plan	44/544 - No current alternative to pooling	CD SR

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Pensions

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Risk Register: **April 2019 Review – final draft for sign off**
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Phase 1 - Identification							
Risk Number	44/207	**Risk Title**	44/207 - Resources	**Risk Owner**	CD SR	**Manager**	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
Description	Insufficient staffing resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints			**Risk Group**	Capacity/performance	**Risk Type**	

Phase 2 - Current Assessment											
Current Control Measures											
Probability	H	**Objectives**	M	**Financial**	M	**Services**	M	**Reputation**	M	**Category**	2

Phase 3 - Risk Reduction Actions					
		Action Manager	**Action by**	**Completed**	**%**
Reduction	44/478 - Assess areas of greatest concern, mapping workload against available resource and engaging with Tech and Change on potential efficiencies from the process mapping exercises	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/479 - Develop plan to deal with identified resource gaps	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/480 - Obtain sign off for any extra resource need identified	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	M	**Objectives**	M	**Financial**	M	**Services**	M	**Reputation**	L	**Category**	4

Phase 5 - Fallback Plan		
		Action Manager
Fallback Plan	44/553 - Obtain assistance from 3rd party administration provider.	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration

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Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
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Phase 1 - Identification

Risk Number	44/8	**Risk Title**	44/8 - Investment Strategy	**Risk Owner**	CD SR	**Manager**	CSD SR Senior Accountant Pensions
Description	Failure of the investment strategy to achieve sufficient returns from investments			**Risk Group**	Strategic	**Risk Type**	

Phase 2 - Current Assessment

Current Control Measures	Strategy reviewed through asset/liability modelling; risk budgeting; experience and knowledge of the market and suitable forms of investment; Member training; Independent Investment Adviser and Consultant reports; PFC workshops and sign off of strategy; regular monitoring of investment performance; fixed income review; impact of MiFID monitored

Probability	L	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	3

Phase 3 - Risk Reduction Actions

		Action Manager	Action by	Completed	%
Reduction	44/1876 - Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1878 - Quarterly monitoring of appropriateness of strategy against prevailing market conditions (including Brexit)	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1879 - Monitor the Advisor and Consultants reports and act on professional advice	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1909 - Continue with implementation of de-risking options in light of the current positive funding level	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment

Probability	L	**Objectives**	M	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	3

Phase 5 - Fallback Plan

		Action Manager
Fallback Plan	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets	CSD SR Senior Accountant Pensions

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Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification											
Risk Number	44/20	**Risk Title**	44/20 - Fraud			**Risk Owner**	CD SR		**Manager**	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	
Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation					**Risk Group**	Pers/Capacity		**Risk Type**		
Phase 2 - Current Assessment											
Current Control Measures			Internal Audit; internal checking and authorisation procedures and levels in both pension section and finance; split between administration and finance; all third parties have regular audits and regulated by FCA; legally binding contracts in place; governance arrangements for the delegation of duties; use of BACS payments; monthly mortality monitoring; participate in National Fraud Initiative								
Probability	L	**Objectives**	L	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	3
Phase 3 - Risk Reduction Actions											
						Action Manager			**Action by**	**Completed**	**%**
Reduction	44/1887 - Continually review processes and procedures including authorisation levels					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions			Thu-31-Oct-19		0%
Reduction	44/1888 - Ongoing internal audit assessment and annual review by external auditors					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions			Thu-31-Oct-19		0%
Reduction	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations					CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions			Thu-31-Oct-19		0%
Reduction	44/1894 - Review of external manager audit and risk reports					CSD SR Senior Accountant Pensions			Thu-31-Oct-19		0%
Phase 4 - Post Risk Reduction Assessment											
Probability	L	**Objectives**	L	**Financial**	H	**Services**	L	**Reputation**	M	**Category**	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/434 - Review incident and update procedures/processes accordingly								CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions		

North Yorkshire County Council
Risk Management Service

Pensions

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification							
Risk Number	44/1	**Risk Title**	44/1 - Employer Contributions	**Risk Owner**	CD SR	**Manager**	CSD SR Head of Pensions Administration
Description	Sustainability and affordability of LGPS puts pressure on the employer contributions from 1st April 2020			**Risk Group**	Legislative	**Risk Type**	

Phase 2 - Current Assessment											
Current Control Measures	Ongoing consultation with Employers; manage the employer contributions through investment strategy; assumptions used in triennial valuation, cost sharing mechanism, funding strategy statement;										
Probability	M	**Objectives**	M	**Financial**	M	**Services**	Nil	**Reputation**	M	**Category**	4

Phase 3 - Risk Reduction Actions					
		Action Manager	**Action by**	**Completed**	**%**
Reduction	44/552 - Ensure employer covenants for each employer are completed as part of triennial valuation; actuary is completing the risk assessment	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/554 - Ensure actuary is provided with accurate membership and cash flow data for the valuation	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Wed-31-Jul-19		0%
Reduction	44/555 - Ensure actuary presents fund level outcomes to committee in September and November 2019	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Mon-30-Sep-19		0%
Reduction	44/1821 - Continue to discuss contributions with the employers; employers will be provided with their new rates for the following three financial years and consultation will take place	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Tue-31-Dec-19		0%
Reduction	44/1880 - Maximise investments / returns by implementation of the investment strategy	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1882 - Consult with actuary throughout the 2019 triennial valuation process	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	M	**Objectives**	M	**Financial**	M	**Services**	Nil	**Reputation**	M	**Category**	4

Phase 5 - Fallback Plan		
		Action Manager
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions

North Yorkshire County Council
Risk Management Service

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification

Risk Number	44/11	**Risk Title**	44/11 - Benefit Payments	**Risk Owner**	CD SR	**Manager**	CSD SR Head of Pensions Administration
Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments			**Risk Group**	Performance	**Risk Type**	

Phase 2 - Current Assessment

Current Control Measures	Up to date procedures and procedural checking; pension software up to date; workflow system; authorisation procedures; pro formas; staff training; audit trail; internal and external audits; Pensions Administration Strategy; Manuals available for calculation procedure; action plan for clean data requirements; use of task checklists; ESS; payment timetable flowchart

Probability	M	**Objectives**	L	**Financial**	L	**Services**	L	**Reputation**	M	**Category**	4

Phase 3 - Risk Reduction Actions

		Action Manager	Action by	Completed	%
Reduction	44/476 - Create and implement a data improvement plan	CSD SR Head of Pensions Administration	Wed-31-Jul-19		0%
Reduction	44/556 - Complete system review and process mapping in readiness for new system procurement exercise	CSD SR Head of Pensions Administration	Tue-31-Dec-19		0%
Reduction	44/1893 - Effective communication with employers, with particular regard to customer expectations; charging has been introduced and we are creating an employer relationship role in the team	CSD SR Head of Pensions Administration	Sun-30-Jun-19		0%
Reduction	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 Head of Pensions Administration	Thu-31-Oct-19		0%
Reduction	44/1911 - Implement the plans for the managed reduction of outstanding work; ongoing	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment

Probability	L	**Objectives**	L	**Financial**	L	**Services**	L	**Reputation**	M	**Category**	5

Phase 5 - Fallback Plan

		Action Manager
Fallback Plan	44/435 - Correct errors and review and amend existing procedures	CSD SR Head of Pensions Administration

North Yorkshire County Council
Risk Management Service

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification

Risk Number	44/16	**Risk Title**	44/16 - Key Personnel	**Risk Owner**	CD SR	**Manager**	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration
Description	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.			**Risk Group**	Capacity/performance	**Risk Type**	

Phase 2 - Current Assessment

Current Control Measures	Procedure notes; knowledge sharing; file management; deputies; co-operation between departments; pensions management meetings; comprehensive training matrix; PFC action notes; professional advisors; increase resources agreed in finance team;

Probability	M	**Objectives**	M	**Financial**	L	**Services**	M	**Reputation**	M	**Category**	4

Phase 3 - Risk Reduction Actions

		Action Manager	Action by	Completed	%
Reduction	44/557 - Recruit to accountant post	CSD SR Senior Accountant Pensions	Fri-31-May-19		0%
Reduction	44/1901 - Ensure effective management and transition arrangements are in place pending any review of management structure	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1905 - Continue to build resilience, particularly at Senior Accountant level, to meet current and anticipated future demands and complexity	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1907 - Carry out appropriate induction and ongoing training for new PFC members	CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%
Reduction	44/1908 - Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)	CSD SR Head of Pensions Administration CSD SR Senior Accountant Pensions	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment

Probability	L	**Objectives**	M	**Financial**	L	**Services**	M	**Reputation**	M	**Category**	5

Phase 5 - Fallback Plan

		Action Manager
Fallback Plan	44/441 - Identify temporary cover arrangements plus additional resources where required	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration

North Yorkshire County Council
Risk Management Service

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification							
Risk Number	44/10	**Risk Title**	44/10 - Regulations and Legislation	**Risk Owner**	CD SR	**Manager**	CSD SR Head of Pensions Administration
Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge			**Risk Group**	Performance	**Risk Type**	

Phase 2 - Current Assessment									
Current Control Measures	Specialist knowledge; designated members of staff; regular updates & comms with CLG; LGPC; Actuarial advice; Employers Forums; NEPOF; section training by specialist staff; specialist software; advice on calculations interpretations; investment mgt agreement; awareness of overriding legislation; broadening of knowledge across MT; LGE advice; nat. technical pension group provide advice; Trustees knowledge and understanding toolkit; Pensions Administration team structure reviewed; training feedback received in order to continually strengthen understanding; GDPR advice and training sessions; mandatory GDPR training for asset owners; impact of MiFID monitored								
Probability	M	**Objectives**	L	**Financial**	L	**Services**	L	**Reputation**	L
Category	5								

Phase 3 - Risk Reduction Actions					
		Action Manager	**Action by**	**Completed**	**%**
Reduction	44/157 - Ongoing staff training programme	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%
Reduction	44/1910 - Continue to promote cross skilling within the section to improve resilience	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	M	**Objectives**	L	**Financial**	L	**Services**	L	**Reputation**	L	**Category**	5

Phase 5 - Fallback Plan		
		Action Manager
Fallback Plan	44/437 - Review existing interpretations, take legal advice and amend procedures as required	CSD SR Senior Accountant Pensions CSD SR Head of Pensions Administration

North Yorkshire County Council
Risk Management Service

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification							
Risk Number	44/14	**Risk Title**	44/14 - IT Systems	**Risk Owner**	CD SR	**Manager**	CSD SR Head of Pensions Administration
Description	Failure of IT Pension system or other IT systems for more than 2 days (or at a critical time) resulting in backlog, incorrect payments, increased overtime, criticism			**Risk Group**	Technological	**Risk Type**	

Phase 2 - Current Assessment											
Current Control Measures	Manual payments, DR plan and tested, contracts for server maintenance, backups off site, major external providers have DR plans, manual calculation procedures, administration manuals, annual financial check, contingency plan in place, modern council; modern council working to aid resilience,										
Probability	L	**Objectives**	M	**Financial**	L	**Services**	M	**Reputation**	M	**Category**	5

Phase 3 - Risk Reduction Actions					
		Action Manager	**Action by**	**Completed**	**%**
Reduction	44/477 - Ensure business continuity and system resilience matters are appropriately considered with the procurement exercise for the new pension system	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%
Reduction	44/1884 - Ensure that contingency planning arrangements are regularly reviewed and updates logged on the corporate system	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%
Reduction	44/1898 - Sense check any IT recovery assumptions with Tech & Change run systems	CSD SR Head of Pensions Administration	Thu-31-Oct-19		0%

Phase 4 - Post Risk Reduction Assessment											
Probability	L	**Objectives**	M	**Financial**	L	**Services**	M	**Reputation**	M	**Category**	5

Phase 5 - Fallback Plan		
		Action Manager
Fallback Plan	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier	CSD SR Head of Pensions Administration

North Yorkshire County Council
Risk Management Service

North Yorkshire Pension Fund

Risk Register: **April 2019 Review – final draft for sign off**
Next Review Due: **October 2019**
Report Date: **4th April 2019 (na)**

Phase 1 - Identification										
Risk Number	44/7	**Risk Title**	44/7 - Investment Manager			**Risk Owner**	CD SR		**Manager**	CSD SR Senior Accountant Pensions
Description	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise					**Risk Group**	Performance		**Risk Type**	
Phase 2 - Current Assessment										
Current Control Measures			Qrtly review of investment mgr targets; std terms and conds re termination of contract; ext advisers monitor mgrs perf; qrtly repts to Pension Fund Comm; benchmarking against other approp comparators; investment strategy review; risk budgeting exercise via Aon; reporting by Custodian; fund mgr attend at PFC; Member training; best practice procurement process; diversified portfolio of investments;							
Probability	L	**Objectives**	M	**Financial**	M	**Services**	L	**Reputation**	L	**Category** 5
Phase 3 - Risk Reduction Actions										
						Action Manager		**Action by**	**Completed**	**%**
Reduction	44/1873 - Continue to monitor and report on investment returns on a regular basis					CSD SR Senior Accountant Pensions		Thu-31-Oct-19		0%
Reduction	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers					CSD SR Senior Accountant Pensions		Thu-31-Oct-19		0%
Reduction	44/1875 - When pool options are unavailable, carry out a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)					CSD SR Senior Accountant Pensions		Thu-31-Oct-19		0%
Phase 4 - Post Risk Reduction Assessment										
Probability	L	**Objectives**	M	**Financial**	M	**Services**	L	**Reputation**	L	**Category** 5
Phase 5 - Fallback Plan										
									Action Manager	
Fallback Plan	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager								CSD SR Senior Accountant Pensions	

North Yorkshire County Council
Risk Management Service

NORTH YORKSHIRE PENSION FUND

RISK MANAGEMENT POLICY

TABLE OF CONTENTS

1.0 INTRODUCTION

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

1.2 The primary objective of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. Investments of the Fund are selected with the aim of fully funding these benefit requirements over an extended number of years.

1.3 The day to day running of the Fund is delegated to the Treasurer, Corporate Director – Strategic Resources of the Council. The Treasurer is responsible for implementing the decisions of the PFC and is supported by specific teams within the Council. All aspects of the day to day management of investment funds are undertaken by external fund managers.

1.4 Risk, uncertainty and change create challenges to the Fund meeting its objectives. Risks, whether recognised or unforeseen, create a threat to achieving performance targets and change. Uncertainty and change, when considered thoroughly however, can also provide the opportunity to introduce new, innovative and effective ways to manage the Fund.

1.5 This Risk Management Policy has been developed by officers of the Fund and sets out the Fund's strategic approach to effective risk management. The Policy is to be approved at least every 3 years by the PFC, as responsibility for the Fund's risk management rests with them.

2.0 RISK MANAGEMENT DEFINITION

2.1 A 'risk' is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

2.2 'Risk Management' is the approach to managing all of the Pension Fund's key service risks and opportunities with the aim of maximising service delivery effectiveness and efficiency. Risk management is critical to the overall management of the Pension Fund, including the management of staff, physical assets and financial resources.

2.3 Risk management is not about being 'risk averse', it is about being 'risk aware'. The Fund recognises that it is not necessary to eliminate risk entirely, risks are necessary to achieve the objectives of the Fund, for example, investment return targets. It is important to weigh up the risk against the opportunities that can be gained.

3.0 RISK OBJECTIVES OF THE FUND

3.1 The Fund's risk management objectives are:

- to continue to embed risk management into the culture of the Fund and all of its day-to-day activities
- to manage risk in accordance with best practice and support well considered risk taking
- to aim to reduce the overall cost of risk to the Fund
- to continue to raise awareness of the need for risk management with all those involved in the management of the Fund
- to maintain a robust framework and processes for identifying risks and their likely impact to inform the decision making of the Fund

4.0 BENEFITS OF RISK MANAGEMENT

4.1 It is expected that if the Fund objectives above are being met that the following benefits will be realised:

- an established and reliable basis for decision making that can be justified
- improved governance of the Fund
- enhanced financial control of the Fund
- strengthened ability to meet the key objectives and targets of the Fund
- improved service for the members of the Fund
- supports innovation and allows the flexibility to be responsive to change
- avoids surprises and minimises loss and waste
- improved reputation of the Fund

5.0 APPROACH TO RISK MANAGEMENT

5.1 Risk management is integral to all aspects of the management of the Fund. The Fund is committed to embedding risk management in all decision making. As such risk management is reflected in all of the Fund's policies, including the following key policies:

- Investment Strategy Statement
- Funding Strategy Statement
- NYPF Annual Report and Accounts

5.2 The Fund operates within the risk framework of the Administering Authority. A Pension Fund Risk Register has been established that feeds into the NYCC Risk Register. This Risk Register identifies and analyses the risks faced by Fund. It covers a broad range of risks including both strategic, investment related risks and operational risks.

5.3 The NYCC standard risk evaluation approach has been adopted by the Fund to allow risk prioritisation and effective allocation of resources. Once risks have been identified and included on the risk register they are assigned a risk ranking, which will be red, amber or green. The ranking matrix is shown in the table below:

Probability	**Risk Ranking**			
High	6	4	2	1
Med	6	5	4	2
Low	6	5	5	3
Nil	6	6	6	6
	Nil	Low	Med	High
	Highest Impact			

Category	
1	Very High
2	High
3	High Medium
4	Low Medium
5	Low
6	Closed/Complete

5.4 Each risk is ranked based on the following:

- existing risk controls in place
- probability of the risk occurring (based on existing controls)
- impact of the risk occurring (based on existing controls)
- further risk controls which may reduce current probability or impact

5.5 The probability and impact/severity of each risk is measured using High, Medium and Low categories. The impact of risks occurring is split into the following 4 distinct areas:

1. failure to meet key objectives
2. financial impact
3. service delivery
4. loss of image or reputation

5.6 **Review**

5.6.1 The risk register is reviewed twice yearly in a risk workshop, attended by Pension Fund officers and officers from the NYCC Risk Management Section, to reflect changes in activity and in market conditions.

5.6.2 The Risk Register is also taken to the Pension Board every 6 months for review and is approved annually by the PFC. As with all of the Fund's governance documents; the risk register is also reviewed annually by the Fund's Independent Professional Observer.

5.7 **Risk Appetite**

5.7.1 The Fund accepts that it will face risks in order to achieve its objectives. However, it will not tolerate those risks which are assessed as having a high likelihood of causing a substantial impact on its financial position or services and/or lead to widespread member or employer complaints (category 1 risks in the table above). Any such risk identified will need to have a risk reduction plan developed and monitored by the PFC and implemented by the risk manager in order to ensure that the risk returns to a tolerable level within an acceptable timescale.

5.8 **Responsibilities**

5.8.1 The responsibility and accountability for managing the risks within the Pension Fund lies with the PFC.

5.8.2 Officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles.

5.8.3 Advisers and suppliers to the Fund are also expected to be aware of this Policy.

10 November 2017

North Yorkshire Pension Fund

Pensions Administration Strategy

April 2019

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

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

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

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2.0 Regulatory Background

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

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

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

3.0 Review of the Strategy

This Strategy will be kept under review by the NYPF.

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

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

4.0 Performance Levels

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

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

Performance is monitored and reported quarterly to the Pension Fund Committee. Performance of both employers and the NYPF will also be reported in the pension fund annual report and accounts.

5.0 Responsibilities and Duties of the Employer

5.1 Contact Person

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

5.2 Authorised Signatories

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

It is the employer's responsibility to ensure that details of the nominated contact and authorised signatories are correct and to notify the NYPF of any changes immediately. Failure to update authorised signatories will delay payment of pension benefits.

5.3 Disclosure and Pensions Regulator Requirements

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

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

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

5.4 **Employee's Guide**

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

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

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

5.5 **Member details – Employer performance levels**

The employer **must** forward notifications to the NYPF using the forms on the employer pages of the NYPF website as follows:

Event	Timescale for employer notifying the NYPF
New starters (Employer Pen11 form)	**Within one month of the employee joining**
Change in member's details (Change of Members Personal Details form)	**Within 6 weeks of the event**
Leavers (SU5 form)	**Within 6 weeks of the employee leaving**
Advanced Notification of Retirement (ADNOT form)	**At least 30 days before the last day of employment**
Retirements (SU5 form)	**No later than one month following retirement** Disclosure Regulations require that when a retirement takes place before Normal Pension Age (NPA) the NYPF receives the SU5 no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the NYPF receives the SU5 no more than 20 days after the date of retirement.
Death in Service	**Within 3 working days of the employer being notified of the death of the member**

Deleted: Where an electronic Employer Pen11 has been submitted, the Employee Pen11 should be sent as soon as possible

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5.6 Year-end information

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

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

5.7 Contribution deductions

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

5.8 Payment of contributions to the NYPF

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

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

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

The following charges will apply for employers failing to meet the deadlines above.

Late payment of contributions	Late submission of monthly return
£100 will be charged for each full month a payment is delayed beyond its due date Plus A **daily** interest charge of 1% above the bank base rate for each day the payment is overdue. This charge will only be triggered when payment is overdue by one month or more	£100 will be charged for each full month a monthly return is delayed beyond its due date

For persistent breaches the employer will, as a matter of last resort, be reported to the Pensions Regulator. In the event of the NYPF being fined by the Pensions Regulator, this fine will be passed on to the employer where that employer's actions caused the fine.

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5.9 **Additional Voluntary Contributions (AVCs)**

The employer will pay additional voluntary contributions to the AVC Provider, Prudential, within one week of them being deducted. Under the Pensions Act 2004 the Pensions Regulator may be notified if contributions are not received by 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.

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

5.10 **Discretionary Powers**

It is a mandatory requirement that each employer is required to formulate and publish a discretions policy to enable them to exercise the discretionary powers given to them by the Regulations. The Regulations also require that a copy of the policy is lodged with the NYPF. Any subsequent changes to the policy must be published and copied to the NYPF within one month of the change.

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

5.11 **Employer Decisions**

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

5.12 **Independent Registered Medical Practitioner**

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

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

The NYPF is not responsible for verifying the accuracy of any information provided by the employer (including year end data) for the purpose of calculating benefits under the provisions of the LGPS and the Discretionary Payments Regulations. The employer is solely responsible for ensuring that information has been validated and is correct. Failure to provide accurate and up to date information will delay payment of pension benefits.

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

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

5.14 **General Data Protection Regulation**

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

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5.15 **Internal Dispute Resolution Procedure**

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

5.16 **Fines imposed on NYPF**

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

5.17 **Charges to the employer**

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

6.0 Responsibilities and Duties of the NYPF

6.1 **Regulatory Issues**

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

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

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

6.2 **NYPF Performance Levels**

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

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

6.3 **Support to Employers**

The NYPF will support employers in running the LGPS by:

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

See the Communications Policy for full details.

6.4 **Independent Registered Medical Practitioner**

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

6.5 **Services to Members**

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

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

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

6.6 **Multiple Language Literature**

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

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6.7 **Data Protection Act 2018**

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

6.8 **Internal Dispute Resolution**

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

7.0 Contribution Rates and Administration Costs

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

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

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

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

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

8.0 Communications

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

9.0 Notifying Employers of a Change in Policy

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

North Yorkshire Pension Fund (NYPF)

Administering Authority Discretions
for

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

Discretions from 1 April 2014 in relation to post 31 March 2014 active members (excluding councillor members) and post 31 March 2014 leavers (excluding councillor members), under:

R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
A = LGPS (Administration) Regulations 2008 (SI 2008/239
B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to agree to an admission agreement with a body applying to be an admission body	**R**3(1A) **R**3(5) & **R**Sch 2, Part 3, para 1	Admin. Authority	The administering authority will enter into admission agreements to allow certain non-local government employers to participate in the fund with the agreement of the Pension Fund Committee providing all criteria of the administering authority can be met. The criteria include supplying financial protection to the Pension Fund in the form of a guarantor or bond and subsumption commitment. However, if the employer is a 'transferee admission body' and there is an obligation to enter into an admission agreement one will be set up providing the criteria are met.
Whether to agree to an admission agreement with a Care Trust, NHS Scheme or Care Quality Commission	**R**4(2)(b)	Admin. Authority	Applications will be considered by the Pension Fund Committee following the provision of all required information from the relevant body including actuarial advice. The potential admission body must cover the cost of obtaining information and advice.
Whether to agree that an admission agreement may take effect on a date before the date on which it is executed	**R**sch2, Parts 3, para 14	Admin. Authority	An admission agreement will take effect from the date it is executed at the earliest. Requests to backdate an admission agreement will be looked at on a case by case basis.
Whether to terminate an admission agreement in the event of - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	**R**Sch2, Part 3, para 9(d)	Admin. Authority	A decision will be made following receipt of actuarial and legal advice. The principles in the NYPF Admissions and Terminations Policy will be applied when carrying out calculations to assess the funding levels.
Define what is meant by "employed in connection with"	**R**Sch2, Part 3, para 12 (a)		Mainly or wholly employed in connection with the relevant service area relating to the original outsourcing contract or transfer agreement.

Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	**R**16(1)	Admin. Authority	The administering authority will not impose a level but will instead allow individual Scheme employers to determine what is achievable on individual payroll systems. The administering authority reserves the right to impose a single lump sum payment where lost pay is less than 1% of gross annual pay.
Whether to require a satisfactory medical before agreeing to an application to pay an APC/SCAPC	**R**16 (10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee.
Whether to turn down an application to pay an APC/SCAPC if not satisfied that the member is in reasonably good health	**R**16(10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee. If the employee does not pass the medical examination the application will be turned down.
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	**R**17(12)	Admin. Authority	The administering authority will make payment in line with the action to be taken for the payment of the main scheme death grant payable.
Pension account may be kept in such form as is considered appropriate	**R**22(3)(c)	Admin. Authority	The administering authority will maintain a pension account for each LGPS member using the Fund's software provider's administration module, based on information supplied by the relevant Scheme employer.
Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated	**TP**10(9)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.

Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	**R**30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid on flexible retirement.
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership)	**R**30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid which a member voluntarily draws before normal pension age
Whether to require any strain on Fund costs to be paid "up front" by employing authority following payment of benefits under **R**30(6) (flexible retirement), **R**30(7) (redundancy/business efficiency), or the waiver (in whole or in part) under **R**30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement	**R**68(2)	Admin. Authority	Any cost will ~~be required to~~ be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. ~~Employing authorities have been asked to indicate the period over which payment will be made for all cases or whether a decision will be made for each case. A list is maintained by the Pension Fund of the decisions made.~~ The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).	**TP**Sch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60

Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1 April 2014 and post 31 March 2014 membership): a) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006, b) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive, c) on compassionate grounds (pre 1 April 2016 membership) and in whole or in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, d) on compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive	**TP**3(1) **TP**Sch 2, para 2(1), **B**30(5) and **B**30A(5)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age

Whether to require any strain on Fund costs to be paid "up front" by employing authority if the Scheme employer"switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1)	**TP**Sch 2, para 2(3)	Admin. Authority	Any cost will ~~be required to~~ be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. ~~Employing authorities have been asked to indicate the period over which payment will be made for all cases or whether a decision will be made for each case. A list is maintained by the Pension Fund of the decisions made~~. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	**R**32(7)	Admin. Authority	The time limit will not be extended unless there is evidence of administrative shortcomings.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pensions credit members where the effective date of the PSO is after 31 March 2014 and the debited member has some post 31 March 2014 membership of the scheme	**R**34(1)(a)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	**R**34(1)(b)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.

Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme)	**R**34(1)(c)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Approve medical advisors used by employers (for ill health benefits)	**R3**6(3)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
~~Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme~~	~~**TP**12(6)~~	~~Employer (or Admin. Authority where Employer has become defunct~~	~~The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).~~
Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner	**R**38(3)	Employer (or Admin. Authority where Employer has become defunct	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	**R**38(6)	Employer (or Admin. Authority where Employer has become defunct	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).

Decide to whom death grant is paid	**TP**17(5) to (8) & **R**40(2), **R**43(2) & **R**46(2)	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	**R49**(1)(c)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.
Whether to set up a separate admission agreement fund	**R**54(1)	Admin. Authority	A separate admission agreement fund will not be maintained.
Governance Compliance Statement must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state:	**R**55*	Admin. Authority	A separate Governance Compliance Statement has been formulated and is kept under review by the North Yorkshire Pension Fund. The policy can be found on the NYPF website:

- the frequency of any committee or sub- committee meetings - the terms, structure and operational procedures appertaining to the delegation and - whether representatives of employing authorities or members are included and, if so, whether they have voting rights The policy must also state: - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying and - the terms, structure and operational procedures appertaining to the Local Pensions Board			https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Decide on funding strategy for inclusion in Funding Strategy Statement	**R**58*		The decision on the funding strategy is made by the Pension Fund Committee and can be found in the Statement of Investment Principles and the Funding Strategy Statement on the NYPF website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Whether to have a written Pensions Administration Strategy and, if so, the matters it should include	**R**59(1) & (2)	Admin. Authority	The NYPF has produced a Pensions Administration Strategy which is kept under review. All employing authorities are asked to agree the Strategy and to submit suggestions to improve any aspect of the Strategy at any time. The Strategy can be found on the NYPF website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers	**R**61*	Admin. Authority	A Communications Policy has been formulated and is kept under review by the NYPF. The policy can be found on the Pension Fund website:

			https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Whether to extend the period beyond 3 months from the date an employer ceases to be a Scheme employer, by which to pay an exit credit	**R**64(2ZA)	Admin. Authority	The administering authority will agree to extend the period beyond 3 months on a case by case basis
Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension	**R**64(2A)	Admin. Authority	~~The administering authority will be guided by an initial assessment made by the Fund Actuary.~~ Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply; • The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice • The employer is not a 'closed' Admitted Body (no new active members are permitted to join the Fund). • Any application for the Administering Authority to grant a suspension notice is made within three months of the exit date. The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the Scheme employer.
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	**R**64(4)	Admin. Authority	The administering authority will be guided by an initial assessment made by the Fund Actuary. A certificate may be obtained following advice from the Fund Actuary and, if appropriate, the Fund Legal Adviser.

Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	**R**69(1)	Admin. Authority	All funds due to the NYPF in respect of employer and employee pension contributions must be cleared in the NYPF bank account by 19th of each month (or the last working day if the 19th is not a working day) following the month the contributions relate to. The administering authority has determined that all other sums due to the Fund shall be paid within 30 days of invoice or notification. A penalty system will apply for employers failing to meet the deadlines referred to under regulation R69(1), with a one month grace period for a 'first offence'. The penalty is based on the number of days after the 19th of the month that the payment due is received in the NYPF bank account. This will take the form of a fixed penalty (£100 for each month payment is delayed) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.

Decide form and frequency of information to accompany payments to the Fund	**R**69(4)	Admin. Authority	The administering authority has determined that the intervals of the annual/monthly contribution returns must be ahead of the payment dates and that standard forms are used which are completed and sent electronically. Year end information is also required electronically in a standard format to be supplied within a timeframe set each year by the administering authority. A fixed penalty of £100 will apply where the monthly return is delayed or not provided as described above. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	**R**70 **&TP**22(2)	Admin. Authority	The policy for the payment of additional costs is contained the in both the NYPF Pensions Administration Strategy and the Employer Charging Policy. Any over payment made by the NYPF resulting from inaccurate information supplied by the employer shall be recovered by the NYPF from the employer. In the event of the NYPF being fined by the Pensions Regulator, the 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. If NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work. Insert link to charging policy here **Insert link to charging policy here**

Whether to charge interest on payments by employers which are overdue	**R**71(1)	Admin. Authority	The administering authority will charge interest at 1% above the base rate on any employer payments unpaid one month after the due date. Details can be found in the NYPF Pensions Administration Strategy and the Employer Charging Policy.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be Administering Authority exercised	**R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision (or lack of a decision)	**R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by a Scheme employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the Scheme employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**R**80(1)(b) & TP22(1)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.

Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: - the personal representatives, or - anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	**R**82(2)	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	**R**83	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes.

Agree to bulk transfer payment	**R**98(1)(b)	Employer / Admin. Authority	A decision will be made based on advice obtained from the Fund Actuary in relation to each case where a bulk transfer is being proposed.
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	**R**100(6)	Employer and Admin. Authority	The time limit will not be extended.
Allow transfer of pension rights into the Fund	**R**100(7)	Admin. Authority	Transfers will be allowed into the Fund but will be subject to the employer-led time limits.
Where a member to whom **B**10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	**TP**3(6), **TP**4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.
Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008)	**TP**3(6), **TP**4(6)(c), **TP**8(4), **TP**10(2)(a), **TP**17(2)(b**) & T**Sch 1 & **L**23(9)	Admin. Authority	The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.
Decide to treat a child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break	**R**Sch1 & **TP**17(9)(a)	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of nominated of cohabiting partner and scheme member	**R**Sch1 & **TP**17(9)(b)	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.

Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	**TP**3(13) & **A**70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Extend time period for capitalisation of added years contract	**TP**15(1)(c) & **T**Sch 1 & **L**83(5)	Admin. Authority	The administering authority has determined that a member with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Decide whether to delegate any administering authority functions under the Regulations	**R**105(2)	Admin. Authority	A decision will be made by the Pension Fund Committee on whether the delegation of functions is appropriate and the nature of the arrangement for doing so.
Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State)	**R**106(3)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide procedures applicable to the local pension board	**R**106(6)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide appointment procedures, terms of appointment and membership of local pension board	**R**107(1)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.

*These are manadatory and the administering authority must have a written policy

Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1 April 2008 and before 1 April 2014 under:

A = LGPS (Administration) Regulations 2008 (SI 2008/239)
B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

Discretion	Regulation	Exercised by	Agreed Discretion
Extend time period for capitalisation of added years contract where the member leaves his employment by reason of redundancy	**TR**15(1)(c) & **T**Sch 1 & **L**83(5)	Admin. Authority	The administering authority has determined that a member retiring on the grounds of redundancy/ efficiency with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	**A**45(3)	Admin. Authority	Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death to: - personal representatives, or - anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	**A**52(2)	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member’s spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension)	**A**56(2)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.

Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & **R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision (or lack of a decision)	**TP**23 & **R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) & **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Decide policy on abatement of pensions following re-employment	**TP**3(13) & **A**70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Where a member to whom **B**10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	**B**10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	**B**27(5)	Admin. Authority	The administering authority will consider payment of a child's pension to a guardian. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the child.

Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	**A**52(a)	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch2, para 1(2) & 1(1)(c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 (member)	**R**30(5), **TP**Sch2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to "switch on" the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A (pensioner member with deferred benefits)	**B**30A(5), **TP**Sch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age

Whether to require any strain on Fund costs to be paid "up front" by Scheme employer if the Scheme employer "switches on" the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch2, para 2(1)	**TP**Sch2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	**B**31(4)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	**B**31(7)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide to whom death grant is paid	**B**23(2) & **B**32(2) & **B**35(2) & **T**Sch 1 & **L**155(4)	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.

Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	**R**Sch 1 & **TP**17(9)(b)	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.

Decide to treat a child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	**R**Sch1 & **TP**17(9)(a)	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004	**B**39(1)(a) & **T**14(3)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	**R**39(1)(b)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members)	**R**39(1)(c)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide, in the absence of an election from the member, which benefit is to be from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	**B**42(1)(c)	Admin. Authority	The administering authority will apply the regulation which will result in the most beneficial outcome for the member.
Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008	**T**Sch 1 & **L**23(9)	Admin. Authority	The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.

*These are manadatory and the administering authority must have a written policy

Discretions in relation to councillor members who ceased active membership on or after 1 April 1998, and any other scheme members who ceased active membership on or after 1 April 1998 and before 1 April 2008 under:

LGPS Regulations 1997 (as amended) (SI 1997/1612)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
A = LGPS (Administration) Regulations 2008 (SI 2008/239)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch2, para 1(2), 1(1)(f) & **R**60*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Waive, on compassionate grounds the actuarial reduction applied to deferred benefits paid early	31(5) & **TP**Sch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age
Decide to whom death grant is paid	38(1) & 155(4)	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.

Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	**TP**17(9)(a) & **R**Sch 1	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Apportionment of children's pension amongst eligible children	47(1)	Admin. Authority	Each eligible child will receive the same level of pension.
Pay child's pension to another person for the benefit of the child	47(2)	Admin. Authority	Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pre 1 April 2008 leavers or Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	49(1) & **T**14(3)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on the request of the Scheme member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	49(1)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	50 and 157	Admin. Authority	The option to commute benefits will be given in relevant cases.

Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor, or early payment of a deferred benefit on health grounds or from age 50 and prior to age 55 with employer consent	80(5)	Admin. Authority	Any cost will ~~be required to~~ be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. ~~Employing authorities have been asked to indicate the period over which payment will be made for all cases or whether a decision will be made for each case. A list is maintained by the Pension Fund of the decisions made~~. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement.
Whether to require any strain on Fund costs to be paid "up front" by employing authority if theScheme employer"switches on" the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch2, para 2(1)	**TP**Sch2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	89(3)	Admin. Authority	~~The administering authority will liaise with the employee over the most appropriate way in which to recover pension contributions depending on the circumstances of the case. This will usually be by a deduction from benefits.~~ Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Timing of pension increase payments by employers to fund	91(6)	Admin. Authority	Payments should usually be made one month from the date on which the pension increase becomes due.

Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at date of death) to: - personal representatives, or - anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	95	Admin.Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Approve medical advisors used by employers	97(10)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & R76(4)	Admin. Authority	~~Any stage two IDRP application will be referred to an independent suitably qualified person to provide a report on the appropriateness of the stage one decision. This report will be considered by the administering authority when making a determination under stage two.~~ Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.

Whether administering authority should appeal against employer decision, or lack of a decision	**TP**23 & R79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) & **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Date to which benefits shown on annual deferred statement are calculated.	106(A)(5)	Admin. Authority	Benefits are calculated to the first Monday in April each year after the start of the tax year (the 'Pensions Increase' date)
Abatement of pensions following re-employment	**TP**3(13), **A**70(1) & **A**71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Retention of Contributions Equivalent Premium (CEP) where member transfers out	118	Admin. Authority	The administering authority reserves the right to retain the CEP should this be thought appropriate.
Discharge Pension Credit liability	147	Admin. Authority	Appropriate pension rights will be awarded to the pension credit member under the scheme but a payment of a transfer value can be paid out to an appropriate provider should the pension credit member request this.

*These are manadatory and the administering authority must have a written policy

Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge.

Discretions in relation to scheme members who ceased active membership before 1 April 1998 under: LGPS Regulations 1995 (SI 1995/1019) TL = LGPS (Transitional Provisions) Regulations 1997 (SI 1997/1613) L = LGPS Regulations 1997 (as amended) (SI 1997/1612) A = LGPS (Administration) Regulations 2008 (SI 2008/239) TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)			
Discretion	**Regulation**	**Exercised by**	**Agreed Discretion**
Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds.	TP3(5A)(vi), TL4, L106(1) & D11(2)(c)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not grant applications for early payment of deferred benefits between the ages of 50 and 55. Over the age of 55, the administering authority will consider on a case by case basis.
Decide to whom death grant is paid	E8	Admin. Authority	The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate. Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Whether to pay spouse's pensions for life (rather than ceasing during any period of remarriage or co-habitation)	F7	Admin. Authority	The administering authority will pay a pension for life.

Decide to treat child (who has not yet reached age 23) as being in continuous education or vocational training despite a break	**TP**17(9)(a) &**R**Sch 1	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits
Apportionment of children's pension amongst eligible children	G11(1)	Admin. Authority	The administering authority has determined that it will equally apportion children's pensions amongst all the eligible children.
Pay child's pension to another person for the benefit of the child	G11(2)	Admin. Authority	~~The child's pension is normally paid to the widow/widower. The Administering Authority will determine to whom the child's pension is payable in all other cases.~~ Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.
Abatement of pensions following re-employment	**TP**3(13), **A**70(1) & **A**71(4)(c))*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & **R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision, or lack of a decision	**TP**23 & **R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.

Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.

*These are manadatory and the administering authority must have a written policy

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) (SI 2000/1410)

Discretionary policies in relation to former employee sof anScheme employerthat is a scheduled body, a designated body, or a body that is deemed to be a scheduled body under the LGPS Regulations 203 and equivalent predecessor regulations (excluding admitted bodies)

Discretion	Regulation	Exercised by	Agreed Discretion
Agree to pay annual compensation on behalf of employer and recharge payments to employer	31(2)	Admin. Authority	Administering authority will make payments and recharge the employer.

Discretions under the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 (SI 2011/1791)

Discretion	Regulation	Exercised by	Agreed Discretion
To decide whether it is legally able to offer voluntary scheme pays	2	Admin. Authority	Administering authority will not offer voluntary scheme pays

North Yorkshire Pension Fund

A guide to the Internal Dispute Resolution Procedure

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

Introduction

This guide tells you the way you can sort out any problems or complaints you may have with your pension benefits.

If you are not sure which benefits you can get, or you have a problem with your benefits please contact the North Yorkshire Pension Fund (NYPF), contact details are given at the end of this leaflet. The NYPF will try to deal with the problem as quickly and simply as possible.

Informal Enquiry

Many issues are caused by misunderstandings, wrong information or human error. In most cases, these can be quickly corrected or explained by contacting the person who has made the decision you are disputing. Their contact details will be on the communication you have received.

You don't have to do this but, **an informal enquiry may save you a lot of time and trouble** and, if an error has been made it will be dealt with as quickly as possible. Most problems that members have are resolved in this way.

If you are still unhappy you may be able to use what is known as the **'Internal Dispute Resolution Procedure' (IDRP)** to make a complaint.

The IDRP process is for disputing pensions decisions only

For example, whether you are entitled to immediate payment of pension benefits (including ill health).

If your dispute relates to an employment decision, for example, you have been dismissed, you should contact your employer and ask about their employment appeals process.

What type of complaints does IDRP cover?

From the day you join the scheme various decisions are being made about your pension. These include things like:

- The benefits you can have and how much they will be.
- When your benefits can be paid.

When you (this includes dependants) are told of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

Who can use IDRP?

You can use IDRP if you are one of the following or have been in the last 6 months:

- **A member:** this means you are paying into the fund, have a pension being paid or have a deferred pension or refund entitlement with us.
- **A dependant:** a widow, widower, civil partner, nominated cohabiting partner or an eligible child.
- **A prospective member:** you are not a member yet but could become one if you opt to join.

How does IDRP work?

The IDRP procedure has 2 stages with many complaints sorted out at stage 1. You can ask somebody else to deal with the complaint for you. This could be a trade union official, welfare officer, your husband, wife, partner or friend.

There is no charge made for the use of the IDRP procedure. You will however have to meet the cost of any postage/stationery or representative's time.

Stage 1

If you need to make a formal complaint, you should:

- Complete the **Stage 1 Internal Dispute Resolution form** which is available to download at https://www.nypf.org.uk/formsandguides/publications.shtml or is available from the NYPF. You should add specific details about what you are disputing and also include any documentation which supports your case.

- Make the complaint within **6 months** of when you were told of the decision you want to complain about.

Your complaint will be looked at carefully by NYPF's referee who is known as the 'nominated person'.

The nominated person will look at the facts of your complaint along with the Scheme rules and any other relevant information. You should get a reply within **2 months,** giving details of the decision or confirming when you will receive a decision.

What happens next?

The decision letter from the nominated person will tell you what should happen next, there are two likely outcomes:

- The original decision is upheld and therefore it will continue to apply. You can choose to escalate your complaint to the second stage of the IDRP process.

  Or

- Some or all of the decision is incorrect. The nominated person will write to you giving details of further actions that need to be taken. The actions will be followed up by either your employer or the NYPF (depending who the complaint is against). If you are still unhappy with the decision, you can escalate your complaint to the second stage of the IDRP process

Stage 2 - Taking your complaint further

You can take your complaint to stage 2 if:

- You have had a decision from the stage 1 nominated person but you disagree with it.
- You have not had a reply under stage 1 within **3 months** of making your complaint.
- You have not had a reply within **1 month** of the date you were given by the nominated person.

You should send your stage 2 complaint in writing to the NYPF along with a copy of the stage 1 decision and full details of why you are unhappy with it.

Your complaint will be looked at again by the appointed person for stage 2 who will not have been involved at stage 1.

What happens next?

You should get a decision letter from the appointed person within **2 months** giving details of the decision or confirming when you will receive a decision.

The letter will tell you that **either:**

- The original decision is upheld and therefore it will continue to apply. You can choose to escalate your complaint to The Pensions Ombudsman.

- Some or all of the decision is incorrect. The appointed person will write to you giving details of further actions that need to be taken. The actions will be followed up by either your employer or the NYPF (depending who the complaint is against). If you are still unhappy with the decision, you can escalate your complaint to The Pensions Ombudsman.

The Pensions Ombudsman

The Early Resolution Service

If you need help raising your concerns, or just to discuss a potential complaint, you can use the Pensions Ombudsman's (TPO) helpline service.

Their staff will listen to your issue and if possible help you there and then; for more complex problems or issues where a number of documents are involved they may pass you on to their Early Resolution Team who can go into more detail. If this happens you will be asked to sign a consent form that allows them to handle your documents and speak to third parties on your behalf.

Using this service will not affect your right to apply to the Ombudsman for formal adjudication if you later choose to do so.

Phone 0800 917 4487 and select option 1 or
Email: helpline@pensions-ombudsman.org.uk

Please be aware that your call may be recorded for security and quality purposes.

Formal Adjudication

If you are not happy with the decision at stage 2 you can take your complaint to The Pensions Ombudsman (TPO) free of charge for a formal adjudication. This must be within three years of when the event you are complaining about happened, or, if later, within three years of when you first knew about it (or ought to have known about it).

TPO is an independent person who settles disputes between pension scheme members and pension schemes. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all the parties and are enforceable in court. You can write to TPO with your complaint but you must first have been through stages 1 and 2 of the IDRP process.

You can contact TPO at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk (where you can submit an online complaint form)

If you have general requests for information or guidance concerning your pension arrangements contact:

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD

Telephone: 0115 9659570
Website: https://moneyandpensionsservice.org.uk

Contact NYPF

More detailed information about the scheme is available on the NYPF website at www.nypf.org.uk or you can contact the NYPF in the following ways:

Email: pensions@northyorks.gov.uk
Telephone: 01609 536335

In writing:
North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL

North Yorkshire Pension Fund

Governance Roles and Responsibilities

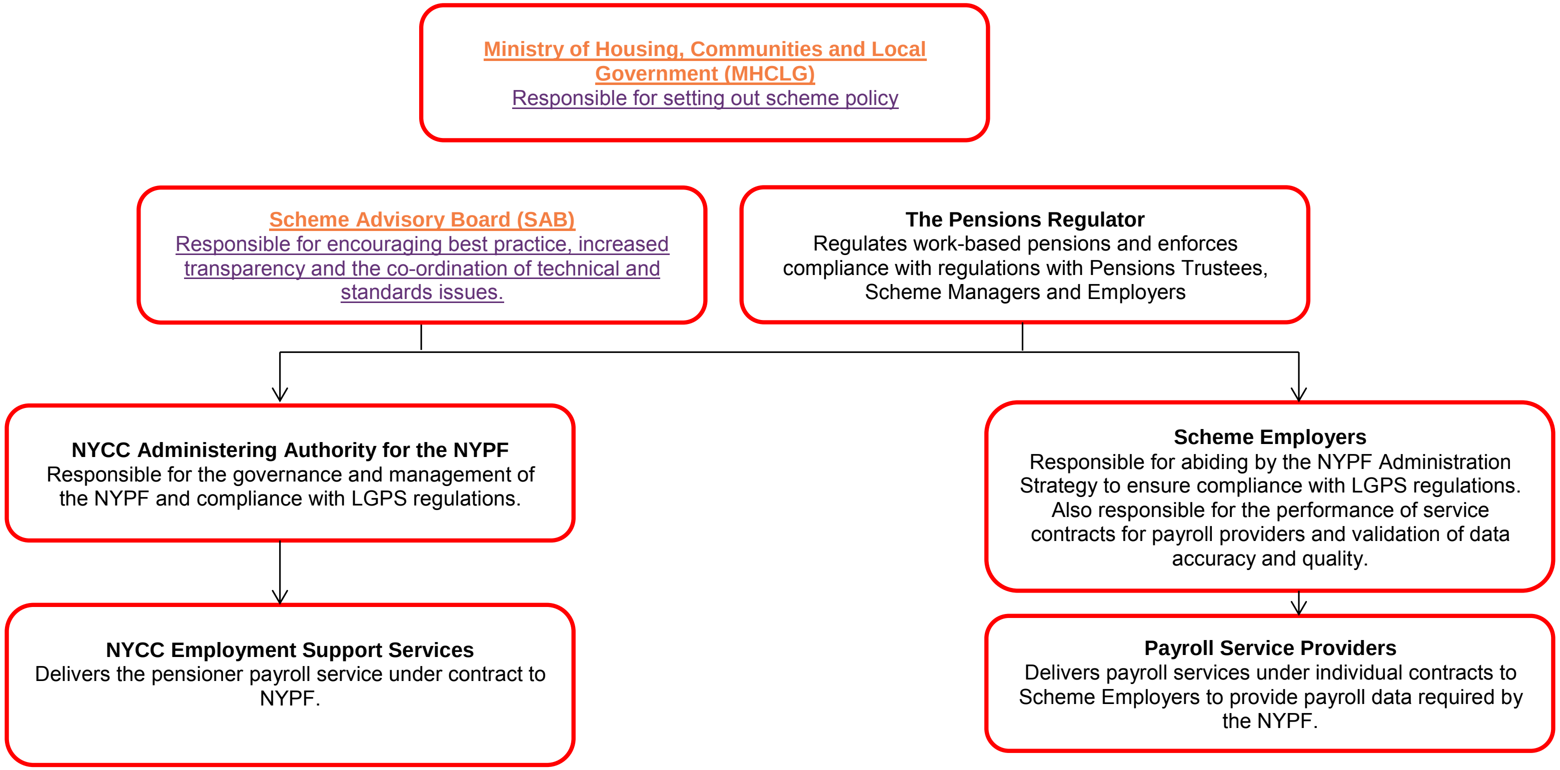
If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335

As recommended by the Pensions Regulator, this document clarifies the roles, responsibilities, decision-making, governance structures and processes for the Local Government Pension Scheme (LGPS) administered by the North Yorkshire Pension Fund (NYPF). It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS and relates to:

- North Yorkshire County Council (NYCC) as the Administering Authority of the NYPF
- Scheme Employers who participate in the NYPF as a statutory requirement or are admitted in certain circumstances
- Contractors who have service contracts with the Administering Authority or Scheme Employers.

Roles and Responsibilities

The following chart sets out the relationships between the parties and the commentary below provides further details.



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Body	Responsibility	Delivered by
Ministry of Housing, Communities and Local Government (MHCLG)	Setting out scheme policy	• Set out scheme policy ion regulations, including the role of the scheme manager, Pension Board and Scheme Advisory Board
Scheme Advisory Board (SAB)	Responsible for encouraging best practice, increased transparency and the co-ordination of technical and standards issues.	• Considers items passed from MHCLG, the Board's sub committees and other stakeholders as well as items formulated within the Board • Liaison role with The Pensions Regulator • Creation of guidance and standards for local scheme managers and Pension Boards
The Pensions Regulator	Regulates the governance and administration of work-based pensions and enforces compliance with regulations with Pensions Trustees and Employers. The Pensions Regulator's objectives are to: • improve confidence in work-based pensions; • promote good administration; • maximise employer compliance with regulations and employer duties	• Providing regulatory guidance and codes of practice setting out requirements • Working with central government to embed regulatory changes for pension reforms • Supporting the development of policy initiatives • Monitoring performance • Enforcing compliance • Applying sanctions and or penalties on Trustees and Employers for non-compliance
North Yorkshire County Council Administering Authority North Yorkshire Pension Fund	Responsible for the governance and management of the NYPF and compliance with LGPS regulations. Responsible for investment decision making including managing Pooling arrangements. Also responsible for the performance of the pensioner payroll service contract with NYCC Employment Support Services.	• Managing and governing the Pension Fund through NYCC's Pension Fund Committee and Pension Board • Providing a framework of policies and procedures for compliance with the LGPS regulations • Reporting on compliance and performance to The Pensions Regulator • Monitoring performance of the NYCC Employment Support Services contract • Monitoring performance of Scheme Employers • Applying sanctions and or penalties on Scheme Employers for non-compliance • Reporting breaches of regulations to The Pensions Regulator
North Yorkshire County Council Employment Support Services	Responsible for delivering pensioner payroll services to the NYPF under a service contract.	• Delivering the pensioner payroll service under contract to the NYPF • Providing pensioner payroll guidance and support to the NYPF and Scheme Members

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Body	Responsibility	Delivered by
Scheme Employers	Responsible for working within the NYPF's policies and procedures to ensure compliance with LGPS regulations. Also responsible for the performance of service contracts for payroll services and validation of data quality.	• Complying with the policies and procedures for the administration of the LGPS scheme for employees • Monitoring performance of outsourced service contracts providing data to the NYPF • Validating the quality of data submitted to the NYPF • Ensuring outsourced service contractors meet the quality standards and submission deadlines
Payroll Service Providers	Deliver payroll services under individual service contracts to Scheme Employers	• Provide payroll services in compliance with the service contract with the Scheme Employer • Ensure that Scheme Employer instructions are actioned for the provision of data to the NYPF • Ensure that data provided meets quality standards and is submitted within deadlines • Ensure that the Scheme Employer validates the data before submission to the NYPF

Escalation Procedures
To ensure that the NYPF meets its statutory responsibilities and obligations, it is important that all parties involved in pension administration carry out their responsibilities efficiently. The following sets out escalation procedures for non-compliance with pensions administration requirements.

North Yorkshire County Council **Administering Authority for the North Yorkshire Pension Fund**	• The Administration Strategy sets out performance standards for the Administering Authority and Scheme Employers including chargeable penalties • The NYPF will support Scheme Employers to meet performance standards • In the event Scheme Employers do not engage proactively to meet performance standards and deadlines then penalties will be imposed on Scheme Employers for non-compliance • For significant performance issues and breaches of the law, the NYPF will report events to The Pensions Regulator

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North Yorkshire Pension Fund

Employer Charging Policy
April 2019

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

Contents

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1.0 Introduction

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

This document sets out the policy for charging employers and should be read in conjunction with the Pensions Administration Strategy.

2.0 Approach to Managing Performance

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

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

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

The table below details the regulatory timescales for providing information and notifications to the NYPF.

Event	**Timescale for employer notifying the NYPF**
New starters (Employer Pen11 form)	**Within one month of the employee joining**
Change in member's details (Change of Members Personal Details form)	**Within 6 weeks of the event**
Leavers (SU5 form)	**Within 6 weeks of the employee leaving**
Advanced Notification of Retirement (ADNOT form)	**At least 30 days before the last day of employment**
Retirements (SU5 form)	**No later than one month following retirement** Disclosure Regulations require that when a retirement takes place before Normal Pension Age (NPA) the NYPF receives the SU5 no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the NYPF receives the SU5 no more than 20 days after the date of retirement.
Death in Service	**Within 3 working days of the employer being notified of the death of the member**

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

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3.0 Charging Policy

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

The Fund's policy is to chase outstanding information on a regular basis as follows:

- Original request issued (no charge)
- The first chaser will be issued 10 working days after the date of the original request and this will trigger the first charge
- A further two chasers will be issued 10 working days apart and will incur a charge for each chaser (so one original request and three chasers in total)
- Case will be escalated to the Pensions Management Team who will issue a final chaser which will clarify the regulatory requirements including reporting to The Pensions Regulator. This will also incur a charge.
- If no response is received within 10 working days the Pensions Employer Relationship Manager will make contact to discuss an improvement plan

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

The frequency of charging will be monitored and where significant volumes are identified the Fund will contact the employer concerned and offer support and guidance. Working collaboratively with the Fund the employer will be expected to identify and agree the following:

- Training requirements
- A robust and measurable improvement plan
- Regular contact with the Pensions Employer Relationship Manager to provide progress updates against the data improvement plan
- Clear milestones
- Accountabilities
- Appropriate internal monitoring is put in place
- Timescales

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

If an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged at 1% above the bank base rate.

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¶
The Fund will contact the employer to explain the areas of non-compliance. An action plan and timescale will be agreed with the employer and the Fund will offer support and training.¶
Where no improvement has been demonstrated within the agreed timescale, or there has been no response to communications, the Fund will request a meeting with the employer.¶
If the employer is unwilling to attend a meeting or the issues have not been resolved, the Fund will issue a formal written notice setting out the following:¶
the areas of non-compliance ¶
the steps required to resolve those areas; and¶
notice that the additional costs will start to be reclaimed¶
¶
Where additional costs are to be recovered by the Fund, written notice will be provided stating:¶
the reasons that the employer's poor performance contributed to the additional cost;¶
the amount of the additional cost incurred;¶
the basis on how the additional cost was calculated; and¶
the provisions of the administration strategy relevant to the decision to give notice.¶
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4.0 Charging Scales

Item	Charge	NYPF Charge Code
Starter information		
Chase for missing information where one request has already been made	£5.00 per record, per chase	C1
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C2
Employer estimate (Estform1)		
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C13
ADNOT (Advanced Notification of Retirement)		
Chase for missing form where one request has already been made	£5.00 per record, per chase	C5
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C6
Death in service		
Chase for missing SU5 leaver form where one request has already been made	£10.00 per record, per chase	C7
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C8
SU5 leaver form		
Chase for missing form where one request has already been made	£10.00 per record, per chase	C3
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C4
Employer Authorisation (ill health and redundancy/efficiency)		
Request for missing employer authorisation	£10.00 per record, per chase	C9
Request for missing cost codes (NYCC only)	£10.00 per record, per chase	C10

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Item	Charge	NYPF Charge Code
Data Post information: chase for missing or incorrect information where one request has already been made e.g. hours, service etc. Pay information: chase for missing or incorrect information where one request has already been made	 £5.00 per record, per chase £5.00 per record, per chase	 C11 C12
Year End Failure to submit year end file by 30 April (charged by the number of pensionable members held on the NYPF database) 1 – 99 100 – 999 1,000 – 1,999 2,000 – 4,999 5,000 – 9,999 10,000 + Incorrect file formatting Missing or incorrect data Reason for pay changes outside of tolerances not given Missing starter and leaver information	*The following charges will apply for each full month the file is delayed beyond 30 April *£50.00 per file *£100.00 per file *£200.00 per file *£300.00 per file *£400.00 per file *£500.00 per file **£5.00 per record **£5.00 per record **£5.00 per record **£5.00 per record **Subsequent chasers will be charged at £2.50 per chase, per record	
If an employer annual return is received by 30 April and the return is accepted, no charge will apply. If the annual return is received by 30 April and the return is rejected but subsequently re-submitted and accepted within two weeks, no charge will apply.		
Monthly contributions Charge for late payment Charge for late submission of supporting documentation	*The following charges will apply for each full month the file is delayed beyond it's due date *£100 per file plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate *£100 per file	
Accounting IAS19/FRS102 valuations	Professional fees recharged. Cost will be notified prior to work starting	
Actuarial & legal advice Actuarial & legal advice for admission bodies and academy conversions	Professional fees recharged. Cost will be notified prior to work starting	
Technical Advice Ad hoc technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)	Professional fees recharged. Cost will be notified prior to work starting	

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North Yorkshire Pension Fund

Business Plan

2019 - 2021

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

V1.1_April 19

Contents

1. Background

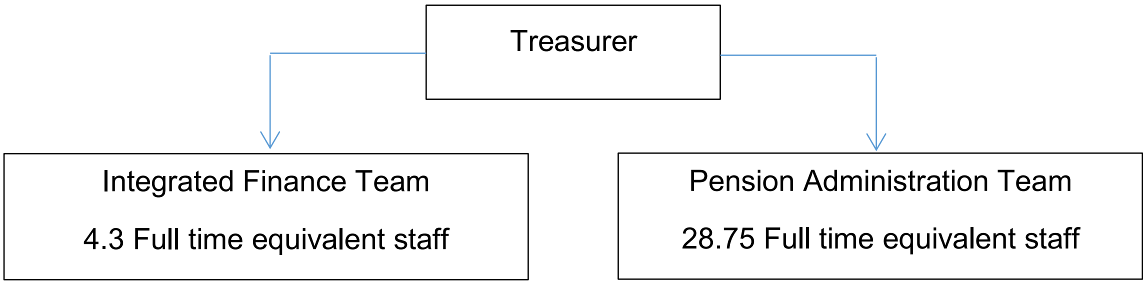
North Yorkshire County Council (NYCC) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund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

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

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

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

Current structure:



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

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016
- the LGPS (Amendment) Regulations 2018

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

This business plan should be read in conjunction with the administration strategy and the investment strategy statement, these being the key documents that set out the principles of the running of the NYPF.

These can be found on our website at https://www.nypf.org.uk/nypf/policiesandstrategies.shtml

2. Introduction

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

This Plan will be reviewed annually and objectives and key actions revised accordingly. Progress reviews will be undertaken every six months and progress reported to the PFC.

3. Vision

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

4. Objectives

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

We will:

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

5. Key Actions

The following key actions have been identified:

Action	Resource	Timescale
Effective and efficient member administration Website review Administration software review Business process re-engineering	Head of Pensions Administration	 Q4 2019 Q1 2020 Q4 2019
Improve Data Quality GMP Reconciliation Pensioner Reconciliation Employer interaction Create Data Improvement plan	Head of Pensions Administration	 Q1 2019 Q4 2019 Q2 2019 Q1 2019
People Review of team structure Training Cross skilling Resilience Succession planning	Head of Pensions Administration	 Q1 2019 Q4 2019 Q4 2019 Q4 2019 Q4 2019
Excellent Customer Service Improved employer engagement Partnership working with employers Pension Fund rebrand	Head of Pensions Administration/ Senior Accountant	 Q4 2020 Q4 2020 Q4 2019
Effective Investment Strategy Review of Investment Strategy Fund Manager performance reviews	Pension Fund Committee	 Q Q
Pooling Transition plan Effective management of transition NYPF representation	Pension Fund Committee/ Treasurer/ Senior Accountant	 Q Q Q
Monitor Income Introduce monthly monitoring of employer and member pension contributions Effective financial management	Senior Accountant	 Q Q
Effective Fund Governance Committee and Board skills evaluation Committee and Board training plan	Pension Fund Committee	 Q1 2019 Q2 2019

Action	Resource	Timescale
Triennial Valuation Agree assumptions Review of scheme factors Data cleansing Employer engagement Review of strength of covenant	Head of Pensions Administration Senior Accountant	 Q1 2019 Q1 2019 Q1 2019 Q2 2019 Q

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

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

These actions are recorded and scheduled in more detail in the NYPF scheduler which is used by officers to ensure the appropriate actions are taken to deliver the business plan.

Appendix 15

North Yorkshire Pension Fund

Breaches Policy 2019

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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Breaches of the law

Background

North Yorkshire Pension Fund has prepared this document to set out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice".

This policy sets out the responsibility of elected members, officers of the North Yorkshire Pension Fund ("the Fund") and the Local Pension Board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund.

This policy does not cover the responsibility of other "reporters" (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified both the Fund and the Local Pension Board will take all necessary steps to consider the breach and report it to The Regulator, rather than having the breach reported by any of the other "reporters".

This policy will be reviewed by the Fund at least annually. The Fund will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Administering Authority Monitoring Officer will be responsible for the management and execution of this breaches policy.

The Head of Pensions Administration will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the Local Pension Board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred. All staff are required to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Fund will maintain a log of all breaches under the LGPS regulations and wider pension law, statutory guidance or codes of practice under the remit of The Pensions Regulator in accordance with the 2004 Pension Act.

Where a breach has occurred it should be identified as either an area of non-compliance under the LGPS regulations, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or The Pensions Regulator's code of practice 14.

The definition of pension law under the jurisdiction of the Pensions Regulator is any enactment contained in or made by virtue of:

a) The Pension Schemes Act 1993 (c. 48)
b) Part 1 of the Pensions Act 1995 (c. 26), other than sections 62 to 66A of that Act (equal treatment)
c) Part 1 or section 33 of the Welfare Reform and Pensions Act 1999 (c. 30), or
d) This Act
e) Section 5(4) (Pension Board: conflicts of interest and representation), 6 (Pension Board: information), 14 (information about benefits) or 16 (records) of the Public Service Pensions Act 2013
f) Paragraph 2 of Schedule 18 to the Pensions Act 2014 (c 19)
g) The Pension Schemes Act 2015

Therefore as the LGPS Regulations are made under the Superannuation Act 1972, The Pensions Regulator views the provisions as being similar to a private pension scheme's rules which are the preserve of trustees and not of The Regulator.

As such in the event of non-compliance under the LGPS Regulations the failings should be documented in an internal log specifying the corrective action to be undertaken to strengthen operational procedures and controls in order to prevent or mitigate the impact of any future re-occurrences.

Alternatively where the failure is identified by the Fund or Local Pension Board as a breach of pension law under the jurisdiction of The Pensions Regulator, or the code, it should be recorded, assessed and where defined to be of material significance to The Pensions Regulator, must be reported as soon as reasonably practical.

The Fund and the Local Pension Board cannot rely on waiting for other reporters to report a breach.

What is a breach of the law?

A breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* It can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under overriding legislation, applicable statutory guidance or codes of practice
- to maintain accurate records
- to act on any fraudulent act or omission that is identified
- of an employer to pay over member and employer contributions on time
- to pay member benefits either accurately or in a timely manner
- to issue annual benefit statements on time or non-compliance with The Regulator's Code of Practice No 14.

What is Non-compliance under the LGPS Regulations?

Non-compliance with the LGPS regulations can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS regulations
- to comply with policies and procedures (e.g. the Fund's Investment Strategy Statement, Funding Strategy Statement, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Members and officers of the Fund, as the Scheme Manager
- Members of the Local Pension Board
- Scheme employers
- Professional advisers (including the Fund's actuary, investment advisers, legal advisers)
- Third party providers (where employed)
- any other person involved in advising the scheme manager in relation to the scheme

This policy applies only to members and officers of the Fund and members of the Local Pension Board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Fund and the Local Pension Board will take all necessary steps to consider the breach and report to The Regulator, rather than having the breach reported by any of the other "reporters".

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to The Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law
- and if so, is the breach likely to be of material significance to The Regulator?

It is important to understand that not every breach that is identified needs to be reported to The Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to The Regulator. All incidents of breaches identified should be recorded in the

Fund's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree a plan of action to rectify the matter and prevent such an occurrence in the future.

Examples of potential breaches, including when they should and should not be reported to The Pensions Regulator are included in Appendix A.

When should a breach be reported to The Regulator?

The Code of Practice requires that a breach should be notified to The Regulator as soon as is reasonably practical once there is reasonable cause to believe that a breach has occurred and that it is of material significance to The Regulator. In any event, where a breach is considered to be of material significance it must be reported to The Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that The Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of The Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to The Regulator, marked as "urgent" in order to draw The Regulator's attention to it.

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, The Regulator will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to The Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion
- fail to notify affected scheme members where it would have been appropriate to do so.

Assessing "reasonable cause"

It is important that the Fund and the Local Pension Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by members and officers when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors, the Fund's actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to The Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should be reported. When determining materiality of any breach or likely breach the Fund and Local Pension Board will in all cases consider the following:

- **cause** – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law
- **effect** – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring
- **reaction** – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- **wider implications** – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future

The decision tree provides a "traffic light" system of categorising an identified breach and is shown at Appendix A:

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to The Regulator, but should be recorded in the Fund's breaches log

- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action

- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Fund or Local Pension Board must report all such breaches to The Regulator in all cases

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board to determine the appropriate course of action.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Fund will use The Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to The Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to The Regulator immediately.

In order to determine whether failure to pay over employee contributions is materially significant or not the Fund will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to The Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to The Regulator, the relevant manager in consultation with the Monitoring Officer, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Fund's breaches log.

Process for reporting breaches

All relevant officers and elected members of the Fund, as well as all members of the Local Pension Board have a responsibility to:

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the Monitoring Officer
- in conjunction with relevant officers agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, Local Pension Board and where necessary The Regulator

Responsibilities of the Monitoring Officer

The Fund will appoint one of the administering authority's senior officers to be responsible for the management and execution of this breaches policy. That officer will be the Monitoring Officer and will be the Head of Pensions Administration.

The Monitoring Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Fund's breaches log
- investigate the circumstances of all reported breaches and likely breaches
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not re-occur
- report to the Pension Fund Committee and Local Pension Board:
  - all materially significant breaches or likely breaches that will require reporting to The Regulator as soon as practical, but no later than one month after becoming aware of the breach or likely breach; and
  - all other breaches at least quarterly as part of the Committee cycle
- report all materially significant breaches to The Regulator as soon as practical but not later than one month after becoming aware of the breach

The Monitoring Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation where considered appropriate with the Pension Fund Committee and Local Pension Board.

Where uncertainty exists as to the materiality of any identified breach the Fund or Local Pension Board will be required to informally notify The Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to The Regulator?

All materially significant breaches must be reported to The Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its on-line Exchange service.

The Fund will report all material breaches to The Regulator via the online Exchange function.

How are records of breaches maintained?

All breaches and likely breaches are to be reported to the Monitoring Officer as soon as they are identified. The Monitoring Officer will log all breaches on the Fund's breaches log, including the following information:

- date the breach or likely breach was identified
- the pension scheme's registry number (if available)
- name of the employer (where appropriate)
- any relevant dates
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance
- whether the breach is considered to be red, amber or green
- a description of the actions taken to rectify the breach
- whether the concern has been reported before, and
- a brief description of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified. The Head of Pensions Administration will be responsible for submission of any report to The Regulator. Any documentation supporting the breach will be maintained by the Head of Pensions Administration.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Fund or a member of the Local Pension Board. The duty to report does not override any other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to The Regulator. Given the statutory duty that exists, in exercising this breaches policy the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to The Regulator.

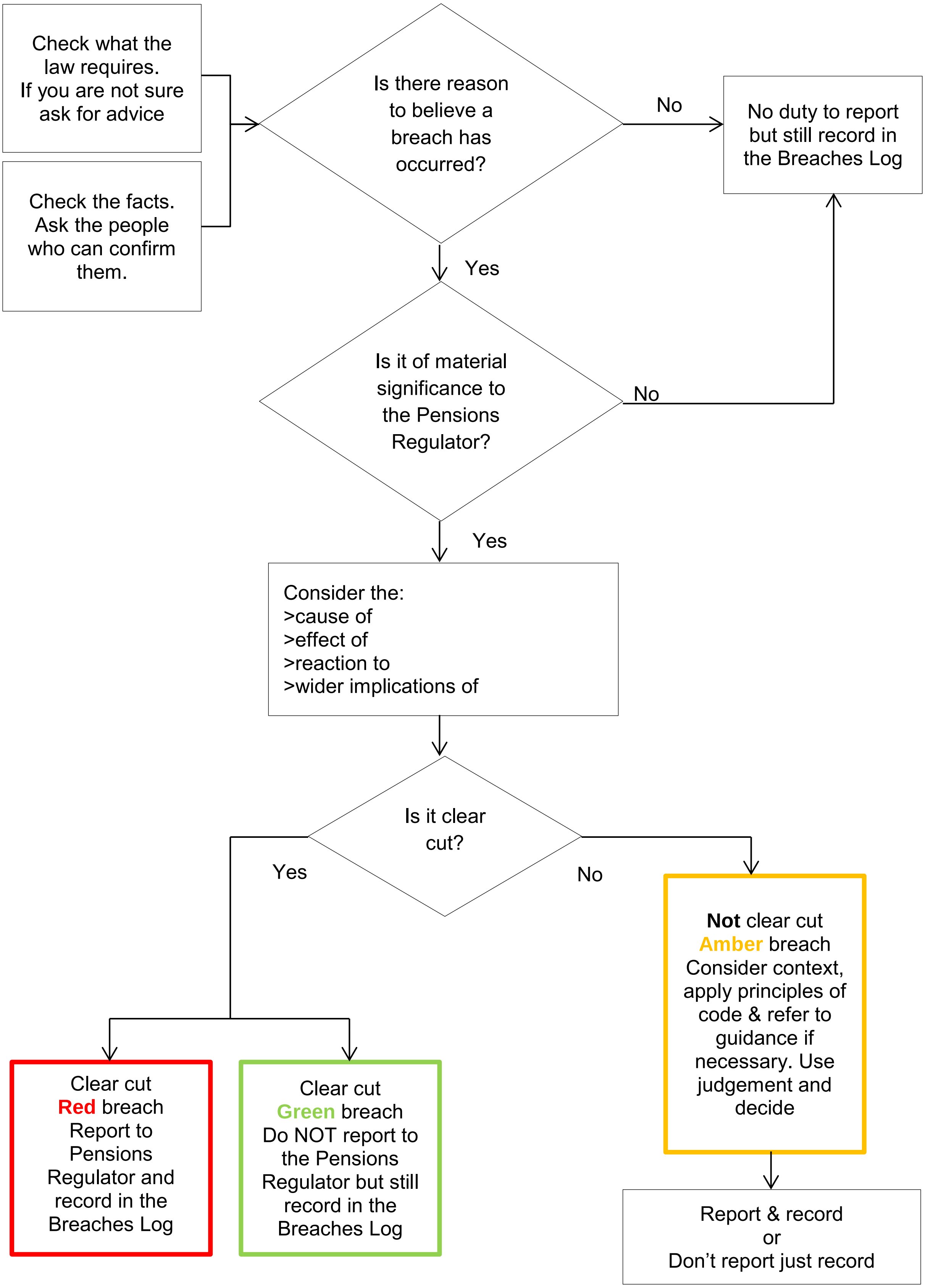
The duty to report, however, does not override ‘legal privilege’, so oral and written communications between the Fund or Local Pension Board and a professional legal adviser do not have to be disclosed.

Training

The Head of Pensions Administration will ensure that all relevant members and officers, as well as members of the Local Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the Local Pension Board as appropriate and on an ongoing basis.

Appendix A

Deciding if a breach is "materially significant" and should be reported to The Regulator



Appendix B

Examples of breaches

Example 1

An employer is late in paying over employee and employer contributions and is in breach of the statutory period for making such payments. The employer is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to The Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and is in breach of the statutory period for making such payments. It is also late in paying AVCs to the AVC provider. It is contacted by officers from the administering authority, and the employer eventually pays the monies that are overdue, including AVCs to the AVC provider. This has happened before, and there is no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to The Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in investing their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to provide annual benefit statements to the employer's members by 31 August. In this instance there has been a breach which is relevant to The Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A pension overpayment is discovered. The administering authority has failed to pay the right amounts to the right person at the right time and a breach has therefore occurred. The overpayment is however, for a modest amount and the pensioner could not have known that they were being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Appendix C

Form to report a breach to the Monitoring Officer

Name of Reporter:	
Position:	
Telephone number	
Email address	
Address	
Description of the breach (please include any relevant dates)	
Do you believe that the breach is of material significance to The Pensions Regulator?	
Please give your reasons	
Have you reported the breach to The Pensions Regulator?	
Please give your reasons	

Please send the completed form by email or post to:
Phillippa Cockerill
Monitoring Officer
North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL
Telephone: 01609 535879
E-mail: Phillippa.cockerill@northyorks.gov.uk

Appendix D

Example Record of Breaches

Date	Category	Description of Breach	Cause of Breach	Effect of Breach & Wider Implications	Response to Breach	Sent to PFC	Sent to PB	Outcome of Referral	Reported to Regulator	Progress Review 1	Progress Review 2
30/9/2015	Contributions	No employer or employee contributions paid by employer for two months (June and July) Queried with employer on 23/8/215	Employer advised Fund on 26/8/2015 that late payment of contribution due to installation of new payroll system and outstanding contribution will be paid without delay	Where contributions remain outstanding for more than 90 days, then likely to be of material significance to The Regulator	Investigations showed that the employer had not previously been late in paying contributions. Not reported as outstanding contribution paid over on 31/08/2015 and therefore not of material significance as paid within 90 days of the due date	Y	Y	Position noted. As contributions were received within a reasonable timeframe it was confirmed no requirement to report	N	Contributions for August paid on 19/09/2015	Monitor payments on 19/10/2015 to ensure that late payment was a one off failure
1/12/2017	Regulations	Regulation 40 Death Grant payments	Failure to Identify beneficiaries of estate of deceased. Correct procedure not followed.	Member died in service without an expression of wish form. Fund did not identify correct dependents, leading to possible 2nd payment of death grant. Dependent, a long term partner of deceased appealed the decision to pay on strength of letters of administration. Recipient Relative identified by probate office refused to repay death grant.	Investigations showed that the Probate office was limited by their regulations which pre-judged against a partner and Fund had failed to recognise this.	Y	Y	Position noted. As staff training is being provided and policy updated no further action taken. Overpaid death grant written off by Fund.	N	Ensure all staff trained and policy updated.	Procedure documented and incorporated into system

Privacy Notice

North Yorkshire Pension Fund

North Yorkshire County Council

This Privacy Notice is designed to help you understand how and why North Yorkshire County Council processes your personal data in relation to the North Yorkshire Pension Fund. This notice should be read in conjunction with the County Council's Corporate Privacy Notice and Employment Privacy Notice.

Who are we?

The North Yorkshire Pension Fund (NYPF) is responsible for the administration of the Local Government Pension Scheme (LGPS). The service is carried out by North Yorkshire County Council (NYCC) and for the purposes of the Data Protection Act 2018 NYCC is the Data Controller.

The Council has appointed **Veritau Ltd** to be its Data Protection Officer. Their contact details are:

Data Protection Officer
Veritau Ltd
County Hall
Racecourse Lane
Northallerton
DL7 8AL
01609 53 2526

What personal information do we collect?

The types of data we hold and process will typically include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth and national insurance number.
- Information relating to your benefits in the Fund, including length of service or membership and salary.
- Other information in relation to your membership of the Fund or to enable the calculation or payment of benefits, for example bank account details.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

Name and type of service/adviser	Reasons for sharing data
Aon Hewitt *Scheme Actuary* and Scheme Benefits Consultant* *Aon Hewitt's Privacy Notice*	To calculate the value of the scheme's assets and liabilities, to set employer contribution rates, to calculate specific benefits or to advise on scheme administration functions (**An adviser on financial questions involving probabilities relating to mortality and other contingencies)*
Prudential *Scheme AVC Provider**	To facilitate the creation and maintenance of individual member's AVC accounts *(*The NYPF is required by law to have an Additional Voluntary Contributions (AVC) provider. The NYPF partners with Prudential to provide AVC options to its members. Through that arrangement, Prudential hold and process your data in order to administer your AVC account.)*
Citibank *Overseas Payments Provider*	To transmit payments to scheme members with non-UK bank accounts
Local Government Association *LGPS National Insurance Database*	To enable the NYPF to identify if its members have benefits in other LGPS schemes to ensure that appropriate benefits are paid
Department for Work and Pensions *DWP Tell Us Once Service*	To enable the NYPF to be notified of the death of a scheme member
Accurate Data Services *Life Existence Checks* *Address tracing*	To enable the NYPF to be notified of the death of a scheme member To enable the NYPF to pay pension benefits to a scheme member
ITM *Guaranteed Minimum Pension (GMP) reconciliation service*	To enable the NYPF to reconcile GMPs with HMRC
Government Actuary's Department *National LGPS Cost*	To facilitate the calculation of the triennial assessment of the cost of the LGPS on a national basis as per the Public Service Pensions Act 2013
Other LGPS administering authorities	To determine pension benefit entitlements

Scheme managers of other LGPS funds	

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases

Why do we collect your personal information?

NYPF collects and processes this data in order to provide you and your beneficiaries with pension benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

Who do we share this information with?

From time to time we will share your personal data with third parties, including our contractors, advisors, dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund.

We are also required in certain circumstances to share your information with government organisations such as Her Majesty's Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) so that they can monitor our performance and ensure that public funds are safeguarded.

We will share your data with any persons in connection with any transfer of employment under TUPE (Transfer of Undertakings (Protection of Employment) regulations) that results in a transfer to another pension scheme.

In order to comply with statutory and contractual obligations, the NYPF may share or disclose your information with any of the following recipients as may be necessary to administer the scheme:

How long do we keep your information for?

In order to make pension payments to members and subsequent beneficiaries, the fund has determined that it must retain a member's data for 50 years following the death of the last beneficiary.

NYPF will retain as much information as is necessary to enable any future queries regarding benefits to be answered fully and accurately.

What is our lawful basis for processing your information?

GDPR Article 6(1)(b)The processing of your personal information is necessary for the performance of a contract to which you are party (employment contract).

GDPR Article 9(2)(b) The processing of your special category data is necessary for the carrying out of obligations and exercising specific rights of the data controller or of the data subject in the field of employment.

The legal basis for our use of your personal data will generally be one or more of the following:

a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund;
b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body;
c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund;
d) we need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

For more information about how the County Council uses your data, including your privacy rights and the complaints process, please see our Corporate Privacy Notice.

North Yorkshire Pension

Memorandum of Understanding regarding Compliance with Data Protection Law

for you, for now, for the future

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

Local Government Pension Scheme

Memorandum of Understanding regarding Compliance with Data Protection Law

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Introduction

1.1 The Local Government Pension Scheme ("**LGPS**") in England and Wales is an occupational pension scheme registered under section 153 of the Finance Act 2004 and its rules are currently set out in The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended ("**LGPS Regulations**").

1.2 The LGPS is administered locally by administering authorities who are defined in Regulation 2 of the LGPS Regulations and listed in Part 1 of Schedule 3 of the LGPS Regulations.

1.3 North Yorkshire County Council (NYCC) is an administering authority under the LGPS Regulations. NYCC manages and administers the North Yorkshire Pension Fund (the **NYPF**) within the LGPS in accordance with its statutory duty under Regulation 53 of the LGPS Regulations. Employers with employees who are eligible to be members of the LGPS will participate in the NYPF as a "**Scheme Employer**" (as defined in schedule 1 of the LGPS Regulations).

NYCC and the Scheme Employer (together the "**Parties**") are required to share personal data relating to the Scheme Employer's current and former employees who participate in the NYPF (the "**Members**") and their dependants. This is in order for NYCC to fulfil its statutory duties to manage and administer the NYPF under Regulation 53 of the LGPS Regulations and provide the Members with benefits upon retirement, pay ill-health benefits, pay death grants, pay survivors' pensions to Members' spouses, civil partners and co-habiting partners, pay children's pensions upon the death of the Member and offer Members the option of paying additional voluntary contributions to one or more providers in accordance with Regulations 1 – 52 of the LGPS Regulations.

1.4 Scheme Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations, to provide certain personal data relating to its Members on an annual basis to NYCC, including the Member's name, gender, date of birth, national insurance number, pensionable pay, employer and employee pension contributions, details of any additional pension contributions and additional voluntary contributions.

1.5 This Memorandum of Understanding sets out:

(a) the basis on which data will be shared between the Parties;

(b) NYCC's expectations of the Scheme Employer during its participation in the NYPF;

in order to comply with Data Protection Law, including the General Data Protection Regulation (2016/679) ("**GDPR**") which will have direct legal effect in the UK from 25 May 2018.

1.6 References to "**Data Protection Law**" in this Memorandum of Understanding mean:

(a) the Data Protection Act 1998,

(b) the Data Protection Directive (95/46/EC),

(c) the Electronic Communications Data Protection Directive (2002/58/EC),

(d) the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2426/2003) (as amended),

(e) the General Data Protection Regulation (2016/679);

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and all applicable laws and regulations relating to personal data and privacy which are enacted from time to time, including (where applicable) the guidance and codes of practice issued by the Information Commissioner's Office and any other competent authority.

2 Data Controllers

2.1 The Parties acknowledge that they will:

(a) not hold a pool of joint data;

(b) be separate and independent data controllers in relation to the copies of the Members' personal data they respectively hold;

(c) act as data controller in relation to personal data transferred to them;

(d) each be responsible for complying with the requirements in Data Protection Law that are applicable to them as data controllers.

2.2 References to Members' personal data includes personal data relating to the Members' dependants (including children) and spouses/civil partners (where applicable).

3 Data Sharing

3.1 The Parties confirm that they understand their respective obligations under Data Protection Law as data controllers and agree to only process personal data relating to the Members:

(a) fairly and lawfully and in accordance with the data protection principles set out in Data Protection Law;

(b) where there are lawful grounds for doing so; and

(c) in accordance with Data Protection Law and best practice guidance (including the Data Sharing Code issued by the Information Commissioner's Office and updated from time to time).

3.2 Each Party will separately inform the Members (as required under Data Protection Law) of the respective purposes for which they will each process their personal data and provide all required information to ensure that the Members understand how their personal data will be processed in each case by NYCC or the Scheme Employer (as applicable). The Scheme Employer's privacy notice to Members will inform them that their personal data will be provided to NYCC and a copy of that notice will be provided to NYCC on request.

3.3 Each Party confirms that it understands its respective obligations under Data Protection Law:

(a) to ensure that the Members' personal data of which it is a data controller is kept and used securely at all times

(b) to take such technical and organisational security measures against unauthorised and unlawful processing of, accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to the Members' personal data transmitted, stored or otherwise processed as may be required.

Such measures will have due regard to the state of technological development and the cost of implementation of these measures, to ensure a level of security appropriate to the harm that might result from such processing and the nature, scope, context and purposes of processing the Members' personal data and the risk or likelihood and severity for the rights and freedoms of data subjects.

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Such measures will ensure:

(a) the ongoing confidentiality, integrity, availability and resilience of processing the Members' personal data;

(b) the ability to restore the availability and access to the Members' personal data in a timely manner in the event of a physical or technical incident;

(c) carrying out of regular testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.

3.4 Each Party undertakes to notify the other as soon as practical if an error is discovered in the Members' personal data of which it is a data controller and which was received from or a copy of which has been provided to the other Party. This will ensure that such other Party is then able to correct its own records. This will happen whether the error is discovered through existing data quality initiatives or is flagged up through some other route (such as the existence of errors being directly notified to NYCC or the Scheme Employer (as appropriate) by the Member (or the Member's dependants, spouse/civil partner, themselves).

4 Transfer of Members' personal data

4.1 The Parties agree that Members' personal data will only be transferred from one Party to the other via an acceptable method specified by NYCC which may include any of the following:

(a) secure email

(b) SFTP link

(c) access secure website

4.2 Each Party will, when transferring the Members' personal data of which it is the data controller to the other Party, ensure that that data is secure during transit (whether physical or electronic).

4.3 If either NYCC or the Scheme Employer appoints professional advisers, third party administrators or another entity which provides other services involving the transfer of Members' personal data, those third parties will be data processors or data controllers in their own right. NYCC or the Scheme Employer (as applicable) will comply with its own obligations in accordance with Data Protection Law (in particular, by ensuring that any entity to which it transfers Members' personal data also complies with Data Protection Law) and shall ensure that nothing in the terms of engagement between NYCC or the Scheme Employer (as applicable) and such third party would contradict this Memorandum of Understanding.

5 Rights of Members (including the Member's dependants, spouses/civil partners (where applicable))

5.1 Each Party shall, in respect of the personal data of which it is a data controller, respond to any requests from Members to have access to any of their personal data or a complaint or enquiry relating to that Party's processing of the Members' personal data received by that Party in line with its own obligations under the Data Protection Law.

5.2 Each Party agrees to provide reasonable assistance to the other as is necessary to enable the other Party to comply with any such requests in respect of Members' personal data of which that Party is a data controller and to respond to any other queries or complaints from Members.

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6 Data Security Breaches and Reporting Procedures

6.1 Each Party confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the Members' personal data, including (where necessary) an obligation to notify the Information Commissioner's Office and/or the Member(s).

7 Responsibilities of Scheme Employers

7.1 Notwithstanding the statutory obligations which apply to Scheme Employers under the LGPS Regulations and as a data controller under Data Protection Law, NYCC, as Administering Authority for the Fund, expects participating Scheme Employers to comply with the responsibilities set out below in relation to Members' personal data.

7.2 On request, the Scheme Employer will inform the Pensions Technical Compliance Team Leader at NYCC of any qualified person appointed to fulfil the role of data protection officer ("**DPO**") together with their contact details. If the Scheme Employer has not appointed a DPO, they will, on request, inform the Pensions Technical Compliance Team Leader at NYCC of the details of a nominated person for GDPR compliance purposes.

7.3 The Scheme Employer will demonstrate to NYCC's satisfaction when dealing with ill health early retirement applications for current employees that explicit Member consent has been received which gives consent to processing by both the Scheme Employer and NYCC. In the absence of such consent, NYCC may not be able to process the Member's application.

7.4 The Scheme Employer acknowledges the financial penalties that can be imposed by the Information Commissioner's Office in relation to breaches of Data Protection Law and will inform NYCC immediately it becomes aware it may be liable to pay such a financial penalty. The Scheme Employer further acknowledges that any liability it may have to pay a financial penalty to the Information Commissioner's Office may result in a revision of the rates and adjustments certificate in accordance with Regulation 62(7) of the LGPS Regulations.

8 Compliance with the Memorandum of Understanding

8.1 Failure by the Scheme Employer to comply with the terms set out in this Memorandum of Understanding may result in NYCC reporting the Scheme Employer's non-compliance to the Information Commissioner's Office;

9 Review and Amendment of Memorandum of Understanding

9.1 NYCC will review the Memorandum of Understanding from time to time. NYCC reserves the right to amend the Memorandum of Understanding at any time and with immediate effect and will provide written notice to the Scheme Employer of such amendment.

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North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 11 April 2019 at County Hall, Northallerton commencing at 10.00 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

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

Scheme Members:

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

In attendance:-

County Council Officers:

Phillippa Cockerill, Amanda Alderson, Steve Loach and Ian Morton.

Copies of all documents considered are in the Minute Book

189(a) Apologies for Absence

There were no apologies for absence.

189(b) Vacancies for Employer and Scheme Member Representatives

The Chairman introduced David Houlgate who had been appointed to the Pension Board to fill one of the current Scheme Member representative vacancies. Mr Houlgate provided details by way of introduction to other Members of the Board and it was noted that he was a Unison Branch representative and a Unison Pensions Champion.

In terms of the vacant position for an Employer representative it was noted that the potential candidate, previously identified, would no longer be pursuing the position.

Further efforts would be made to fill the current vacant positions.

Resolved -

(i) That David Houlgate be appointed to the Pension Board for a four year term of office; and

(ii) That the issues outlined be noted.

190(a) Minutes

Resolved -

That the Minutes of the meeting held on 24 January 2019, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

190(b) Progress on Issues raised by the Board

The issue of the appointment of a Scheme Member representative to the Border to Coast Pension Partnership (BCPP) Joint Committee had now been resolved with Nicolas Wirz, from Northumbria Pension Board, having been appointed to that position. Communication had been established between the Pension Board and the representative with details of issues raised at the previous Joint Committee having been provided.

In relation to arranging a meeting between representatives from the various Pension Boards of the Pension Funds involved in BCPP, it was noted that the various Chairs of the Boards had arranged a meeting for 22 May 2019 in Leeds, with a further meeting being arranged to take place around the time of the Pool's Annual Conference. Members were asked to submit details they would like to be discussed at those meetings, to the Chairman, prior to the events. It was noted that South Yorkshire Pension Fund were steering and supporting the Group, going forward.

The Board still had concerns regarding the availability of appropriate information, particularly in relation to financial details, being made available by the Pool for Pension Boards to consider. Those concerns had been mirrored in communications back from the Scheme Member representative appointed to the Joint Committee. Members considered that BCPP were not being as open and transparent as they stated that they would be. Issues in relation to transparency had been outlined by the Pension Board in response to the consultation undertaken by MHCLG. Representations would continue to be submitted to BCPP with a view to obtaining the relevant information to allow the Pension Board to effectively monitor the development of the arrangements.

It was noted that the Terms of Reference for the Pension Board would be reviewed at the July meeting with the Pension Fund's Independent Observer, Peter Scales and Treasurer, Gary Fielding, attending the meeting to assist with the consideration of the review.

In respect of the skills matrix/self-evaluation questionnaire it was noted that a Member had not yet completed this, therefore, an overall analysis of training needs could not be undertaken until that was returned. The Member indicated that he would complete the self-evaluation questionnaire should he be successful at the forthcoming Council elections.

In relation to the addition of “failure of an employer with no guarantor” to the Fund’s Risk Register it was stated that this had been added, not as a separate risk, but as an addition to an existing risk.

Resolved -

That the report, and further action undertaken, be noted.

191. Declarations of Interest

There were no declarations of interest.

192. Public Questions or Statements

There were no questions or statements submitted by members of the public.

193. Pension Fund Committee held on 21 February 2019

The Chairman noted that the draft Minutes for the meeting had not been cleared as yet, therefore, he provided brief details of what was considered at the meeting, highlighting the following:-

- Consideration was given to the Investment Strategy, in a confidential section of the meeting, which related to the transition of North Yorkshire Pension Fund (NYPF) assets into the Pool, in particular the transition of global equities. Further consideration would be given to this matter at a special meeting of the Pension Fund Committee to be held on 25 April 2019.

- The meeting considered various options in relation to providing equity protection and, again, further consideration would be given to this matter at the special meeting taking place on 25 April 2019.

  It was clarified that equity protection was being sought to protect against any major dip in equity investments and the Chairman provided details of the type of protection that was being considered. It was noted that this would help to mitigate against the risks to investments in view of the current good solvency position of the Fund.

- Issues relating to Pensions Administration and the response to the MHCLG consultation were separate agenda items for later in the meeting.

- The NYPF budget and three year cash projection were discussed. It was noted that the forecast position for 2018/19 was £1.5m under budget, due to performance related costs being lower, related to a fall in the markets in Quarter 3.

  In terms of the three year cash flow, it was noted that this showed a move towards a deficit position, however, it was expected that a surplus would again be in place by 2021. A further, in-depth evaluation, of the position would be undertaken at the time of the triennial valuation. The Chairman noted that he had raised issues relating to the rising costs of pooling operations, and it had been emphasised that Council Taxpayers and Pension Scheme Members were paying for those costs.

- The valuation of the Fund, at the time of the report for the meeting, had been £3.4bn, down from £3.6bn, in the previous quarter, with solvency down from 108% to 102%. It was noted that since then markets had recovered and solvency was now at around 105%.

- A report on pooling was provided and this would be discussed later in the meeting.

Resolved -

That the Minutes, and issues raised, be noted.

194. Membership of the Board

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) requesting Members to provide a temporary continuation of the current membership of the Board until a full review of the Terms of Reference had been undertaken and implemented.

The report highlighted that, when the Board was created in July 2015, the terms of office set out in the Terms of Reference provided the Independent Chair of the Board, and Members appointed at that time, a four year term. This was due to come to an end in July 2019.

To enable an effective and consistent approach to be undertaken, in respect of the forthcoming review of the Terms of Reference for the Board, it was proposed that the Independent Chair, together with those appointed in July 2015, be provided with an extension to their terms of office until January 2020. It was noted that, should Members agree to this course of action, then the matter would have to be referred to the County Council for them to approve as Administering Authority.

Resolved -

That it be recommended to the County Council that the Independent Chair and Members appointed to the Board in July 2015, be given a temporary continuation to their terms of office until January 2020, allowing a comprehensive review of the Board's Terms of Reference to be undertaken in a consistent and effective manner.

195. Pensions Administration

Considered -

The report of Legal and Democratic Services, presented by the Head of Pensions Administration, Phillippa Cockerill, providing Members with an update on key initiatives undertaken by the administration team of the NYPF.

The following issues were addressed within the report:-

- The report and appendices that were submitted to the Pension Fund Committee in February 2019.

- The Breaches Log.

- Update on annual benefit statements.

- Letter review project.

- GMP reconciliation project.

- Pension team structure.

The following issues were discussed in relation to the report:-

- The annual benefit statements for 2019 were now being prepared, with year-end data awaited. Around 150 returns, for 30k members, were expected, with a small number already received.

  Members noted that there had been some issues in terms of the publication of annual benefit statements for 2018, and there had been, in particular, some difficulties in relation to the submission of data by a major employer. In response it was noted that there were around 200 outstanding issues/queries from the previous year's annual benefit statements and work continued to address this, with specific work being undertaken alongside the major employer. It was expected that further queries would arise in relation to the development of the 2019 annual benefit statements. Details of the work being undertaken alongside City of York were provided.

  It was stated that NYCC had been provided with a one month extension in terms of data provision for the annual benefit statements 2019. It was acknowledged that this was due to the large number of employees and payrolls from which the data had to be obtained. It was asked whether this opportunity could also be afforded to other employers and it was stated that this would be discussed with them and determined whether it was required.

- The letter review was still continuing with a view to reducing the number of standard letters issued. Unfortunately the latest release of the admin software had broken some key functionality and discussions were ongoing with the supplier to have the issues resolved so development could recommence.

- GMP reconciliation - the reconciliation stage was continuing to progress and a project plan had been developed to deliver this. It was expected the active and deferred member records would be corrected in May 2019 with all pensioners being corrected by the March 2020 pension instalment. The Pension Fund Committee would determine the tolerances in terms of the reconciliation, subsequently.

- Pension team restructure - a lengthy review of the current pension team structure had been undertaken, alongside analysis of the flow of work through the team, and it had been determined that a restructure of the section was required.

  Details of the objectives of the restructure and expected benefits were outlined. It was expected that the new structure would go live on 1 June 2019. It was noted that the team would continue to evolve and develop as the service moved forward. It was noted that, temporarily, the administration team would be moving to White Rose House in Northallerton and that this would coincide with the restructure.

Members sought confirmation as to whether systems would be in place, appropriately, for the temporary move and whether the move would also affect the implementation of the restructure. In response it was emphasised that combining the two would lead to less disruption. In terms of the restructure it was clarified that the technical experts would remain within the section, but would receive appropriate training to enable them to supplement the other teams, to ensure that peaks of work could be covered by the whole of the team.

♦ A Member noted the CIPFA benchmarking returns in relation to the administration service and emphasised the need for information to be provided so that comparisons could be carried out as to services given prior to pooling, and those after pooling. In response it was emphasised that the pooling arrangements were in relation to investments and that the pensions' administration service for NYPF would continue as of now and, therefore, there were unlikely to be significant savings in that respect. Members emphasised, however, that there was a need to ensure all the appropriate information was in place in terms of costs related to transferring from the previous arrangements to pooling arrangements, to enable the Fund to determine whether this had been cost effective, as this had been stated as a major factor in undertaking pooling arrangements.

The Chairman emphasised that the lack of information coming from the pooling arrangements was a cause of concern for the Pension Board and stated that the issue would be discussed further when the pooling item was considered later on the agenda. He stated that pooling related to investment management, with, currently, the administration undertaken in respect of that provided by separate Investment Managers employed by NYPF. The pooling arrangements would lead to one Investment Manager and comparisons of costs would be required in relation to those arrangements. The NYPF would continue to have its own administration arrangements and, therefore, administration team, which would continue to be benchmarked against other Pension Fund Authorities.

♦ A Member still had concerns that costs for the pooling arrangements were rising and without the appropriate information in place, as of now, it would be difficult to provide a comparison and monitor the situation, going forward. He emphasised the need to have a base figure to allow the Pension Board to carry out this process. Another Member stated that she believed that the appropriate figures would come out in due course, allowing appropriate comparisons to be made.

The Chairman noted that these issues would be discussed at the combined meeting of Pension Board Chairmen, from those Pension Funds involved in the pooling arrangement for BCPP, on 22 May 2019.

♦ The Chairman highlighted the praise offered by the Pension Fund Committee in relation to the performance of the administration team and asked that the Pension Board also commend the value for money provision delivered by the team. Members concurred with the commendation outlined by the Chairman.

- It was noted that work was ongoing in relation to the non-receipt of some notifications via the "tell us once" system provided by the Department for Work and Pensions.

Resolved -

(i) That the contents of the report, together with the issues raised, be noted;

(ii) That the contents of the Breaches Log be noted.

196. Internal Audit Reports

Considered -

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

The current status of the 2018/19 Audit Plan was detailed as follows:-

- Pension Fund investments - delayed until June due to the timing of the transition of funds into the Pool, which is the focus of the audit.

- Pension Fund income - in progress.

- Pension Fund expenditure - draft.

A proposed Audit Plan for 2019/20 would be presented to the next meeting of the Pension Board, following discussions with officers. A total of 50 days for pensions' audit work had been provisionally agreed by the Audit Committee and this would allow 45 days for targeted pensions' audits.

The implementation of agreed actions for 2017/18 audits were shown in summary in an Appendix attached to the report.

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

- The Chairman queried the delay in the investments' audit, in relation to the deadline set by Internal Audit, and asked whether this would be met. In response it was stated that it was expected that the Internal Audit would be completed in time and that the deadlines for external audit would be met. In relation to this it was expected that details would be available for the July meeting of the Pension Board.

- Details of the Audit Plan would be provided to the July meeting of the Pension Board and comments from Members would be taken account of at that time. A Member noted that the Audit Plan had already been agreed by Audit Committee and wondered whether it could be altered in view of that. In response it was emphasised that Audit Committee had only agreed to the 50 days of audit work, rather than the detail. It was emphasised that due process had been followed in relation to this and the Audit Plan also applied to the County Council. It was noted that, if required, for future years, the detailed Audit Plan could be brought forward and submitted for consideration to the April meeting of the Pension Board.

- Issues around how Internal Audit reports would be undertaken in relation to investments made through the pooling arrangements were discussed. It was noted that an officer working group had been working on this issue and it was suggested that the matter could be discussed at the forthcoming meeting of Pension Board representatives. Members emphasised the need to address this matter to ensure that duplication was not occurring and unnecessary costs were not being generated. It was noted that the Pension Fund's Internal Auditors, Veritau, would be involved in the process, as this was a major risk to the Pension Fund and, therefore, they would carefully monitor the situation and would look to be involved in a joint operation for the audit process. It was considered appropriate that a joint auditing process was developed in relation to the pooling investment.

Resolved -

That the report, and issues raised, be noted.

197. Pooling (including Response to MHCLG)

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services), presented by the Senior Accountant, Strategic Resources, providing Members with an update on the progress made towards the LGPS pooling arrangements and providing details of a response to the recent MHCLG consultation on the development of pooling arrangements.

The report highlighted the following issues:-

Transition of Funds

The main concentration of work had been around transition to the various sub-funds, with a number of workshops having being held in respect of the different sub-funds.

The next sub-funds to be launched were the global equity alpha, alternatives and fixed income. The workshops were currently concentrating on those asset classes and decisions on the commitment from funds would be required over the upcoming months.

The current transition timeline for the launch of the remaining sub-funds was:-

- Alternatives - Quarter 1 2019 onwards.
- Global equities - Quarter 3 2019.
- Fixed income - Quarter 3 2019 onwards.
- Property - Quarter 4 2020.

The first sub-funds that NYPF were expected to transfer into were the UK Equity Alpha and the Global Equity Alpha Sub-Funds during 2019, and due diligence would be completed in advance of all the transitions.

It was clarified that three external Fund Managers had now been appointed in terms of the UK Equities Sub-Fund, therefore, due diligence would be carried out on these.

It was noted that the Fund Managers for the Global Equities Sub-Fund had not been appointed as yet, but it was expected that these would be in place before the transfer of funds allocated by NYPF to this portfolio. Due diligence would be carried out on the appointed managers before that transfer took place. It was noted that the other Pension Funds involved would also be undertaking due diligence, accordingly.

In terms of the current Fund Managers for the NYPF it was noted that their contracts would be terminated as the transition to the pooling arrangements took place.

In terms of the timetable for UK Equity transition it was noted that this was on track.

<u>MHCLG Asset Pooling Consultation</u>

The MHCLG had prepared new statutory guidance on LGPS asset pooling which set out the requirements of administering authorities, replacing the previous guidance and building on previous Ministerial communication on Investment Strategies. The guidance covered the following areas:-

- Structure and scale of LGPS Pools.
- Governance.
- Transition of assets to the Pool.
- Making new investments outside of the Pool.
- Infrastructure investment.
- Reporting.

A 12 week informal consultation had taken place on the draft guidance, which ended on 28 March 2019. The NYPF drafted a response in conjunction with both the Pension Fund Committee and the Pension Board. The final response was attached as an Appendix to the report.

<u>Shareholder Representation on BCPP Board</u>

It was stated that the Chair of the Pension Fund Committee had now resigned as a non-Executive Director of the BCPP Board. His replacement had yet to be appointed.

<u>Meetings</u>

The next officer operations group would meet on 24 April 2019. The meeting on 19 March discussed the sub-fund transitions, joint working opportunities, the MHCLG consultation and year end reporting. It was noted that discussions had taken place on the Governance Plan for the Pool and it was asked when this would be available for the Pension Board. In response it was noted that the Governance Charter had been shared, however, Members emphasised the need to see the plan to ensure that the Governance Charter was being followed, an issue that was covered by Internal Audit for the North Yorkshire Pension Fund. In relation to this it was noted that the Pool had its own Internal Audit arrangements in place and it was expected that appropriate details of the operational due diligence undertaken by the Pool would be cascaded down in due course.

Members emphasised the need to see much more information in relation to the pooling arrangements to enable monitoring and comparison to be undertaken. In terms of this it was noted that there was some uncertainty about what details were confidential, at this stage, however, further enquiries would be made as to what could be shared with the Pension Board.

It was emphasised that there was an expectation that reports would be fed through to the Board to show that governance was being adhered to appropriately, through the pooling arrangements, however, at this stage, it was unknown how the auditing of those arrangements would be undertaken in terms of the separate Pension Funds and it could be that this was undertaken through a joint auditing venture.

Members suggested that this matter be considered further, going forward, and added to the progress on issues raised by the Board report for future meetings.

A meeting of the Joint Committee was held on 11 March 2019, the next being on 4 June 2019. The previous meeting had discussed the appointment of the Chairman/Vice-Chairman and Directors of the Board, the Governance Charter, the response to the MHCLG consultation and the transition of funds. The new Scheme Member representative had also attended that meeting.

In relation to that, Members noted that there had been some difficulty in obtaining reports back from the Scheme Member representative, as they had been advised that much of the detail was confidential and, therefore, could not be fed back to Pension Boards. In respect of this it was noted that the matter had been discussed with the Treasurer and it stated that further discussions would be undertaken with him with a view to allowing more information to be shared between the Pool and Pension Board.

A Member noted that a budget was in place for the Pool, but details had not been provided. In response it was stated that the Pool budget had been to shareholders for approval, however, the Pension Fund Committee was yet to sign up to that, and as soon as that had been undertaken details would be shared with Pension Board Members.

The Chairman again raised concerns regarding the lack of information that was being provided to Pension Boards as BCPP deemed this to be confidential. A number of Pension Boards, whose Pension Funds were within BCPP, had similar concerns. It was noted that the issue had been raised with officers and it was asked that this, again, be discussed at the BCPP officer group. It was further suggested that the Scheme Member representative, on the Joint Committee, should also take this matter up.

A Member raised concerns regarding the lack of time provided to Pension Board Members to comment on the MHCLG consultation paper, however, it was noted that this paper had been on-line since January 2019 and a 12 week period was provided for consultation. It was acknowledged, however, that Pension Board Members were directly contacted in relation to this very close to the deadline for when the submission was required.

Clarification was provided on voting guidelines and corporate governance for the pooling arrangements and it was noted that the Pool was operated as a Teckal, as it was owned by the 12 Pension Funds involved and the appropriate guidelines for the operations of such companies were in place.

Resolved -

(i) That the report be noted;

(ii) That further representations be made in relation to the provision of information from BCPP to the Pension Board.

198. Training and Skills Matrix/Self-Assessment

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board Member training and the skills matrix and self-assessment questionnaires.

It was noted that new Board Member, David Houlgate, would require copies of the skills matrix/self-assessment questionnaires to complete and return for evaluation alongside the other returns.

The Chairman noted that the majority of responses had now been received in terms of the questionnaires and the results would now be evaluated with a view to establishing a training plan based on the evidence obtained. He suggested that a workshop approach to the development of a training plan may be appropriate. An evaluation of the results would be undertaken and discussed with the Pension Funds' Independent Observer and the Treasurer to the Fund at the July meeting of the Pension Board.

It was noted that the Treasurer of the Fund had stated that he would provide a link for Pension Board Members in relation to appropriate Pension Regulatory modules that could be completed. It was stated that the Treasurer would be reminded of this with a view to the link being provided as soon as possible.

Resolved -

(i) That a further approach be made to the Treasurer in relation to the provision of a link to the Pensions' Regulatory modules;

(ii) That the updated training record, as detailed in an Appendix to the report, be noted and any further relevant training undertaken subsequently be added to that record;

(iii) That an evaluation of the completed skills matrix and self-assessment questionnaires be undertaken; and

(iv) That following the evaluation of the questionnaires, a workshop be arranged to determine training needs for Pension Board Members, following consultation with the Independent Observer for the Pension Fund and the Treasurer of the Pension Fund, at the next meeting of the Board.

199. Work Plan

Considered -

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

It was noted that the meeting of the Board scheduled for 10 October 2019 had been changed to now take place on 3 October 2019, to avoid a clash with the BCPP conference. In relation to this it was noted that the BCPP AGM conference was scheduled for the same date of the next Pension Board meeting on 18 July 2019. The Chairman noted that the Treasurer and Independent Observer were due to attend that meeting of the Board and sought assurances that they would not be attending the BCPP conference instead.

Resolved -

(i) That the work plan as set out in Appendix 1 to the report be approved;

(ii) That the dates of ordinary meetings, as detailed, be noted; and

(iii) That assurances be sought from the Independent Observer to the Pension Fund and the Treasurer of the Pension Fund that they would be attending the next meeting of the Pension Board.

200. Other Business

(The Chairman accepted the following item as urgent business, due to the issue having been raised by a Member of the Pension Board prior to the meeting and it having been discussed at the previous meeting of the Pension Fund Committee.)

Global Initiative to require Companies to report their Tax Payments Country by Country

The issue had been raised in conjunction with investments by Pension Funds and how this issue inter-related. The Chairman noted that he had raised the matter at the most recent meeting of the Pension Fund Committee and there had been some sympathy from Pension Fund Committee Members in respect of this matter. It was emphasised, however, that Pension Fund Trustees had a responsibility for obtaining the best returns from their investments and that had to be balanced against matters such as this.

In relation to such issues the Chairman stated that the Pension Board had to take care not stray into areas that were solely in the remit of the Pension Fund Committee and not to advocate a particular political stance.

Resolved -

That the issue raised be noted.

The meeting concluded at 12 noon.

SL/JR