ITEM 6

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

11 SEPTEMBER 2020

GOVERNANCE ARRANGEMENTS

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To review the following governance documents and for the Committee to approve:

a) Funding Strategy Statement
b) Admissions and Terminations Policy
c) Responsible Investment Policy
d) NYPF 2019/20 Annual Report and Accounts
e) Administering Authority Discretions Policy

1.2 To update Members on the annual governance review of the Fund undertaken by the Fund's Independent Professional Observer

2.0 BACKGROUND

2.1 At the 3 July 2020 meeting Members approved a suite of governance documents as part of the annual governance review of the Fund. To remind Members, it was explained in the meeting that the following documents would be brought to the September meeting for approval:

- Investment Strategy Statement
- Funding Strategy Statement
- Responsible Investment Policy
- 2019/20 Annual Report

2.2 In addition the death grant discretions within the Administering Authority Discretions Policy have been amended following a review by the Fund's legal adviser.

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

3.0 FUNDING STRATEGY STATEMENT

3.1 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 2019 Triennial Valuation and an updated version was approved by Members at the 21 February 2020 PFC meeting. The policy has since been updated following an amendment to the exit regulations that allows a surplus to be paid to an exiting employer. The revised policy is attached as **Appendix 1** for Members to approve. The amendments are shown as tracked changes.

4.0 ADMISSIONS AND TERMINATIONS POLICY

4.1 The Admissions and Terminations Policy outlines the Fund's policy on admissions into the Fund and the methodology for assessing an exit payment when an employer leaves the Fund. This policy has also been updated following the amendment to the exit regulations that allows a surplus to be paid to an exiting employer. The Fund's legal adviser and actuary provided advice on these amendments. In addition, the actuary also worked with officers to update the policy regarding the potential impact of the McCloud remedy and the GMP equalisation solution. The revised policy has been attached as **Appendix 2**, where the amendments are shown as tracked changes. Members are asked to approve this policy.

5.0 RESPONSIBLE INVESTMENT POLICY

5.1 Following the Responsible Investments (RI) beliefs workshop, an RI Policy has been drafted that captures the Funds collective beliefs and approach to responsible investment. This policy is attached as **Appendix 3** for Members to approve.

6.0 NYPF 2019/20 ANNUAL REPORT AND DRAFT STATEMENT OF ACCOUNTS

6.1 The NYPF 2019/20 Annual Report has been attached as **Appendix 4** for Members to approve. The governance documents included in the report have all been approved separately. The Annual Report is audited by the Fund's external auditors, Deloitte. Following Member approval, the Annual Report will go to Deloitte for their final opinion and will then be published on the NYPF website. The deadline for publishing the Annual Report is 1 December 2020.

6.2 The County Council and NYPF published their draft 2019/20 Statement of Accounts on 30 June 2020. The 2019/20 draft Accounts have been included as part of the Annual Report to provide Members with the opportunity to feed any comments to the Audit Committee prior to their approval of the final Accounts. The external audit of the accounts is currently being carried out by Deloitte and the final Statement of Accounts will go to the Audit Committee for approval in an October meeting, in order to meet the 30 November 2020 deadline for publication of the final Accounts.

6.3 As the external audit will still be in progress on 11 September 2020 there may be subsequent changes to both the Accounts and the Annual Report following this date. If this is the case, any changes will be brought to the November PFC meeting in advance of publication. A verbal update of any initial changes required to the accounts, as part of the external audit, will be provided at the meeting.

7.0 ADMINISTERING AUTHORITY DISCRETIONS POLICY

7.1 The Administering Authority Discretions Policy attached as **Appendix 5** sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. As a result of the number of death grant cases recently referred to the Committee we felt it was a good time to have the Fund's legal adviser review the wording in this Policy. Tracked changes at rows 39, 61, 83, 99, 114, 125 and 141 have been made to the death grant discretions following this review.

8.0 FUND GOVERNANCE REVIEW- REPORT OF THE INDEPENDENT PROFESSIONAL OBSERVER

8.1 The Fund's Independent Professional Observer, Peter Scales, has undertaken an annual governance review of the Fund; his report is attached as **Appendix 6**.

8.2 The Independent Professional Observer will attend the September meeting to discuss the governance of the Fund with Members; any feedback provided will be reflected in the governance documents where necessary.

9.0 NEXT STEPS

9.1 Following approval of the remaining documents, subject to any changes as a result of the review of the Independent Professional Observer and the external audit, the final governance documents will be published on the NYPF website.

10.0 RECOMMENDATIONS

Members are asked to:

10.1 Approve the following governance documents:

a) Funding Strategy Statement (Appendix 1)
b) Admissions and Terminations Policy (Appendix 2)
c) Responsible Investment Policy (Appendix 3)
d) NYPF 2019/20 Annual Report (Appendix 4)
e) Administering Authority Discretions Policy (Appendix 5)

10.2 Note the 2019/20 NYPF Statement of Accounts (Appendix A to the NYPF Annual Report)

10.3 Note the content of the Annual Governance Review undertaken by the Independent Professional Observer (Appendix 6) and agree any changes required to the Governance Documents.

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

28 August 2020

Appendix 1

North Yorkshire Pension Fund

2019 Funding Strategy Statement (FSS)

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

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) for 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 Key Parties

The Administering Authority should:

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

The Individual Employer should:

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

The Fund actuary should:

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

5. Solvency Issues and Target Funding Levels

Funding Objective

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

Determination of the Funding Target and Recovery Period

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

Underlying these assumptions are the following two principles:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives. A period of consultation will take place once employers have been issued with their draft contribution rates.

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

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

Deficit Recovery Plan

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

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

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

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the Employer; and the security of future income streams

- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

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

The Primary Contribution Rate (Future Service Contribution Rate)

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

6. Link to Investment Policy set out in the Investment Strategy Statement

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

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

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

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

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

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

Bespoke Investment Strategy

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

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

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

7. Identification of Risks and Counter Measures

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

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

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

What are the Risks?

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

Investment risk

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

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

The specific risks associated with assets and asset classes are:

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

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

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

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

Employer risk

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

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

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

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

Liquidity/Maturity risk

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

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

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

Liability risk

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

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

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

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

Regulatory and compliance risk

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

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

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

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

In determining how these uncertainties should be allowed for in employer contributions from 1 April 2020 the Administering Authority will have regard to guidance issued by the SAB, taking account of the Fund Actuary's advice. The Fund's policy for allowing for the possible cost of the McCloud judgement / Cost Management process and GMP equalisation / indexation for new employers joining the Fund and employers exiting the Fund is set out in the Fund's Admissions and Terminations Funding Policy.

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

8. Monitoring and Review

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

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

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

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

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

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

Risk Based Approach

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

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

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

Solvency Target

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

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

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

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

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

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

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

Probability of Funding Success

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

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

Funding Target

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

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

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

Funding Targets and assumptions regarding future investment strategy

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

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

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

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

Colleges and Universities

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

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

The Administering Authority may also adopt the Intermediate Funding Target for other employers where there are concerns about the covenant strength of the employer. At the 2019 valuation this decision will be informed by the high-level risk analysis of employers within the Fund carried out by the Fund Actuary. The Administering Authority will generally also adopt the Intermediate Funding Target for admission bodies that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.

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

Financial assumptions

Investment return (discount rate)
The discount rate for the 2019 valuation is as follows:

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

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

Salary increases

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

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

Demographic assumptions
Post-retirement Mortality

Base Rates

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

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

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

Future improvement to base rates

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

Pre-retirement mortality

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

Retirement age

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

	Assumed age at retirement
	63
	63
	65
	65
	State Pension Age

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

Withdrawals

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

Retirement due to ill health

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

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

Family details

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

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

Commutation

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

Take up of 50/50 scheme

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

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

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

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

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

Appendix 2

North Yorkshire Pension Fund

Admissions and Terminations Funding Policy

for you, for now, for the future

lgps

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

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 or surplus will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall or surplus 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, additional (secondary) contributions required to remove any funding shortfall, and an allowance for the possible cost of the McCloud judgement / Cost Management process as set out in paragraphs 4.18 – 4.21. 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 plus the McCloud judgement / Cost Management process allowance. 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).

Scheduled and subsumption body funding target

4.6 This approach can be used for new long term secure scheduled bodies where the participation is assumed to be of indefinite duration and for ~~where the~~ admission bodies~~y~~ that ha~~s~~ve a 'subsumption commitment' from a suitable secure 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). 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).

4.7 The assumptions used under the scheduled and subsumption body 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 compared with a new employer on the low risk funding target (see below) with assumed notional investment in government bonds, 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.

Intermediate funding target

4.10 This approach is used for certain employers that are considered by the Administering Authority to be less financially secure than the long-term tax raising Scheduled Bodies.

4.11 This approach would also be used to set contributions and at exit for admission bodies that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.

4.12~~1~~ This funding target is set with reference to government bond yields but includes an allowance to reflect the expected out-performance above government bonds of the Fund's assets. This allowance will generally be reviewed at each triennial actuarial valuation of the Fund.

Ongoing orphan funding target

4.13~~0~~ 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.

4.1~~1~~4 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.

4.15~~2~~ 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.

4.1~~3~~6 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.~~1~~74 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.

4.18~~5~~ 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

4.19~~6~~ 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.

4.20~~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.

Allowance for McCloud judgement / Cost Management process and GMP equalisation / indexation

4.~~18~~ 21 For employers commencing participation in the Fund on or after 1 April 2019 allowance will be included in the employer contribution rate for the potential additional costs arising due to the McCloud judgement / Cost Management process equal to 0.9% of Pensionable Pay.

This figure was determined by the Fund actuary based on calculations carried out as part of the 2019 valuation across the Fund as a whole on the scheduled and subsumption body funding target based on information available when this was calculated.

The McCloud consultations for the LGPS (in England and Wales) were published on 16 July which set out the following key proposals:

- Compensation will apply to members who were in the LGPS on 31 March 2012 and who have active membership of the Scheme on or after 1 April 2014
- Benefits will be the better of those accrued in the 2014 Scheme (up to 31 March 2022) and those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach)
- Compensation will apply to members who leave with a deferred benefit and those who retire from active service with immediate pension benefits, through voluntary age retirement, ill health retirement, flexible retirement or redundancy
- The remedy will apply to deaths in service
- The remedy will apply to spouses' and dependants' benefits

Whilst there are some differences between the proposals set out in the consultation and the assumptions made at the time of calculating the potential additional costs arising due to the McCloud judgement / Cost Management process as part of the 2019 valuation and set out above, given the uncertainty associated with any cost management changes and that employer contributions will be reviewed from 1 April 2023 as part of the next triennial valuation of the Fund, for pragmatic reasons the allowance to be included in the employer contribution rate will be equal to 0.9% of Pensionable Pay. The same allowance will generally be made for any new employer, irrespective of their membership and funding target.

4.~~19~~ 22 When determining the notional level of assets to be allocated to the new employer no allowance will generally be made for the potential past service liabilities arising due to the McCloud judgement / Cost Management process.

4.23~~0~~ When determining the notional level of assets to be allocated to a new employer commencing participation in the Fund on or after 1 April 2019, the Fund actuary will allow for fully inflationary increases on GMPs for those reaching State Pension Age between 6 April 2016 and 5 April 2021. No allowance will be made for the potential extension of this solution indefinitely.

4.24~~1~~ In determining the approach set out above, the Administering Authority has had regard to the advice of the Fund actuary. It will be kept under regular review as further information on the McCloud judgement / Cost Management process and approach to GMP equalisation / indexation becomes available. In exceptional circumstances any future change in approach may be backdated if considered necessary in light of the specific circumstances of a particular employer. However, no changes are envisaged to asset transfers for employers which commenced participation before 1 April 2019.

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 appropriate subsumption funding target will be used as the basis of the exit valuation unless otherwise indicated below. 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 the Scheduled and ~~a~~ subsumption body 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 the Scheduled and subsumption 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 the exit position.

Allowance for McCloud judgement / Cost Management process and GMP equalisation / indexation

5.10 For employers exiting the Fund on or after 1 April 2019 the Fund actuary will add 1% to the value of the exiting employer's liabilities as a prudent margin given the possibility of additional liabilities arising due to the McCloud judgement / Cost Management process and covering the potential costs of GMP equalisation / indexation.

However, the Administering Authority will not seek to recalculate the exit liabilities for exits on or after 1 April 2019 where the exit deficit (or credit) has already been paid as at the date this policy comes into effect.

5.11 In determining this margin, the Administering Authority has had regard to guidance prepared by the Scheme Advisory Board and the advice of the Fund's actuary. It will be kept under regular review as further information on the McCloud judgment / Cost Management process becomes available.

Notification of termination

5.12~~0~~ 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.

5.13~~1~~ 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.~~

5.14~~2~~ A valuation under Regulation 64 will assess the assets held as at the exit date in the Fund in respect of the exiting employer, as compared to the liabilities of the Fund in respect of benefits attributable to the exiting employer's current and former employees. The exit valuation will usually show that there is either:

- a deficit, in that the liabilities have a higher value than the assets. In this situation paragraphs 5.15 to 5.26 below will apply; or
- a surplus, in that the assets have a higher value than the liabilities. In this situation paragraphs 5.27 to 5.36 below will apply.

5.15~~3~~ In the event that a valuation under Regulation 64 results in there being no deficit or surplus, then no further payments will be due from or to the exiting employer (save for any unpaid liability arising before the exit valuation).

5.16~~4~~ It should be noted that existence of a subsumption commitment or other agreement entered in relation to any liabilities of the exiting employer does not mean that the exit valuation does not need to be carried out.

Payment of exit debt

5.1~~5~~7~~2~~ If the Fund actuary has calculated a deficit at the exit date the exiting employer is liable for payment of that deficit under the Regulations. The Administering Authority 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 Administering Authority will attempt to recover any outstanding payment from a bond or alternative indemnity that may be in place.

5.18~~63~~ 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). However, where the terms of the guarantee allow it, the Administering Authority reserves the right to demand payment of any exit debt from the guarantor as a primary liability (i.e. without first seeking payment from the exiting employer)

5.19~~74~~ 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 Administering Authority 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 Administering Authority.

5.20~~185~~ 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 Administering Authority, at the next triennial valuation following exit.

5.21~~96~~ 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 Administering Authority. Any late payments will incur charges in accordance with the Fund's Charging Policy.

5.22~~017~~ In exceptional circumstances the Administering Authority 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 and the Administering Authority is satisfied that the exiting employer is able to make the agreed payments.

Suspending payment of exit amounts

5.~~18~~2~~1~~3 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~~2~~2~~4 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); and

- any application for the Administering Authority to grant a suspension notice is made within three months of the exit date.

5.2~~3~~5~~0~~ 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.

5.2~~4~~6~~1~~ 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).

5.2~~5~~7~~2~~ If one or more new active members are admitted to the Fund the employer's full participation in the Fund will resume.

5.2~~6~~8~~3~~ 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

5.29~~74~~ As soon as is practicable after the production of the applicable exit valuation, the Administering Authority will notify the exiting employer and, where the exiting employer has been admitted to the fund as an admission body:

- any party that has given a guarantee under paragraph 8 of Part 3 to Schedule 2 to the Regulations; and
- (in respect of admissions under paragraph (1)(d) of Part 3 of Schedule 2 to the Regulations) any scheme employer who was providing a service or assets in connection with the exercise of a function of the exiting employer

of the fact that the exit valuation shows a surplus, that the Administering Authority intends to make a determination of whether this surplus should be passed in whole or in part to the exiting employer, and to request that each party, within 14 days, provides their written representations to the Administering Authority in relation to any factors which, in their view, would influence such a decision and make the payment of a surplus to the exiting employer more or less appropriate.

5.~~28~~30 The representations of the parties mentioned in paragraph 5.27 above may (but need not) detail any risk sharing arrangement agreed between the parties as regards the participation of the exiting employer in the Fund.

5.~~29~~31 The Administering Authority will make a determination of the amount of the exit credit (if any) payable to the exiting employer. In reaching this decision the Administering Authority will have regard to the following factors:

a) the amount of the surplus in question;

b) the proportion of the excess of assets which has arisen because of the value of the exiting employer's contribution;

c) the representations received by the parties under paragraph 5.27 above;

d) whether the surplus arises in whole or in part because of any agreement by another scheme employer to subsume the liabilities of the exiting employer;

e) (where the Administering Authority is aware of the same) whether or not the exiting employer has been exposed to the full financial risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties;

~~e)~~f) where part or all of the surplus relates to an increase in the value of the assets of the Fund as at the exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase, or alternatively the extent that the asset value might have been affected by a temporary rise due to unusual or exceptional market conditions;

~~f)~~g) any other relevant factors.

5.3~~0~~2 Whilst the Administering Authority reserves its discretion to come to a different determination where circumstances indicate this might be reasonable, it expects that in the majority of cases, it will apply the following principles in making a determination:

- in respect of paragraph 5.29(b), that the value of any surplus returned to the exiting employer will be capped at one hundred per cent (100%) of the total value of employer contributions made by the exiting employer during the course of its relevant participation in the Fund (and subject to further adjustment by reference to other factors). For the avoidance of doubt, the relevant sum will be limited to employer (and not employee) contributions, and without any investment return or interest on those contributions;

- in respect of paragraph 5.29(d), where the surplus arises wholly or in part due to favourable actuarial assumptions arising from the existence of an enforceable subsumption commitment from another scheme employer, the Administering Authority will not normally pay the surplus to the exiting employer (and will instead retain the same within the Fund). Where an exit valuation has been prepared on the basis that a subsumption commitment exists and this shows a surplus, the exiting employer will be offered the option, at its own cost, to have the exit valuation undertaken again on the low risk funding target. In cases where a surplus would still exist where calculated on the low risk funding target, the total available for distribution to the exiting employer will be capped at the surplus when calculated on the low risk funding target (and subject to further adjustment by reference to other factors); and

- in respect of paragraph 5.29(e), the Administering Authority may (but is not required to) request additional information or documentation in support of any claim by either party that a risk sharing arrangement exists. Where the Administering Authority reasonably believes that an exiting employer has not been exposed to a material extent to the usual financial risks associated with participation in the Fund by reason of a risk sharing arrangement with a third party, then in general no surplus will be distributed to the exiting employer. Examples of relevant "risk sharing" arrangements might include, but are not limited to:

  - an agreement whereby the exiting employer will be protected from, or reimbursed in respect of, any deficit which arises under Regulation 64 of the Regulations, either in whole or to a material extent; and/or

  - an agreement which protects the exiting employer from variation in respect of the level of its ongoing employer contributions to the Fund, either in absolute terms, or within a defined range (often referred to as a "cap and collar" arrangement).

5.3~~1~~3 In making a determination under paragraph 5.29, the Administering Authority will take such legal, actuarial and investment advice as it considers appropriate.

5.3~~2~~4 The Administering Authority will notify each of the parties identified in paragraph 5.27 of the amount of any surplus which it has determined should be returned to the exiting employer, if any (the "**exit credit**").

5.3~~3~~5 ~~If the actuary has calculated a surplus at the exit date, Regulation 64(2ZA) requires~~ Where the Administering Authority has determined that an exit credit will be paid, the Administering Authority ~~to pay the surplus~~will make the payment to the exiting employer: ~~within three months of~~by the later of:

- six months after the date of the exit event; or
- six months after the date on which the Administering Authority is provided with information needed to carry out the exit valuation; or ~~,~~
- such ~~longer time~~later date as the A~~a~~dministering A~~a~~uthority and the exiting employer may agree.

5.3~~4~~6 Payment will be made by BACS in the absence of a compelling reason why this is not appropriate. If there are any sums due from the exiting employer connected to their participation in, or exit from, the Fund, then these sums will be deducted from any exit credit due to the exiting employer before payment.

5.~~25~~3~~5~~7 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. Where the Administering Authority determines that an exit credit is to be paid, this will in all circumstances be paid to the exiting employer and not to any other party (even where, for example, the exiting employer requests it or the exiting employer has already agreed to pass that payment to a third party).

5.~~26~~3~~6~~8 When an exit credit payment is made, or if the Administering Authority determines that no exit credit is due, 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.

North Yorkshire Pension Fund

Responsible Investment Policy

September 2020

for you, for now, for the future

lgps

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

1.0 Introduction

1.1 This document describes the North Yorkshire Pension Fund's policy on Responsible Investment (RI). RI is an approach to managing assets that takes environmental, social and governance (ESG) factors into account in the investment decision making process and in the role an investor plays as an asset owner.

1.2 The aim of RI is to combine better risk management with improved sustainable long-term portfolio returns. Financial and ESG analysis together can allow broader risk identification, leading to improved decision making, which can enhance performance and risk-adjusted returns.

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

1.4 The Policy will be kept under review with regard to applicable legislation and guidance. The Pension Fund Committee formally reviews and approves the Policy on an annual basis.

2.0 Financial and non-financial considerations

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 Committee therefore takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries.

2.2 The Committee's fiduciary duty requires all financially material risks to be taken into account when making investment decisions. The Fund believes that ESG risks such as climate change can be financially material and these risks should therefore be considered when making any investment decisions.

2.3 The Fund believes that there is an opportunity to generate better returns by making decisions with a long term investment outlook. ESG factors tend to be long term in nature and can create both risks and opportunities.

3.0 Implementation

3.1 All of the Fund's investments are managed by external investment managers, who take decisions on which companies to invest in. The Fund requires its managers to integrate financially material ESG factors into their investment processes. The Fund believes that RI can be applied to all of the asset classes that it invests in.

3.2 The process through which the Fund appoints a manager includes an assessment of each candidate's approach to RI. The appointees are required to maintain and continually develop policies on corporate governance, responsible investment and the use of voting rights.

3.3 The Fund is one of eleven owners of Border to Coast Pension Partnership Limited (Border to Coast), which over time will increasingly manage the Fund's investments. Going forward, Border to Coast will appoint the underlying external investment managers that the Fund will invest in. The Fund requires Border to Coast to take RI into consideration when making these appointments, and in their ongoing management of the appointees.

3.4 The Fund has been an active contributor to the development of the arrangements at Border to Coast, including its Responsible Investment Policy and Corporate Governance and Voting Guidelines document, both of which are available at www.bordertocoast.org.uk. One of the roles of Border to Coast is to take lead in the evolution of the approach to RI on behalf of the eleven partner funds.

3.5 This policy document will be provided to the investment managers, who will be required to follow its principles and report on how they have taken RI issues into account.

4.0 Knowledge and Skills

4.1 The Committee and officers will keep up to date on developments and emerging best practice on RI issues through training and, where necessary, will take expert advice from consultants and advisors to fulfil these responsibilities.

5.0 Climate Change

5.1 The Committee believes that climate change presents a systemic risk to the environment, society and every economy on the planet, with the potential to impact on every investment and the Fund's employers and beneficiaries.

5.2 Climate change is a long term material financial risk that the Committee has a legal duty to address, which is entirely consistent with the aim of securing sustainable returns in the interests of all of the Fund's stakeholders.

5.3 The Fund requires its investment managers, including Border to Coast to have climate change risk fully incorporated into investment processes, and engage with investee companies, as essential components of the transition to a low carbon economy.

5.4 The Committee will require its investment managers to regularly report on their exposure to climate risk and describe how it is being managed.

6.0 Engagement

6.1 The Committee believes that it is essential to consider the impact investee companies have on their customers, society in general, and the environment. However, whilst the Fund recognises that there is the potential for investment in certain sectors to cause harm, it will not implement an exclusionary policy against investment in any particular sector or company purely based on social, ethical or environmental reasons.

6.2 As a responsible investor, the Fund will influence companies through engagement rather than have a policy of divestment. This is considered to be a more effective approach in effecting change.

6.3 The Fund requires its investment managers to regularly assess and monitor the companies that they invest in, and take appropriate action if investment returns are considered to be at risk. This action will typically be an escalation of engagement activity. In extreme situations divestment could be appropriate, if it is believed that a company is failing to adequately address the risks it faces.

6.3 The Fund will require the investment managers to report on engagement and stewardship activity on a regular basis.

7.0 Stewardship

7.1 The Fund believes that well run companies are more likely to outperform over the long term and that effective stewardship can lead to better risk-adjusted returns.

7.2 The Fund has a responsibility for effective stewardship of the companies that it invests in, whether directly or indirectly. This responsibility is taken very seriously. The approach is described in more detail in the Fund's Statement of Compliance with the UK Stewardship Code, which is available on https://www.nypf.org.uk/nypf/policiesandstrategies.shtml. The Fund has been designated a Tier 1 signatory, which reflects the highest level of compliance with the Code.

7.3 As investments transfer to the Border to Coast over time, the Committee will require both Border to Coast, and the underlying investment managers appointed by Border to Coast, to maintain compliance with the UK Stewardship Code, or the international standards applicable to their geographical location.

7.4 The Fund also participates in collaborative engagement that has been instigated by its investment managers including Border to Coast, and, for example, through its membership of the Local Authority Pension Fund Forum (LAPFF), and with the Cross Pool Group. LAPFF is the UK's leading collaborative shareholder engagement group, promoting ESG good practice on behalf of over 70 LGPS funds.

7.5 Border to Coast's management of assets on behalf of its partner fund owners provides it with significant influence when engaging with investee companies. To further bolster their approach as a responsible investor, Border to Coast has partnered with an engagement and proxy voting specialist, Robeco. This organisation deals engages with the senior management of investee companies and votes at shareholder meetings, holding them to account on responsible investment issues.

7.6 Border to Coast has also partnered with a number of organisations to further expand its influence. These include LAPFF on a wide range of issues, Climate Action 100+, and the 30% Club which promotes board and senior management diversity.

8.0 Voting rights

8.1 Voting rights are assets that need managing with the same duty of care as other investment assets. The effective use of these rights is essential to protect the interests of the Fund, its employers and its beneficiaries.

8.2 It is important that voting is carried out in an informed manner. For this reason, the Fund has delegated voting rights to its investment managers as it believes that they are best placed to undertake it. Managers are required to vote the Fund's shares wherever it is practical to do so. Voting should be undertaken where it is believed to be in the best interests of the Fund, and in accordance with this Policy.

8.3 Whilst managers are required to adhere to the Fund's approach to RI and voting, the Fund retains the right to direct them in respect of any issue.

8.4 Managers are required to use reasonable endeavours to consider whether, in their opinion, any issue could become controversial for the Fund or its stakeholders. Where this is the case, the issue should be referred to the Fund for discussion, and possibly direction. This applies to engagement as well as voting.

8.5 The Fund's investment managers are required to report quarterly on their voting activities.

9.0 Class actions

9.1 Where the Fund holds securities which are subject to individual or class action securities litigation it will, where appropriate, participate in such litigation.

10.0 Reporting arrangements

10.1 Managers' policies are to be reviewed by the Fund on a regular basis.

10.2 Managers must provide quarterly reports that include the following information:

- Examples of how RI issues are integrated into the investment processes and the materiality of such issues in portfolio performance
- Summaries of engagement activity outcomes during the review period
- Details of investments that are considered to have high RI related risks
- Voting records for the review period

September 2020

Appendix 4

Pensions

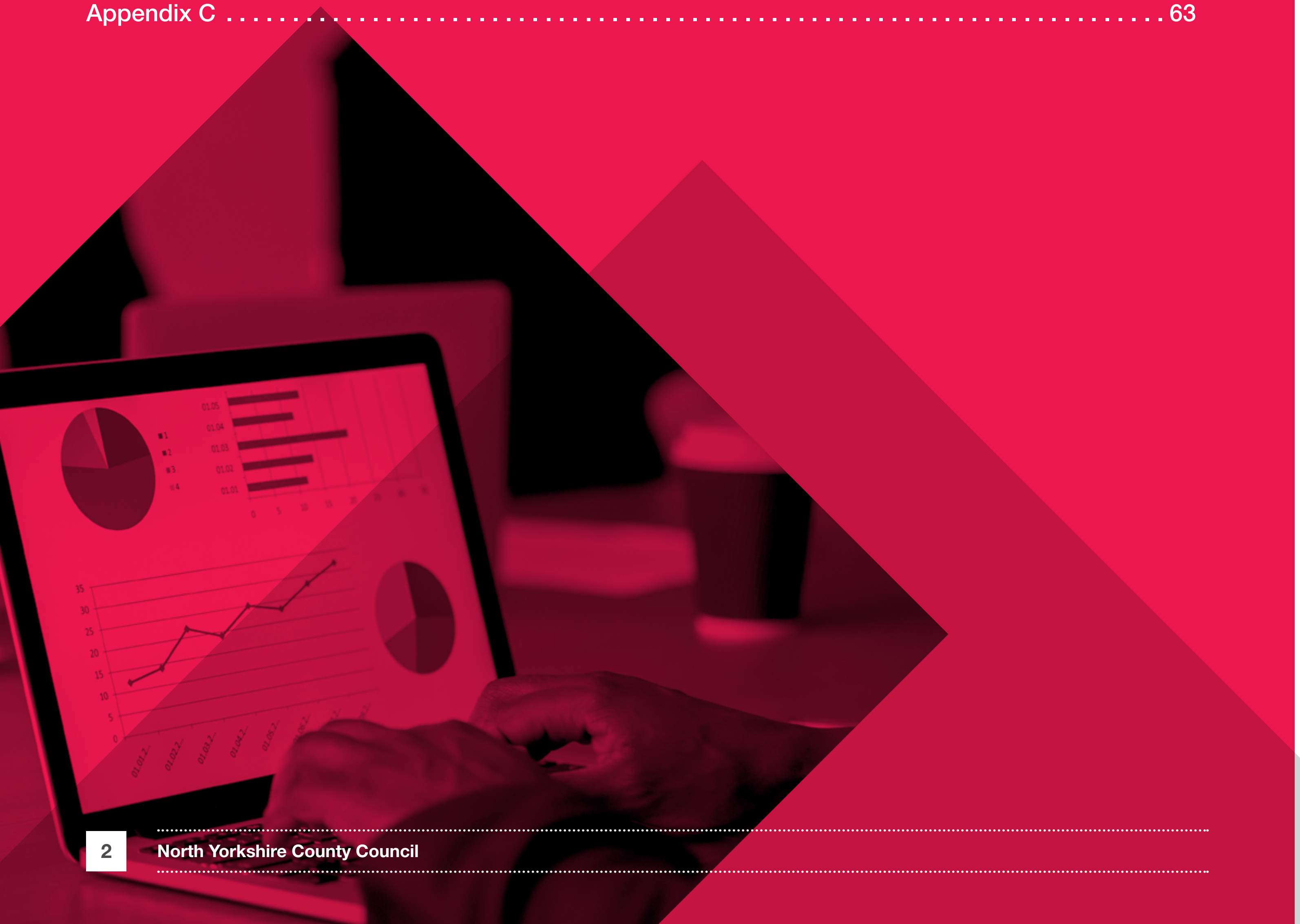
NORTH YORKSHIRE

North Yorkshire Pension Fund

Annual Report and Accounts 2019/20

North Yorkshire County Council

Contents



Part 1 - Management and Financial Performance

1.1 Introduction

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

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

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

1.2 Pension Fund Committee

PFC membership as at 31 March 2020 was as follows:

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

The powers delegated to the PFC are detailed in paragraph 2.1 of the Governance Compliance Statement (see Part 7).

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

1.3 Fund Administrators, Advisers and Investment Managers

Treasurer	Gary Fielding
Investment Consultant	Aon Hewitt
Independent Professional Observer	Peter Scales (AllenbridgeEpic)
Actuary	Aon Hewitt
Investment Adviser	Leslie Robb
Legal Services	Ward Hadaway Head of Legal Services, NYCC
Auditor	Deloitte
Banker	Barclays Bank
Custodian	Bank of New York Mellon
Custodian Monitoring	Thomas Murray
Shareholder Voting	PIRC (until September 2019)
Performance Measurement	BNY Mellon Asset Servicing
Asset Pool & Operator	Border to Coast Pensions Partnership (BCPP)
Fund Managers	Arcmont Baillie Gifford Dodge & Cox FIL Pensions Management (until September 2019) Hermes Investment Management Leadenhall Legal & General Investment Management M&G Investment Management Newton Investment Management Permira Standard Life Pension Funds (until September 2019) Threadneedle Pensions Veritas
AVC Provider	Prudential

1.4 Risk Management

Risk management is the process by which the Fund identifies and addresses the risks associated with its activities. Risk management is a key part of the NYPF's governance arrangements, and the Fund has its own dedicated risk management policy and risk register with key risks also appearing on the Administering Authority's corporate risk register. Risks are identified and assessed, and controls are in place to mitigate risks. The Fund's risk register is reviewed every year by the PFC and Pension Board and is monitored during the year by officers. The latest review highlighted:

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

(b) Another key risk relates to the LGPS pooling arrangements (see Part 4). This is a major change to the way in which the Fund is managed so should be considered a significant risk.

In addition, the approach to managing third party risk such as late payment of contributions is contained in the Pensions Administration Strategy (see Part 7). Contributions received from employers are monitored, the date of receipt is recorded and appropriate action is taken for late payments. For persistent material breaches of this protocol, the employer may be reported to the Pensions Regulator.

The Council's internal audit team regularly undertake audits across different aspects of the Fund's management and administration. These findings are reported to the PFC and Pension Board as appropriate. Assurance from the appointed Fund managers is obtained through the receipt of control reports.

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

1.5 Accounting and Cash Flow

Prior to the start of the 2019/20 financial year, a budget was prepared for NYPF which detailed the annual cost of running the Fund. A cashflow forecast was also produced which detailed the main inflows and outflows of the Fund in the year, for example, contribution income, benefits payable, transfers in and transfers out. The budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The total running costs of the Fund in 2019/20 were £29.2m against a budget of £22.6m, resulting in an overspend of £6.6m, as shown in the table below:

EXPENDITURE	Budget 2019/2020 £000	Outturn 2019/2020 £000	Variance £000
Admin Expenses			
Finance and Central Services	380	376	(4)
Provision of Pensioner Payroll (ESS)	140	137	(3)
Pensions Administration Team	980	979	(1)
GMP Reconciliation Programme	0	44	44
Pension Data Reconciliation	100	18	(82)
Other Admin Expenses	260	17	(243)
	1,860	**1,571**	**(289)**
Oversight and Governance			
Actuarial Fees	70	83	13
Custodian Fees	130	83	(47)
Consultants Fees	150	412	262
Pooling Project Costs	140	90	(50)
Pooling Operational Charge	980	625	(355)
Other O & G Expenses	110	100	(10)
	1,580	**1,393**	**(187)**
Investment Fees			
Investment Management Base Fee invoiced	4,000	3,553	(447)
Performance Fees invoiced	3,500	1,608	(1,892)
Investment Fees deducted from Fund	11,700	21,072	9,372
	19,200	**26,233**	**7,033**
TOTAL	**22,640**	**29,197**	**6,557**

The main reasons for the variances were:

- Investment fees - Investment fees incurred in the year were higher than had been anticipated when the 2019/20 budget was set, due to improved transparency on fees deducted from the Fund.
- Admin Expenses - Costs were lower than expected largely due to the receipt of additional income.

- Oversight and Governance -Undertaking an Investment Strategy Review and additional due diligence in advance of transferring assets to the Pool has led to increased expenditure on Consultants. This was partially offset by a lower Pooling Operation Charge resulting from both cost savings and a change to some costs being deducted directly from the Fund.

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

The table below shows the 2019/20 cashflow statement for the Fund:

	Actual Cashflow 2019/2020 £000
EXPENDITURE	
Benefits	
Pensions	91,009
Lump Sums	28,660
	119,669
Payments to and on account of leavers	
Transfers out	21,037
Refunds to leavers	560
	21,597
TOTAL EXPENDITURE	**141,266**
INCOME	
Employer and Employee Contributions	120,016
Transfers in (from other schemes)	17,490
Investment Income	6,313
TOTAL INCOME	**143,819**
SURPLUS/ (DEFICIT)	**2,553**
Add cost of administering the pension fund	**29,197**
Less Management Fees charged direct to the fund	**(21,072)**
NET SURPLUS/ (DEFICIT)	**(5,572)**

The actual cashflow for the Fund in 2019/20 was a deficit of £5.6m. A deficit position was expected in 2019/20 due to past service deficit payments being made in advance by a number of employers in 2017/18 that related to 2019/20. The deficit was further increased by two large bulk transfers out of the pension scheme during the year.

Part 2 - Scheme Administration

2.1 Administering Authority Arrangements

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

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

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

2.2 Disputes Process

The Fund deals with disputes under the statutory Internal Dispute Resolution Procedure (IDRP). This is a two stage process and further information is available on the Fund's website at www.nypf.org.uk/formsandguides/publications.shtml.

However, as part of the pension team's customer care policy, all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2019/20 8 cases were received via the IDRP process. This represents less than 0.01% of total work processed in the year.

2.3 Pensions Administration

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

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

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

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

2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their contact details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates processes. As at 31 March 2020 there were 26,671 registered users.

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

2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members can view their Annual Benefit Statements online. The majority, representing 98% of all statements, are delivered in this way with only 1,772 being posted to members in 2019/20.

2.6 NYPF Website

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

2.7 Data Quality

The Pensions Regulator's guidelines on data collection and security have been applied by the Fund and validation checks are carried out across all areas of activity. Periodic checks are carried out across the database continually to ensure that data gaps or queries are caught in 'real-time'. Other validation checks are carried out at each year end and queries are sent to the employer to resolve. This has become more complex with the introduction of the Career Average Revalued Earnings (CARE) Scheme as NYPF cannot validate CARE pay provided by employers.

In accordance with the requirements of the Pensions Regulator the NYPF completed a data quality assessment and scoring exercise resulting in data scores of:

Common Data: 95.97%
Conditional Data: 96.97%

Common data is the set of data that is defined as necessary and applicable to all members of all schemes. This data is required to identify Scheme members and includes surname, date of birth, National Insurance number and address. The Pensions Regulator has identified 10 Common data items.

Conditional data is the set of data that is defined as additional detailed data required for the administration of a pension scheme. This data is dependent on scheme type, structure and system design. For example, employer, salary history, contributions, transfer in details, etc.

A data improvement plan has been developed to ensure the continued improvement of the data quality.

Support is sought where appropriate from the internal audit service in order to encourage employers to maintain a consistent level of data accuracy including validating any data before it is supplied. Data is only accepted from named authorised signatories after the appropriate validation checks have been made.

Part 3 - Investment Policy and Performance

3.1. Investment Policy

(a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2016 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGPS fund. Full details of the investment policy are shown in the Investment Strategy Statement (see Part 7).

(b) Investment Management arrangements

As at 31 March 2020 the following investment management arrangements were in place:

- Baillie Gifford managed an active global (i.e. including UK) equity portfolio, namely Long Term Global Growth (LTGG). This portfolio is in the form of a pooled vehicle, rather than being invested in segregated holdings. It is managed without reference to a benchmark, however the FTSE All World index is used for performance measurement purposes
- BCPP managed a UK Equities portfolio through a pooled vehicle against the FTSE All Share Index
- BCPP managed a global equities portfolio in the form of a pooled vehicle against the MSCI All Countries World Index
- M&G managed an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
- Hermes managed an active UK Property portfolio through a pooled fund with the objective of outperforming the IPD Other Balanced Property Funds index
- Threadneedle and Legal & General both managed active UK Property portfolios during the year through pooled funds with the objective of outperforming the All Balanced Property Funds index
- Newton managed a Diversified Growth Fund portfolio during the year through the Real Return (RR) pooled fund, with the objective of significantly outperforming the cash benchmark
- Veritas and Dodge and Cox managed active global equity portfolios in the form of a pooled vehicle against the MSCI All Country World index
- Arcmont and Permira managed private debt portfolios through pooled Funds, both are managed without reference to a benchmark but have an objective to significantly outperform cash
- Leadenhall managed three pooled Insurance Linked Security portfolios, all have an objective to significantly outperform against Money Market Fund returns
- The Fund held a cash investment with NYCC Treasury Management.
- BCPP managed an Infrastructure portfolio in a pooled fund that has the objective to outperform a long term absolute benchmark
- LGIM managed an equity protection strategy against a proportion of the Fund's global equity holdings.

The agreed asset class structure for the investment portfolio as at 31 March 2020 was as follows:

	Minimum %	Maximum %
Equities	30	65
Alternatives	15	55
Fixed Income	5	25

(c) Custody of Investments

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

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

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

3.2 Performance

(a) Fund and Manager Performance

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

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

Performance for the year was +0.2% compared to the benchmark return of -1.5%.

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

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	0.2%	7.9%
Benchmark	-1.5%	6.0%
Performance against benchmark	+1.7%	+1.9%

The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2020 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund as at 31 March 2019		Share of Fund as at 31 March 2020		Fund Performance	Customised Benchmark	+/-
	£m	%	£m	%	%	%	%
Investments managed by Border to Coast Pension Partnership:							
BCPP - Global Equity Alpha	0.0	0.0	813.5	23.0			
BCPP - UK Equities	0.0	0.0	120.2	3.4			
BCPP - Infrastructure	0.0	0.0	8.5	0.2			
BCPP - UK Unquoted Equities	0.8	0.0	0.8	0.0			
	0.8	0.0	943.0	26.6			
Investments managed outside of Border to Coast Pension Partnership:							
Baillie Gifford - LTGG	509.4	14.2	595.9	16.8	17.0	-6.2	23.2
M&G Investments	696.3	19.5	473.1	13.4	4.6	4.2	0.4
LGIM Equity Protection	0.0	0.0	313.9	8.9			
Veritas	213.9	6.0	216.5	6.1	0.9	-6.2	7.1
Threadneedle	182.6	5.1	170.2	4.8	-6.8	0.0	-6.8
Dodge & Cox	208.3	5.8	169.6	4.8	-18.6	-6.2	-12.4
Newton Investments	146.1	4.1	142.9	4.0	-2.2	0.7	-2.9
NYCC Treasury Management	151.3	4.2	133.8	3.8	0.9	0.7	0.2
Legal & General	70.0	2.0	70.5	2.0	0.7	0.0	0.7
Permira	58.1	1.6	59.1	1.7	7.0	6.0	1.0
Leadenhall Remote Fund	53.6	1.5	55.5	1.6	3.5	0.7	2.8
Leadenhall Diversified Fund	53.2	1.5	54.3	1.5	2.0	0.7	1.3
Leadenhall NAT CAT Fund	52.5	1.5	53.8	1.5	2.3	0.7	1.6
Arcmont (formerly BlueBay)	28.9	0.8	39.3	1.1	7.1	6.0	1.1
Hermes	36.5	1.0	36.0	1.0	0.9	0.1	0.8
Fidelity International	283.4	7.9	2.7	0.0			
Standard Life Investments - Equities	170.0	4.8	0.0	0.0			
Baillie Gifford - Global Alpha	649.1	18.2	0.0	0.0			
Internally Managed (cash and net debtors)	11.2	0.3	13.0	0.4	-	-	-
	3,574.4	100.0	2,600.1	73.4			
Total Fund	**3,575.2**	**100.0**	**3,543.1**	**100.0**	**0.2**	**-1.5**	**1.7**

Please note that full year performance figures are not yet available for investments managed by Border to Coast Pension Partnership and LGIM Equity Protection.

(b) Analysis of Accounts

The Statement of Accounts for the year 2019/20 is shown at Appendix A.

The value of the Fund's assets at 31 March 2019 was £3,575m, and this decreased by £32m during the year to give a value of £3,543m at 31 March 2020.

Analysis of Fund Account over three years to 2019/20

	2019/20	2018/19	2017/18
	£000	£000	£000
Net additions/(withdrawals) from dealings with members	(6,725)	4,058	47,645
Net investment return	(9,792)	(7,867)	(1,349)
Change in market value of investments	(15,572)	250,447	246,433
Net increase/(decrease) in the Fund	(32,089)	246,638	292,730

Analysis of Net Asset Statement over three years to 2019/20

	2019/20	2018/19	2017/18
	£000	£000	£000
Fixed Interest Securities	468,984	639,513	626,598
Equities	833	394,926	592,014
Pooled Funds	2,642,902	2,016,885	1,839,822
Pooled Property	276,103	288,502	276,831
Cash Deposits	138,523	220,042	13,887
Other	2,727	4,136	(37,975)
Total Investment Assets	3,530,072	3,564,004	3,311,177
Long-Term Debtors	42	0	0
Current Assets and Current Liabilities	13,001	11,200	17,389
Net Assets of the Fund	3,543,115	3,575,204	3,328,566

3.3 Voting Arrangements

The Committee delegated the exercise of voting rights to Pension Investment Research Consultants Limited (PIRC) for all directly owned shares until September 2019 when all equity investments were made through pooled investments. All voting rights are now delegated to the Fund's investment managers. Votes are executed according to predetermined Shareholder Voting Guidelines agreed by the PFC. These guidelines are aligned to the UK Stewardship Code and to best practice in other jurisdictions. The Fund monitors voting decisions on a regular basis and a summary of the voting activity in 2019/20 is provided in the table below:

In Favour	5,609	Against	1,315	Abstained/Withheld	309

Part 4 - Asset Pooling

Background

In 2015 the Government issued the ‘LGPS: Investment Reform Criteria and Guidance’ which set out its intention to work with the 89 Administering Authorities in the Local Government Pension Scheme (LGPS) to establish asset pooling arrangements with the following objectives to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure

This has led to the creation of eight asset pools, significantly changing the approach to investing. These regulatory changes do not however affect the responsibility for determining the investment strategy which remains with individual Funds.

NYPF Pooling Arrangements

In order to satisfy the requirements of the guidance issued by the Government, the Fund has become a shareholder of the Border to Coast Pensions Partnership (“BCPP”, or “the Pool”). BCPP is an FCA-regulated Operator and Alternative Investment Fund Manager (AIFM), that became operational in July 2018.

The Administering Authorities of the LGPS Funds that are participating in the pool are a combination of “like-minded” UK-based local government Unitary Authorities, Non-Metropolitan County Councils and Metropolitan District Councils with total assets of around £50bn. These are listed in the table below:

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

The core principles of BCPP include the following:

- One Fund one vote- so regardless of Fund size, all Funds will be treated equally
- Equitable cost sharing
- Funds retain governance role and ownership of asset allocation
- Generation of improved net-of-fees risk adjusted performance

Border to Coast Pensions Partnership

BCPP is responsible for designing, delivering and operating a range of investment funds and services to allow Partner Funds, BCPP’s shareholders and only customers, to implement their investment strategies. BCPP develops a range of internally and externally managed investments across a range of asset classes in both public and private markets. The team of 77 employees are based in Leeds.

Governance

The Fund will hold BCPP Ltd to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of BCPP. The performance of the pool company is overseen by the shareholder representatives from each Authority on an ongoing basis and formally once a year at the BCPP AGM.
- A representative on the Joint Committee which, as an investor, will monitor and oversee the investment operations of BCPP. The Chair of each of the Funds’ Pension Fund Committees sit on the Joint Committee. There is also a non-voting scheme member representative that sits on the Joint Committee, who is nominated by the Funds’ Local Pension Boards.
- Officer support to the representatives above from the Officer Operations Group and the Statutory Officer Group. Day to day oversight will be provided by these officer groups.

Pooling Costs

The Fund has incurred both set-up costs and ongoing costs since the inception of BCPP and these are detailed in the tables below.

	2019/20	2018/19	2017/18	Cumulative Since Inception
	£000	£000	£000	£000
Set-up costs				
Recruitment		2.7	14.4	17.1
Legal		4.2	22.4	26.6
Procurement		5.7	30.5	36.2
Other support (e.g. IT, Accommodation)		0.3	1.7	2.0
Other working capital		833.3		833.3
Staff costs		9.7	52.2	61.9
Other costs	357.6	443.9	34.8	836.3
Total Set-up Costs	**357.6**	**1,299.8**	**156.0**	**1,813.4**

	2019/20 £000	2018/19 £000	2017/18 £000	Cumulative Since Inception £000
Transition Costs				
Transition fees	259.0			**259.0**
Taxation (seeding relief)	1,143.4			**1,143.4**
Other transition costs	1,254.7			**1,254.7**
Total Transition Costs	**2,657.1**	**0.0**	**0.0**	**2,657.1**

During 2019/20 transitions took place into the UK Equity Alpha sub-fund (May 2019) and the Global Equity Alpha sub-fund (September 2019), at this early stage no savings have yet been realised. These savings are expected to be realised in the longer term. The set-up and transition into the different sub-funds is expected to involve several years of upfront costs before savings can be achieved. In the July 2016 submission to MHCLG it was estimated that the pool overall would recover its costs and start to achieve savings within two to five years.

BCPP is taking a phased approach to the launch of its investment funds. It is therefore expected that the transitioning of the Fund's assets will continue over a number of years. In 2020/21 transitions are expected to take place into BCPP's fixed income investments.

Ongoing costs

In addition to the set up costs above there are also ongoing costs that have been incurred in 2019/20. The table below compares costs within and outside of the pool:

	Asset Pool £000	Non-asset pool £000	Fund total £000
Management fees			
- Ad valorem	1,733	10,830	**12,563**
- Performance	-	2,547	**2,547**
Transaction costs	380	3,891	**4,271**
Other costs	727	3,826	**4,553**
Total	**2,840**	**21,094**	**23,934**

Part 5 - Pension Administration Activity

The number of staff (in FTE terms) at the Council involved in pension administration was 28.8 completing an average of 4,393 cases each. The ratio of members to full time equivalent staff is 3,348:1. The NYPF has a net operating cost of £15.80 per member whilst the average operating cost for all authorities was £21.34 as calculated by the annual CIPFA benchmarking exercise.

(a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Funds can be compared. NYPF's performance in these areas for the year to 31 March 2020 is shown here:

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer in quote	10 days	98.35
Letter detailing transfer out quote	10 days	96.51
Process and pay refund	5 days	96.61
Letter notifying estimate of retirement benefits	10 days	93.23
Letter notifying actual retirement benefits	5 days	51.73
Process and pay lump sum retirement grant	5 days	51.73
Initial letter acknowledging death of active/deferred/pensioner member	5 days	48.04
Letter notifying amount of dependant's benefits	5 days	48.04
Calculate and notify deferred benefits	10 days	71.53

For the year ending 31 March 2020, 93% of customers surveyed ranked the service provided by the NYPF as good or excellent.

(b) Benefit Calculation Activity

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

Task	Number
Retirements	4,878
Transfers In	182
Refunds	1,688
Frozen Refunds	943
Preserved Benefits	3,506
AVCs/ARCs	0
Divorce cases	246
Deaths in Service	17
Deaths of Pensioners	548

(c) Administration

The total numbers of joiners and leavers during 2019/20 were:

Joining	9,220
Retiring	
Incapacity	33
Normal Retirement Date (NRD)	142
Pre NRD	923
Post NRD	350
Redundancy/Efficiency	144
Flexible	45
Deaths	616
Other Leavers	6,319

The performance and activity reflect the efforts the pension administration team goes to in providing a first class service to the Fund membership. NYPF continues to encourage all stakeholders to utilise technology effectively in all communications. Examples of this over 2019/20 include:

- Continued to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits
- Encouraged members to plan for their retirement by promoting the use of the benefit calculators available online via member self-service
- Develop relationships with new employers to support them with the requirements of the LGPS. There continues to be significant growth in scheme employers largely in respect of schools converting to Academies
- Offering guidance and support to all employers
- Dedicated newsletter for retired members

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

Part 6 - Membership, Contributions and Scheme Benefits

6.1 Membership

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

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

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

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

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

Membership Type	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Current contributors	31,748	33,559	33,110	33,462	33,403
Deferred pensions	32,079	33,147	35,799	37,207	38,848
Pensioners receiving benefits	19,793	20,441	21,462	22,724	24,181
Undecided leavers					1,959

6.2 Contributions

The Fund is financed by contributions from both members and employers, together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested as described in the Investment Strategy Statement (see Part 7).

The total contributions received for 2019/20 on an accruals basis were £120.0m, and NYCC being the main employer in the Fund contributed £48.2m. Employer contributions are set every three years by the Actuary as part of the Triennial Valuation. The last Triennial Valuation took place as at 31 March 2019, at which the funding level of the Fund was reported as 114% (90% as at 31 March 2016) by the actuary.

Details of the employer contribution rates can be seen in the latest Valuation Report by following this link: www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf

6.3 Employer Analysis

At 31 March 2020 there were 157 contributing employer organisations within NYPF including the County Council. Full details of all employers can be found in the Statement of Accounts (see Part 7).
The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	111	6	117
Admitted Body	46	25	71
Total	**157**	**31**	**188**

6.4 Member Rates

For member contributions a banded structure has been in place since April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2019 as follows:

Band	Range	Contribution rate
1	£0 to £14,400	5.5%
2	£14,401 to £22,500	5.8%
3	£22,501 to £36,500	6.5%
4	£36,501 to £46,200	6.8%
5	£46,201 to £64,600	8.5%
6	£64,601 to £91,500	9.9%
7	£91,501 to £107,700	10.5%
8	£107,701 to £161,500	11.4%
9	£161,501 or more	12.5%

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

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum contributions following the 2019 Valuation are shown at www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf

6.5 Scheme Benefits

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

Normal Pension Age

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

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

Pension (Normal)

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

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

Pension (Ill Health)

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

First Tier:

If it is unlikely that the member will be capable of gainful employment before Normal Pension Age (NPA), LGPS service is enhanced by 100% of the remaining potential pension to NPA. This is based on 1/49th of an 'Assumed Pensionable Pay' figure which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and NPA.

Second Tier:

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

Third Tier:

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

Lump Sum Retirement Grant

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

Death Grant

Death in Service

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

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

Death after Retirement

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

Death of a member with Preserved Benefits

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

Spouses, civil partners and eligible cohabiting partners pensions

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

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

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

Children's Pension

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

Pension Increases

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

AVCs

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

Part 7 - Governance Documentation

The main governance documentation is as follows:

- Investment Strategy Statement link is www.nypf.org.uk/Documents/Investment%20Strategy%20Statement%20-%20July%202020%20v2.pdf
- Governance Compliance Statement link is www.nypf.org.uk/Documents/Governance%20Compliance%20Statement_v1.3_April%202020.pdf
- Funding Strategy Statement link is www.nypf.org.uk/Documents/FFS_Feb%202020%20(new%20brand).pdf
- Communications Policy link is www.nypf.org.uk/Documents/Comms%20Policy_v1.2_April%202020.pdf
- Pension Administration Strategy link is www.nypf.org.uk/Documents/Admin%20Strategy_v1.2_April%202020.pdf
- Employer Charging Policy link is www.nypf.org.uk/Documents/Charging%20Policy_v1.2_April%202020.pdf

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

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

(a) Investment Strategy Statement

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

The ISS must include:

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

(b) Governance Compliance Statement

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

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

(c) Funding Strategy Statement

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

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

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method and assumptions and results of the 2019 actuarial valuation

(d) Communications Policy

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

(e) Pensions Administration Strategy

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

NYPF'S Local Pension Board is responsible for assisting the Fund in securing compliance with the regulations, and to ensure the efficient and effective governance and administration of the LGPS. The Pension Board therefore has an oversight role in the governance of the Fund. The Board produces its own Annual Report each year that details its roles and responsibilities and activities over the year. This can be found on the NYPF website at https://www.nypf.org.uk/Documents/Pension%20Board%20-%20Annual%20Report%202018-19.pdf

Part 8 - Training

8.1 Public Sector Pensions - Finance Knowledge and Skills

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

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

8.2. Training for Pension Fund Committee Members and Officers

(i) Internally Provided

Six Investment Strategy workshops were held throughout the year, all of which were well attended by PFC Members and officers of the Fund.

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

(ii) Externally Provided

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

Events attended by PFC Members during 2019/20 were:

Event	Place	Date
PLSA Local Authority Conference	Gloucestershire	13-15 May 2019
Baillie Gifford Conference	Edinburgh	9 –10 October 2019
BCPP Conference	Leeds	10-11 October 2019
PLSA Investments Conference	Edinburgh	11–13 March 2020

Details of the training undertaken by Members is recorded and reported at each PFC meeting. The latest report can be found by looking in the pensions administration report in the link below: https://democracy.northyorks.gov.uk/FunctionsPage.aspx?dsid=89941&action=GetFileFromDB

Part 9 - Glossary and Contact Details

Active member:
Current employee who is contributing to a pension scheme.

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

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

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

Administering Authority:
North Yorkshire County Council as Administering Authority is responsible for the administration of the Scheme.

Admitted Body:
An organisation who has entered into a service agreement with a Scheme employer. The parties and NYCC (as the Administering Authority) enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.

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

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

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

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

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

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

Diversified Growth Funds (DGF):
An alternative way of investing in shares, bonds, property and other asset classes.

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

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

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

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

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

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

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

Money & Pensions Service (MaPS)
MaPS brings together three financial guidance bodies: the Money Advice Service, the Pensions Advisory Service and Pension Wise. An arm's-length body sponsored by the Department for Work and Pensions, with a joint commitment to ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime.

Unrealised Gains/Losses:
The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Contact Information

North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL

Telephone: **01609 536335**
Email: pensions@northyorks.gov.uk
Website: www.nypf.org.uk

Money & Pensions Service (MaPS)
Telephone: **01159 659570**
Email: contact@maps.org.uk
Website:
moneyandpensionsservice.org.uk

Appendix A

Statement of responsibilities for the financial statements

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

a) The Administering Authority

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

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

b) Treasurer

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

In preparing these financial statements, the Treasurer has:

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

The Treasurer has also:

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

Certificate

I hereby certify that the Annual Report and Accounts give a true and fair view of the financial position of the North Yorkshire Pension Fund as at 31 March 2020 and its income and expenditure for the financial year then ended.

Gary Fielding
Treasurer
North Yorkshire Pension Fund

North Yorkshire Pension Fund
Fund account for the year ended 31st March 2020

2018/19			2019/20	
£000	CONTRIBUTIONS AND BENEFITS		£000	£000
	Contributions			
78,973	Employers	- Normal	82,625	
4,091		- Deficit	4,403	
1,722		- Early Retirement Costs Recharged	3,674	
28,154	Employees	- Normal	29,166	
141		- Additional Voluntary	148	
113,081	**Total Contributions Receivable (note 7)**			120,016
13,542	**Transfers in (note 8)**			17,490
	Less			
	Benefits			
(85,199)	Pensions		(91,010)	
(21,251)	Commutation and Lump Sum Retirement Benefits		(25,990)	
(2,532)	Lump Sums Death Benefits		(2,670)	
(108,982)	**Total Benefits Payable (note 9)**			(119,670)
	Leavers			
(827)	Refunds to Members Leaving Service		(560)	
(35)	Payments for Members Joining State Scheme		0	
(10,106)	Transfers Out		(21,037)	
(10,968)	**Total Payments on Account of Leavers (note 10)**			(21,597)
(2,615)	**Management Expenses (note 11)**			(2,964)
4,058	**Net additions from dealings with Members**			(6,725)
	RETURNS ON INVESTMENTS			
17,712	Investment income (note 12)			16,554
(452)	Taxation (note 12a)			(113)
(25,127)	Investment Management Cost (note 11)			(26,233)
250,447	Change in market value of investments (note 14a)			(15,572)
242,580	**Net returns on investments**			(25,364)
246,638	**Net increase/ (decrease) in the Fund during the year**			(32,089)
3,328,566	**Opening Net Assets of the Fund**			3,575,204
3,575,204	**Closing Net Assets of the Fund**			3,543,115

North Yorkshire Pension Fund
Net Assets Statement

31st March 2019 £000	INVESTMENT ASSETS	31st March 2020 £000
639,513	Fixed Interest Securities	468,984
394,926	Equities	833
2,016,885	Pooled Investments	2,642,902
288,502	Pooled Property Investments	276,103
3,339,826		3,388,822
220,042	Cash Deposits	138,523
4,947	Investment Debtors	2,727
3,564,815	TOTAL INVESTMENT ASSETS	3,530,072
	INVESTMENT LIABILITIES	
(811)	Investment Creditors	0
(811)	TOTAL INVESTMENT LIABILITIES	0
3,564,004	NET INVESTMENT ASSETS (note 14a)	3,530,072
0	LONG-TERM DEBTORS	42
	CURRENT ASSETS	
9,029	Contributions due from employers	9,170
1,023	Other Non-Investment Debtors	2,264
4,431	Cash	4,969
14,483	TOTAL CURRENT ASSETS	16,403
	CURRENT LIABILITIES	
(3,283)	Non-Investment Creditors	(3,402)
(3,283)	TOTAL CURRENT LIABILITIES	(3,402)
3,575,204	TOTAL NET ASSETS (note 14c)	**3,543,115**

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 2020

1. Description of the Fund

The North Yorkshire Pension Fund (NYPF or "the Fund") 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 2019/20 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 Fund 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 Fund, remain in the Fund 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 2020 there were 157 contributing employer organisations within NYPF including the County Council itself, and over 96,000 individual members, as detailed on the next pages.

111 Scheduled Bodies including 69 Academies	
Ainsty 2008 Internal Drainage Board	North Yorkshire Police and Crime Commissioner
Askham Bryan College	Northallerton & Romanby JBB
Chief Constable NYP	Northallerton Town Council
City of York Council	Norton on Derwent Town Council
Craven College	Pickering Town Council
Craven District Council	Richmond Town Council
Easingwold Town Council	Richmondshire District Council
Filey Town Council	Ripon City Council
Foss 2008 Internal Drainage Board	Ryedale District Council
Fulford Parish Council	Scarborough Borough Council
Glusburn Parish Council	Scarborough Sixth Form College
Great Ayton Parish Council	Selby College
Hambleton District Council	Selby District Council
Harrogate Borough Council	Selby Town Council
Haxby Town Council	Skipton Town Council
Hunmanby Parish Council	Sutton in Craven Parish Council
Knaresborough Town Council	Tadcaster Town Council
Malton Town Council	Thornton (Vale of Pickering) IDB
North York Moors National Park Authority	Whitby Town Council
North Yorkshire County Council	York College
North Yorkshire Fire & Rescue	Yorkshire Dales National Park Authority

Academy Trusts	
Arete Learning Trust – Northallerton School	Hope Learning Trust - Poppleton Ousebank
Arete Learning Trust - Richmond School	Hope Learning Trust – Skelton Primary
Arete Learning Trust - Stokesley Prim Academy	Hope Learning Trust - Vale of York
Bishop Wheeler Catholic Academy Trust	Huntington Primary Academy
Dales Academies Trust	Lingfield ET – Cambrai Primary School
DRET – Thomas Hinderwell Primary Academy	Moorlands Learning Trust (previously Craven ET)
Ebor A.T. - Braeburn Primary & Nursery	Nicholas Postgate CAT – All Saints School
Ebor A.T. - Brotherton & Byram CP	Northern Star AT - Harrogate High School
Ebor A.T. - Camblesforth CP	Northern Star AT - Hookstone Chase
Ebor A.T. - Filey Academy	Northern Star AT - New Park Primary
Ebor A.T. - Filey COE Nursery and Infants	Northern Star AT - Skipton Girls High School
Ebor A.T. - Haxby Road	Northern Star AT – Starbeck Primary
Ebor A.T. - Hob Moor CP	Outwood Grange A.T. – Easingwold
Ebor A.T. - Hob Moor Oaks	Outwood Grange A.T. - Greystone CP School
Ebor A.T. - Lakeside Primary	Outwood Grange A.T. - Outwood Academy Ripon
Ebor A.T. - Osbaldwick Primary	Pathfinder MAT
Ebor A.T. - Park Grove	Red Kite Learning Trust Pooled
Ebor A.T. - Robert Wilkinson	Rodillian MAT - Brayton High School
Ebor A.T. - Staynor Hall CP	Rossett School Academy
Ebor A.T. - Tadcaster Primary	St Margaret Clitherow Catholic Academy Trust
Ebor A.T. - Tockwith School	Scalby Learning Trust – Friarage Primary
Elevate MAT	Scalby Learning Trust - Newby & Scalby Primary
Enquire Learning Trust - East Whitby Primary	Scalby Learning Trust - Scalby School
Enquire Learning Trust - Roseberry Primary	Scarborough UTC
Enquire Learning Trust - Stakesby Primary	Selby Educational Trust
Enquire Learning Trust - Stokesley CP School	South Bank MAT
Evolution SLT – Norton College	South Craven Academy Trust
Great Smeaton Academy Primary School	South York MAT
Hope Learning Trust - Baldersby St James School	STAR MAT
Hope Learning Trust - Barlby High	The Grove Academy
Hope Learning Trust - Burton Green Primary	The Woodlands Academy
Hope Learning Trust - Forest of Galtres	Yorkshire Causeway Schools Trust
Hope Learning Trust - George Pindar School	Yorkshire Collaborative Academy Trust
Hope Learning Trust - Graham School	Yorkshire Endeavour Academies Trust
Hope Learning Trust - Manor CoE Academy	

46 Admitted Bodies	
ABM Catering Ltd	Independent Cleaning Services
Absolutely Catering Ltd	ISS Mediclean Ltd
Align Property Partners Ltd	Lifeways Community Care Ltd
Aramark Ltd	Make It York
Betterclean Services	Mellors
Beyond Housing	RCCN Ltd
Bulloughs Cleaning Ltd	Richmondshire Leisure Trust
Cater Link Ltd	Ringway Operatives
Catering Academy Ltd	Sanctuary Housing Association
Caterservice Ltd	Sewell Facilities Management
Chartwells Compass	Sheffield International Venues
Churchill	Springfield Home Care
City of York Trading Ltd	Streamline Taxis
Elite	Taylor Shaw Ltd
Enterprise	University of Hull (Scarborough)
Everyone Active (SLM Scarborough)	Veritau Ltd
Explore York Libraries and Archives	Veritau North Yorks
Gough and Kelly	Welcome to Yorkshire
Greenwich Leisure Ltd	Wigan Leisure and Culture Trust
Grosvenor Facilities Management	York Archaeological Trust Ltd
Hexagon Care	York Mind
Human Support Group Ltd	York Museums and Galleries Trust
Hutchison Catering	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 2020	31st March 2019
Number of Employers with Active Members	157	167
Employees in the Fund		
NYCC	16,331	17,119
Other employers	17,072	16,343
Total	33,403	33,462
Pensioners		
NYCC	13,165	12,396
Other employers	11,016	10,328
Total	24,181	22,724
Deferred Pensioners		
NYCC	24,278	23,341
Other employers	14,570	13,866
Total	38,848	37,207

(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 2020. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 and that set the contribution rates for 2020/21, 2021/22, 2022/23; 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 at www.nypf.org.uk.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its year end position as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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

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
- Arcmont (formerly 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) Financial Assets

The investment in the LGPS asset pool, Border to Coast Pensions Partnership (BCPP), is valued at transaction price, i.e. cost, as an appropriate estimate of fair value. All other 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.

If valuations are not available at the reporting date, as is the case for private debt and infrastructure investments, the latest available valuation is adjusted for cashflows in the intervening period.

(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 does not hold derivatives for speculative purposes (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.

Investment in Border to Coast Pensions Partnership (BCPP)

The Fund's shareholding in BCPP Ltd. has been valued at transaction price i.e. cost, as an appropriate estimate of fair value. Management have made this judgement because a fair value cannot be otherwise established for these assets as at 31 March 2020, as the pool has only been established for a short period of time and there is no market in the shares held, cost would be a reasonable and appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Funds contribution to the company's regulatory capital requirement.

Impact of the COVID-19 pandemic

The ongoing impact of the COVID-19 pandemic has created uncertainty on the valuation of the Fund's assets at the reporting date, particularly its illiquid assets, such as the property, private debt and infrastructure investments. Valuations for these funds are provided by external Fund Managers. Property fund valuations at the reporting date have been issued with a material uncertainty clause to reflect the market uncertainty as a result of COVID-19. For private debt and infrastructure funds, the latest available valuation has been adjusted for cashflows in the intervening period.

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 2020 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 2.0%, a 0.1% increase in inflation would increase liabilities by 2.0%, and an increase in life expectancy of one year would increase liabilities by 3.8%.

6. Events After the End of the Reporting Period

There have been no events identified after 31 March 2020 which require any adjustments to be made to the accounts.

7. Contributions Receivable

By category	2019/20 £000	2018/19 £000
Employees' Contributions	29,314	28,295
Employers' Contributions		
Normal contributions	82,625	78,973
Deficit recovery contributions	4,403	4,091
Early Retirement Recharges	3,429	1,497
Compensatory Added Years Recharges	245	225
Total Employers' Contributions	120,016	113,081

By authority	2019/20 £000	2018/19 £000
Contributions Receivable		
North Yorkshire County Council	48,200	47,062
Other Scheduled Bodies	64,790	59,858
Admitted Bodies	7,026	6,161
	120,016	113,081

8. Transfers In from Other Pension Funds

All transfers in were individual transfers.
There were no group transfers during the year.

9. Benefits Payable

	2019/20 £000	2018/19 £000
Benefits Payable		
North Yorkshire County Council	50,401	45,961
Other Scheduled Bodies	60,859	55,936
Admitted Bodies	8,410	7,085
	119,670	108,982

10. Payments To and On Account of Leavers

	2019/20 £000	2018/19 £000
Leavers		
Refunds to Members Leaving Service	560	827
Payments for Members Joining State Scheme	0	35
Individual Transfers	14,239	10,106
Group Transfers	6,798	0
	21,597	10,968

11. Management Expenses

	2019/20 £000	2018/19 £000
Administrative Costs	1,571	1,581
Investment Management Costs	26,233	25,127
Oversight and Governance Costs	1,393	1,034
	29,197	27,742

Investment Management Costs includes £2,547k (2018/19: £2,359k) in respect of performance related fees payable to the Fund's investment managers and £6,719k in respect of transaction costs (2018/19 £6,624k).

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

	2019/20	2018/19
	£000	£000
Management Fees	12,563	12,036
Performance Related Fees	2,547	2,359
Custody Fees	329	304
Transactions Costs	6,719	6,624
Other	4,075	3,804
	26,233	25,127

12. Investment Income

	2019/20	2018/19
	£000	£000
Income from Bonds	1,538	3,084
Income from Equities	5,209	12,713
Pooled Property Investments	1,177	1,292
Pooled Investments - Other Managed Funds	5,136	0
Interest on Cash Deposits	3,061	22
Other	433	601
	16,554	17,712

a) Taxes on Income

	2019/20	2018/19
	£000	£000
Withholding Tax on Dividends	113	452

13. Other Fund Account Disclosures

	2019/20	2018/19
	£000	£000
Payable in respect of external audit	19	19

14. Investments

a) Reconciliation of Movements in Investments and Derivatives

	Value at 31st March 2020	Change in market value at 31st March 2020	Sale proceeds & derivative receipts	Purchases at cost and derivative payments	Value as at 1st April 2019
	£000	£000	£000	£000	£000
Fixed Interest Securities	468,984	24,370	(1,624,338)	1,429,439	639,513
Equities	833	21,840	(779,948)	364,015	394,926
Pooled Investments	2,642,902	(54,354)	(772,116)	1,452,487	2,016,885
Pooled Property	276,103	(8,745)	(3,654)	0	288,502
Private Equity	0	0	0	0	0
Derivative Contracts	0	0	0	0	0
Total Invested	3,388,822	(16,889)	(3,180,056)	3,245,941	3,339,826
Cash Deposits	138,523	1,317			220,042
Net Investment Debtors	2,727				4,136
Net Investment Assets	3,530,072	(15,572)			3,564,004

	Value at 31st March 2019	Change in market value at 31st March 2019	Sale proceeds & derivative receipts	Purchases at cost and derivative payments	Value as at 1st April 2018
	£000	£000	£000	£000	£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 Funds	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	220,042	668			13,887
Net Investment Debtors	4,136				(37,975)
Net Investment Assets	3,564,004	250,447			3,311,177

b) Analysis of Investments (excluding derivative contracts)

	2019/20 £000	2018/19 £000
Fixed Interest Securities		
UK Public Sector Quoted	468,984	639,513
Equities		
UK Quoted	0	162,021
UK Unquoted	833	0
Overseas Quoted	0	232,905
	833	394,926
Pooled Investments		
UK Equity	260,448	93,070
UK Property	276,103	288,502
Overseas Equity	1,655,171	1,531,363
Private Debt	98,439	86,995
Insurance Linked Securities	163,524	159,391
Infrastructure	8,549	0
Equity Protection	313,900	0
	2,776,134	2,159,321
Diversified Growth Funds - UK	142,871	146,066
Total Investments (excl Derivatives)	3,388,822	3,339,826
Cash Deposits	138,523	220,042
Net Investment Debtors	2,727	4,136
Net Investment Assets	3,530,072	3,564,004

c) Investments analysed by Fund Manager

Investments managed by Border to Coast Pension Partnership:	31st March 2020 £000	31st March 2020 %	31st March 2019 £000	31st March 2019 %
BCPP - Global Equity Alpha	813,510	23.0	0	0.0
BCPP - UK Equities	120,164	3.4	0	0.0
BCPP - Infrastructure	8,549	0.2	0	0.0
BCPP - UK Unquoted Equities	833	0.0	833	0.0
	943,056	26.6	833	0.0

Investments managed outside of Border to Coast Pensions Partnership:	31st March 2020 £000	31st March 2020 %	31st March 2019 £000	31st March 2019 %
Baillie Gifford & Co. - LTGG	595,897	16.8	509,401	14.2
M&G Investments	473,066	13.3	696,339	19.5
LGIM Equity Protection	313,901	8.9	0	0.0
Veritas	216,499	6.1	213,915	6.0
Threadneedle	170,226	4.8	182,564	5.1
Dodge & Cox	169,549	4.8	208,283	5.8
Newton Investments	142,871	4.0	146,066	4.1
NYCC Treasury Management	133,832	3.8	151,257	4.2
Legal & General	70,474	2.0	70,000	2.0
Permira	59,120	1.7	58,068	1.6
Leadenhall Remote Fund	55,491	1.6	53,617	1.5
Leadenhall Diversified Fund	54,266	1.5	53,229	1.5
Leadenhall NAT CAT Fund	53,767	1.5	52,545	1.5
Arcmont (formerly Bluebay)	39,319	1.1	28,928	0.8
Hermes	35,993	1.0	36,528	1.0
Fidelity International	2,719	0.1	283,369	7.9
Standard Life Investments - Equities	25	0.0	169,991	4.8
Baillie Gifford - Global Alpha	0	0.0	649,071	18.2
Internally Managed (cash and net debtors)	13,044	0.4	11,200	0.3
	2,600,059	73.4	3,574,371	100.0
	3,543,115	100.0	3,575,204	100.0

The investments with BCPP Global Equity Alpha, Baillie Gifford, M&G Investments, LGIM Equity Protection and Veritas each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

(d) Stock Lending

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

15. Analysis of Derivatives

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.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 2020.

Assessed valuation range (+/-)	Value at 31 March 2020	Value on Increase	Value on decrease
	£000	£000	£000
Pooled investments- Private Debt	98,439	102,987	93,890
Pooled investments- Infrastructure	8,549	9,258	7,839
UK Unquoted Equities	833	833	833
Total	107,821	113,078	102,562

16a. Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2020	£000	£000	£000	£000
Financial assets at fair value through profit and loss	626,678	2,812,018	107,821	3,546,517
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(3,402)	0	0	(3,402)
Net investment assets	623,276	2,812,018	107,821	3,543,115

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2019	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,273,911	2,218,392	86,995	3,579,298
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	1,269,817	2,218,392	86,995	3,575,204

b. Reconciliation of Fair Value Measurements Within Level 3

	Market Value at 1 April 2019	Transfers into Level 3	Transfers out of Level 3	Purchases During the Year	Sales During the Year	Unrealised Gains and Losses	Realised Gains and Losses	Market Value at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Private Debt	86,995	0	0	22,864	(13,531)	5,541	(3,430)	98,439
Infrastructure	0		0	8,461	274	151	(337)	8,549
UK Unquoted								
Equities	0	833	0					833
	86,995	833	0	31,325	(13,257)	5,692	(3,767)	107,821

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 2019				31st March 2020		
Designated as fair value through profit and loss	Loans and Receivables	Financial Liabilities amortised at cost		Designated as fair value through profit and loss	Loans and Receivables	Financial Liabilities amortised at cost
£000	£000	£000		£000	£000	£000
			Assets			
639,513	0	0	Fixed Interest Securities	468,984	0	0
394,926	0	0	Equities	833	0	0
1,870,819	0	0	Pooled Investments	2,500,031	0	0
288,502	0	0	Pooled Property	276,103	0	0
146,066	0	0	Diversified Growth Funds	142,871	0	0
0	224,473	0	Cash	0	143,492	0
4,947	0	0	Investment Debtors	2,727	0	0
0	10,052	0	Non Investment Debtors	0	11,476	0
3,344,773	234,525	0		3,391,549	154,968	0
			Liabilities			
811	0	0	Investment Creditors	0	0	0
0	0	3,283	Non Investment Creditors	0	0	3,402
811	0	3,283		0	0	3,402
3,343,962	234,525	(3,283)		3,391,549	154,968	(3,402)

b) Net Gains and Losses on Financial Instruments

	2019/20	2018/19
	£000	£000
Fair Value Through Profit & Loss	(15,572)	250,447
Loans and Receivables	(65,503)	248,266
	(81,075)	498,713

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 Pension Fund Committee (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	0.8
UK Bonds	(0.2)
UK Equities	7.2
Overseas Equities	7.2
UK Pooled Equity	7.2
Overseas Pooled Equity	7.2
Pooled Property Investments	5.4
Diversified Growth Funds	4.5
Other Pooled Investments	1.7
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 2020 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	138,523	1,108	139,631	137,415
UK Bonds	468,984	(1,006)	467,978	469,990
UK Equities	833	0	833	833
Overseas Equities	0	0	0	0
UK Pooled Equity	260,448	18,752	279,200	241,696
Overseas Pooled Equity	1,655,171	119,172	1,774,343	1,535,999
Pooled Property Investments	276,103	14,910	291,013	261,193
Diversified Growth Funds	142,871	6,429	149,300	136,442
Other Pooled Investments	584,412	9,828	594,240	574,584
Non Investment Debtors/Creditors	8,074	0	8,074	8,074
Total Assets	3,535,419		3,704,612	3,366,226

Asset Type	Value as at 31 March 2019 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	220,042	1,100	221,142	218,942
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	3,566,638		4,103,832	3,029,444

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 2020 and 31 March 2019 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2019/20 £000	2018/19 £000
Cash and Cash Equivalents	138,523	220,042
Fixed Interest Securities	468,984	639,513
	607,507	859,555

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £6,083k and for 2018/19 asset values, £8,596k.

Currency Risk

Currency risk is 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 (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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 +/-8.5%. 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 8.5% 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 2020 £000	Value on 8.5% Increase Increase £000	Value on 8.5% Decrease Decrease £000
Overseas Equities	1,655,171	1,795,861	1,514,482

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

(b) Credit Risk

Credit risk is 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 2020 was £5.0m (31 March 2019, £4.4m) and was held with the following institutions:

	Credit Rating	31 March 2020 £000	31 March 2019 £000
Call Accounts			
Barclays Bank Plc (NRFB)	A+ / F1	678	417
Money Market Funds			
State Street Global LVNAV MMF	AAAmmf	217	0
Fixed Term Deposit Notice Accounts			
Handelsbanken	AA / F1+	54	244
Santander UK	A+ / F1	371	543
Bank of Scotland	A+ / F1	650	488
National Westminster Bank PLC	A+ / F1	271	342
Nationwide BS	A / F1	0	98
Commonwealth Bank of Australia	AA- / F1+	0	98
Goldman Sachs	A / F1	325	586
Standard Chartered	A+ / F1	108	98
Sumitomo Mitsui BCE	A / F1	0	98
Helaba	A+ / F1+	217	293
Aberdeenshire Council	-	108	0
Birmingham City Council	-	0	49
Cambridgeshire County Council	-	54	0
Cheshire East Council	-	54	0
Dundee City Council	-	163	49
Eastbourne Borough Council	-	54	49
Flintshire County Borough Council	-	0	49
Glasgow City Council	-	0	98
Hambleton District Council	-	0	20
Highland Council	-	108	0
Lancashire County Council	-	0	98
London Borough of Barnet	-	0	49
London Borough of Brent	-	54	0
London Borough of Croydon	-	163	49
London Borough of Enfield	-	0	98
London Borough of Hillingdon	-	54	0
London Borough of Newham	-	0	98
London Borough of Southwark	-	163	0
London Borough of Waltham Forest	-	54	0
Maidstone Borough Council	-	43	0

	Credit Rating	31 March 2020 £000	31 March 2019 £000
Moray Council	-	0	29
North Lanarkshire Council	-	108	0
Nottingham City Council	-	54	0
Plymouth City Council	-	0	98
Redcar & Cleveland Council	-	0	49
Rhondda CT & County Borough Council	-	163	0
Royal Borough of Windsor	-	54	0
Rushmoor Borough Council	-	108	39
Slough Borough Council	-	0	29
South Ayrshire Council	-	54	0
South Ribble Borough Council	-	54	0
South Somerset Council	-	54	0
Stockton-on-Tees Borough Council	-	54	0
Surrey County Council	-	54	0
Thurrock Borough Council	-	0	78
West Berkshire Council	-	33	0
West Dumbarton Council	-	54	0
Woking Borough Council	-	108	49
Wokingham Borough Council	-	54	49
		4,969	4,431

(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 2020 the value of illiquid assets was £107m (31 March 2019, £87m).

All liabilities at 31 March 2020 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 Regulations 2013 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 2019.

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 2019 Valuation the aim was to achieve 100% solvency over a period of 21 years from April 2020 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 2019 Triennial Valuation the Fund was assessed as 114% funded (90% at the 2016 Valuation). This reflected a deficit of £450m (£283m at the 2016 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 2019/20 the common rate (determined at the 2019 Valuation) is 19.3% 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 2019 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	4.20%	per annum
Inflation	2.10%	per annum
Salary Increases	3.35%	per annum
Pensions Increases	2.10%	per annum

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

	Male	Female
Current pensioners	21.8 years	23.8 years
Future pensioners (assumed current age 45)	23.4 years	25.6 years

Commutation Assumption

It is assumed that future retirees will take 75% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and for post-April 2008 service.

50:50 Option

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

20. Actuarial Present Value of Promised Retirement Benefits

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

21. Current Assets

Debtors	2019/20 £000	2018/19 £000
Investment Debtors		
Investment Transactions	0	319
Accrued Dividends	435	2,252
Withholding Taxes Recoverable	2,292	2,376
	2,727	4,947
Other Debtors		
Contributions due from Scheduled (Government) Bodies	8,916	8,556
Contributions due from Admitted Bodies	254	473
Pensions Rechargeable	877	738
Other	1,387	285
	11,434	10,052
	14,161	14,999

(a) Long Term Debtors

	2019/20 £000	2018/19 £000
Long Term Debtors		
Reimbursement of Lifetime Tax Allowances	42	0

22. Current Liabilities

Creditors	2019/20 £000	2018/19 £000
Investment Creditors	0	811
Sundry Other Creditors	3,402	3,283
	3,402	4,094

23. Additional Voluntary Contributions (AVCs)

	Market Value 30th March 2020 £000	Market Value 31st March 2019 £000
Prudential	20,222	20,061

AVC contributions of £2,047k were paid directly to Prudential during the year (£2,186k in 2018/19).

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 £1,493k (£1,376k in 2018/19) 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 £48.2m to the Fund in 2019/20 (£47.1m in 2018/19).

The Fund's cash holdings for cashflow purposes 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 2020 the Fund had an average investment balance of £11.3m (£7.2m during 2018/19) and received interest of £102.7k (£57.6k received in 2018/19) on these funds. The Fund also holds a cash investment with NYCC Treasury Management. The value of this investment at the end of 2019/20 was £133.8m (£151.3m in 2018/19).

Governance

As at 31 March 2020 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

Outstanding capital commitments (investments) at 31 March 2020 were £165.5m (31 March 2019: £44.1m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt and infrastructure parts of the portfolio.

27. Contingent Assets

Four 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 2018/19).

Appendix B

Statement of the Actuary

North Yorkshire Pension Fund
Statement of the Actuary for the year ended 31 March 2020

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 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £3,575.2M) covering 114% 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 2020 was:

   - 19.3% 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

   - an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

   Less

   - 1.6% of pensionable pay to remove surplus in excess of a funding level of 110% over a recovery period of 21 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

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 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

   Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.3	1.2
2021	18.5	1.3
2022	17.1	1.4

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, 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	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	3.3% p.a.
Low risk funding target	1.3% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

** The secure 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 and employer has exited the Fund was 1.3% p.a.

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 key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with sk of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	23.8
Current active members aged 45 at the valuation date	23.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities

   - **Increases to GMPs:**
     The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:** Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of around 4.2% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to an decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. 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.

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address: www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf

Aon
June 2020

Appendix C

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF NORTH YORKSHIRE COUNTY COUNCIL ON THE NORTH YORKSHIRE PENSION FUND FINANCIAL STATEMENTS

Contact us

W: **www.northyorks.gov.uk** E: **customer.services@northyorks.gov.uk**
T: **01609 780 780** (Monday to Friday 8.00am - 5.30pm closed weekends and bank holidays)
North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD

You can request this information in another language or format at
www.northyorks.gov.uk/accessibility

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Appendix 5

North Yorkshire Pension Fund

Administering Authority Discretions
for
North Yorkshire County Council
September 2020

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)©	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 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 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 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.

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.
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.	**In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants. The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate. 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*	Admin. Authority	The decision on the funding strategy is made by the Pension Fund Committee and can be found in the Investment Strategy Statement 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~~ 6 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 6 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	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 https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
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.~~	**Not a mandatory discretion and legal advice is to remove it. Regulation 82(2) is a liability limitation for the Administering Authority – the purpose of the clause is to provide the authority with comfort that if it pays out a sum due of less than £5,000 to someone who appears to be beneficially entitled to the estate without having asked to see probate or letters of administration, it can't suffer any claims from alternative claimants (i.e. can't be sued by someone claiming they should have got the money instead).**

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 unless there are exceptional circumstances and/or if there is evidence of administrative shortcomings.
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.	**Not a mandatory discretion and legal advice is to remove it. Regulation 82(2) is a liability limitation for the Administering Authority – the purpose of the clause is to provide the authority with comfort that if it pays out a sum due of less than £5,000 to someone who appears to be beneficially entitled to the estate without having asked to see probate or letters of administration, it can't suffer any claims from alternative claimants (i.e. can't be sued by someone claiming they should have got the money instead).**
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)	**B**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.	**In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.** **The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.** **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.~~	**In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.** **The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.** **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 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.

Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "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 employing authority over a period agreed between the administering authority and the employing authority. Payment can be made in full as a one off sum at retirement or in instalments over 3 or 5 years. 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.	
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	89(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.	
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.	**Not a mandatory discretion and legal advice is to remove it. Regulation 82(2) is a liability limitation for the Administering Authority – the purpose of the clause is to provide the authority with comfort that if it pays out a sum due of less than £5,000 to someone who appears to be beneficially entitled to the estate without having asked to see probate or letters of administration, it can't suffer any claims from alternative claimants (i.e. can't be sued by someone claiming they should have got the money instead).**
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 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.~~	**In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.** **The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.** **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	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

Appendix 6

MJ HUDSON
Allenbridge

NORTH YORKSHIRE PENSION FUND

Governance Compliance Update

Pension Fund Committee on 11th September 2020

31st August 2020

Table of Contents

Contact

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1.0 Summary Observations

- I remain satisfied that the Committee's governance arrangements continue to be maintained at a high standard despite the unparalleled disruption caused by the COVID-19 pandemic.
- I consider that all the policy documents are compliant with the regulations and are well drafted.
- The governance of the new pooling arrangements (BCPP) continues to develop and the Committee is taking action to address any concerns.
- The Pension Board continues to operate effectively through the attendance of its chairman at Committee meetings although two meetings have been cancelled due to the COVID-19 pandemic.
- I have outlined the current status of a number of issues relating to changes in regulations and guidance.
- The outcome of the Hymans Robertson good governance review was considered by the Scheme Advisory Board (SAB) earlier in the year but has since been put on hold.

2.0 Introduction

2.1 I last reported on the governance arrangements for the North Yorkshire Pension Fund at the Committee on 13th September 2019. For that meeting, it had only been necessary for me to undertake a high-level overview of the updated policy documents that had been agreed by the Committee. The same applies to my review this year which indicates a high level of continuing compliance.

2.2 As for all local authorities, the past six months has been a period of unparalleled uncertainty due to the COVID-19 pandemic and the need to create a whole new way of working. This has been an extreme test for governance arrangements and the challenges remain. As reported by the SAB in the results of their survey, the majority of LGPS have stood up well to the challenges and North Yorkshire is no exception.

3.0 Core business activity

3.1 Part of my governance review involves monitoring the reports and minutes of Committee meetings and of Board meetings during the year. Although this process only gives me a brief insight into the Committee's operations, it is fundamental in enabling me to form the view that governance standards are being maintained and improved. From my limited experience, I believe these standards remain at a high level despite the problems arising from the pandemic.

3.2 The Committee has considered a broad range of issues during the year covering both administration and investment matters and in line with the business plan. In terms of demonstrating good governance, I would highlight:

- Frequent and regular meetings with good attendance
- Adherence to the business plan with special meetings for key issues
- Robust risk management process
- Regular budget and cash flow monitoring, plus new cash flow policy
- Regular reviews of administration performance
- Strong relationship with the Pension Board (attendance and minutes)
- A disciplined approach to improving knowledge and understanding
- Evidencing compliance with regulations and guidance

4.0 Pension Board

4.1 I have not attended a meeting of the Pension Board in the past year, mainly due to the pandemic causing two meetings to be cancelled. The SAB has expressed concern recently about the cancellation of local pension board meetings generally. As has been reported to the Committee, the Government issued new Regulations in April to enable local authority meetings to be held virtually.

4.2 On the face of it, these Regulations did not apply to local pension board meetings and the SAB has issued guidance, based on legal advice, that boards can rely on the LGPS regulation that states that "*a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions*". It might be argued that this general and wide-ranging power was not intended for this purpose, but it is unlikely to be challenged.

4.3 I am not aware if the Board meeting scheduled for 8th October will go ahead but I would encourage the Board to make arrangements to meet in some way if at all possible. As I have indicated above, the role of the Pension Board is an important element of the governance framework. For North Yorkshire, this is strengthened by the close relationship of the Board chairman with the Committee and in attending meetings. However, this would be weakened if the Board is not able to meet.

4.4 North Yorkshire is not alone in this context and I have made the point to the SAB that Boards need to be comfortable with virtual meetings, that no members are unnecessarily excluded due to the nature of those meetings, and that the ability of members to contribute to discussion is not compromised.

4.5 In my report last year I referred to the current process for reviewing internal audit reports. The Committee has since confirmed that it is content for the existing arrangements to continue. This satisfies my point with the assurance that the Board's consideration will continue to be reported to the Committee and that any exceptional matters will be highlighted.

5.0 Review of policy documents

5.1 The regular review of policy documents is a key component of seeking to ensure compliance, providing assurance to the Pension Board, improving knowledge and understanding of both Committee and Board members, and in providing published information. I particularly commend the continuing practice of reviewing these documents each year as part of the annual report process.

5.2 I reviewed all the policy documents in detail in 2018, and in 2019 it was only necessary for me to review revisions or any changes in the regulatory requirements. Similarly this year, it has only been necessary for me to review changes and I can report that I find all the governance documents, both those reported to the Committee on 3rd July and those submitted to this meeting, to be compliant with the regulations and well drafted.

5.3 I have only minor comments to make which are set out below:

Investment Strategy Statement – I refer in paragraph 8.1 below to outstanding guidance from MHCLG which may require revisions to the ISS when available. The revised section on pooling is particularly helpful in outlining the governance structure.

As I have mentioned in previous years, there remains an anomaly in the current MHCLG guidance in relation to an ill-defined need for consultation when making investment decisions based on non-financial factors and in particular whether the Pension Board should be involved. Hopefully this anomaly will be resolved when revised guidance is issued on pooling, on the preparation of the ISS or on responsible investment, although the latter will not be statutory guidance.

Governance Compliance Statement – Amendments made in paragraph 2.2 give the impression that the terms of reference for the Pension Board were only approved in 2019. I would suggest the wording is revised slightly to read:

"To comply with regulation 106 of the LGPS (Amendment) (Governance) Regulations 2015, terms of reference to establish the Council's Pension Board were first approved at its meeting on 18 February 2015 and subsequently updated at its meeting on 13 November 2019."

Cashflow Policy – While not a regulatory requirement in itself, I commend the introduction of this new policy statement.

6.0 Annual Report

6.1 The regulatory requirement to prepare and produce an annual report is set out in Reg. 57. The North Yorkshire Pension Fund has produced a 'compliant' report in the past and in my view the 2019-20 draft is compliant with the regulations and with the requirement that "*the authority must have regard to guidance issued by the Secretary of State*", which in practice refers to guidance issued by CIPFA. In previous years I have commented on whether every detail of the CIPFA guidance is mandatory, and revisions made in 2019 sought to clarify that using the terms "must", "should" and "may".

6.2 By definition, failure to meet the "must" criteria means non-compliance. However, the Committee and the Board should bear in mind the wording of Reg. 57 and the strength of the 'mandatory' requirement in the CIPFA guidance. In my view the guidance is comprehensive and covers every issue that funds might wish to consider as advice on good practice. However, it does not represent an entirely practical or effective framework in governance terms and one against which compliance could be measured on a reasonable basis.

6.3 Last year I highlighted some detailed aspects of the guidance that were not fully covered and while I might pick through details of the guidance on which more information might be provided, I do not consider this a productive exercise.

6.4 In more general terms, I would describe the report as concise, technical and 'traditional', by which I mean in a similar format to previous years. CIPFA guidance has sought to encourage funds to be more descriptive in reporting on financial outcomes and governance. Two clear examples to me, are the absence of a report by the chairman of the Committee and one by the Pension Board which describe activity and performance from the management perspective. Many LGPS funds do include such statements.

6.5 Perhaps more importantly is the perceived trend in public reporting. In my view, I consider that one element of the Good Governance Review outcomes will be an even more prescriptive requirement on reporting through the annual report. This will need to be considered, possibly for 2020-21, when those outcomes are known and incorporated into statutory guidance.

7.0 Implementation of pooling arrangements

7.1 As I have indicated in previous reports, the introduction of pooling arrangements represents a major change in the way LGPS funds are invested and there is a complex process in progress to develop the structure and to transfer assets.

7.2 In previous years I have referred to the need to establish good governance arrangements. I note that this has now progressed, and details of the overall arrangements are set out in the Investment Strategy Statement. The Committee and Board will need to ensure that the implementation of these arrangements for the North Yorkshire Pension Fund enables them to continue to meet their responsibilities.

8.0 Regulations and Guidance

8.1 Inevitably, the impact of the COVID-19 pandemic has slowed the progress on a number regulatory and guidance matters. I set out below the status on a number of key issues:

McCloud judgement – MHCLG has published a consultation on proposed changes to the regulations to implement satisfactory 'McCloud remedies'.

Exit credits – Following a lengthy consultation process, regulations have now been published on proposals to cap public sector exit payments.

Pooling arrangements – MHCLG issued an informal consultation in January 2019 which was subsequently withdrawn for revision following a significant amount of criticism and challenge. It is not clear when revised guidance will be issued.

Investment strategy guidance – Revised guidance on the preparation of the investment strategy statement is awaited following the Supreme Court judgement handed down on 29th April. In broad terms, the position is that MHCLG can regulate how funds are invested through statutory regulations but cannot determine the choice of individual investments through guidance. It is not clear how MHCLG will progress this issue.

Responsible Investment guidance – SAB issued guidance on responsible investment which included their views on the meaning of 'fiduciary duty'. This was heavily criticised and subsequently withdrawn. They are currently working on an A-Z guide to responsible investing but without reference to fiduciary duty. Any further attempt to define that will most likely be affected by the Supreme Court judgement and any changes to investment guidance.

Climate risk disclosure - I am aware of recent press reports that the Government has put forward proposals to require the largest occupational pension schemes to publish climate risk disclosures by the end of 2022 (£5bn + of assets) and by the end of 2023 (£1bn + of assets). This will mean that such schemes are legally required (based on the recent Pensions Schemes Bill as enacted) to assess and report on the financial risks of climate change within their portfolios.

The requirements are to be regulated by tPR and failure to comply could be subject to mandatory penalty. It is not clear at this stage whether and how these requirements might be applied to LGPS funds, given that tPR does not have regulatory authority over LGPS investments. It is possible that this could be achieved through MHCLG guidance and it will be important to monitor the position.

8.2 All these issues and potential changes will impact upon the governance framework and timescales are likely to be truncated due to the loss of momentum during the pandemic. They will also further complicate the requirements for compliance, knowledge and understanding on both the Committee and the Board.

9.0 Governance reviews and surveys

9.1 **Hymans Robertsons' report on good governance –** The findings of the two working groups set up by SAB to consider the proposals were reported by Hymans in November. SAB agreed that these be taken forward by an implementation group, formed by combining the two working groups. A summary of the findings is attached as Appendix A for ease of reference.

9.2 The implementation group was due to report in May but has been put on hold. In the meantime, Hymans are continuing to prepare draft changes to the governance structure. It is not clear when these might be available for consultation.

9.3 **LGPS National Knowledge Assessment** – Notwithstanding the delay on the Good Governance project, Hymans Robertson launched a National Knowledge Assessment in March, but due to the COVID-19 pandemic, the assessment period was extended into May. Individual funds were invited to participate in order to obtain individual results and national comparisons.

9.4 The cost of participation was set at £5,000 and for that reason, I have not participated, either on a personal basis or on behalf of the local pension board that I chair. I was also concerned at the apparent conflict of interest with Hymans preparing good governance proposals and also running a national assessment on commercial terms.

9.5 The results of the assessment have been published and the executive summary from the report is attached as Appendix B. The public version of the results is generic but does give some indication of the key findings. Further details are available on their website.

9.6 **The Pensions Regulator's Survey 2019 -** The 2019 survey was undertaken at the end of last year but the results have still to be published.

9.7 **Local Pension Board Survey 2019 -** The SAB has decided to defer this survey in view of the COVID-19 pandemic. It is not clear whether this will now become the 2020 Survey or be delayed even longer.

10.0 Conclusions

- The North Yorkshire Pension Fund continues to be administered in line with good governance principles.
- The governance framework is complex and subject to continuing change, particularly as an outcome of the Good Governance Review.
- Some form of requirement to achieve and maintain a suitable level of knowledge and skills seems likely to be introduced for Committee members as well as Board members.
- The governance framework is likely to be subject to independent assessment based on National key performance indicators.

Appendix A

Hymans Robertson's report on good governance

The first report from Hymans Robertson made a number of recommendations.

- Publication of a new Governance Compliance statement to include LGPS responsible person, resources allocated to function, scheme of delegations for LGPS decisions, LGPS budget process and outcome measures;
- Outcome measures should use existing indicators where possible;
- Updated guidance should be published or signposted/approved by MHCLG;
- Guidance should set out minimum requirements of knowledge and understanding for responsible person and decision makers;
- Governance review should be biennial and must be on a consistent basis but may use external or internal resource, and
- Introduction of an LGPS 'Peer Challenge' process

The findings of the working groups were set out in a second report from Hymans Robertson published in November 2019. The project then entered its third phase with consideration of the recommendations made by the two working groups and agreed by the SAB on the 6th November 2019.

To take this work forward, the SAB agreed that the two working groups should be combined to form an implementation group which, together with Hymans Robertson is to consider the steps to be taken to:

(a) Recommend changes to the scheme's regulatory provisions on Governance Compliance Statements.

(b) Prepare revised statutory guidance on Governance Compliance Statements.

(c) Establish a process for the independent assessment of Governance Compliance Statements,

(d) Establish a new set of Key Performance Indicators (KPIs).

Appendix B

Hymans Robertson National Knowledge Assessment

Executive summary

> "An investment in knowledge pays the best interest"
> – Benjamin Franklin

Pension Committees and Pension Boards in the LGPS have a significant responsibility. Acquiring, developing and maintaining a good level of knowledge is key to carrying out their role effectively and ensuring the successful running of their fund. The push for higher levels of knowledge and understanding in LGPS Committees and Pension Boards has two fundamental aims –

1. Informed decision making
2. Informed scrutiny

The goal of the National Knowledge Assessment (NKA) is to present participating LGPS funds with an insight into the level of knowledge of their Committee and Pension Board members, both individually and as collective groups.

We're pleased to share the results of the first ever National Knowledge Assessment.

Our key findings

- **Traditional topics are still dominating** - there are higher levels of knowledge in the traditional Committee and Pension Board topics of Investment and Financial Markets and lower knowledge levels on topics such as Administration and Actuarial Methods, Standards and Processes. A similar theme was found in the 2018 National Confidence Assessment.
- **Training engagement will come from varied and topical training subjects** – respondents to the assessment suggested that they would like more frequent training across a wide range of subjects – training needs to be kept topical and interesting!
- **Different knowledge levels at funds but crucially a good spread of knowledge** – funds did find a fluctuation in knowledge levels of participants - as they may have expected. Crucially though there is a good spread of knowledge on most topics which allows funds to evidence that appropriate challenge and decision making exists at their fund.

What should funds do next?

1. Ensure they have assessed the current knowledge levels of their Committee and Pension Board
2. Use the results to identify weaker areas of knowledge
3. Produce a training plan to improve on these areas and track and record Committee and Pension Board training

We hope you find this report insightful. If you would like to discuss any of our findings further, please do get in touch.

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