North Yorkshire County Council

Agenda

Meeting **Pension Board**

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

Date: **Thursday, 6 October 2022**

Time: **10.00 am**

Independent Chair: Mr David Portlock (Chairman - Independent Member (Non-voting))

Employer Representatives: Councillor Ann Hook, Emma Barberry and David Hawkins. (One Vacancy (NYCC))

Scheme Member Representatives: Gordon Gresty, David Houlgate and Simon Purcell and Sam Thompson

Prior to the start of the Meeting there will be a training session on Cyber Security.

At the conclusion of the training session the public meeting will commence.

Business

1. Welcome, Introductions and Apologies

2. Exclusion of the Public and Press

To consider the exclusion of the public and press from the meeting during consideration of item 6b, Confidential Minutes of the Pension Fund Committee held on 1 July 2022, on the grounds that this involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to information)(Variation) Order 2006

3(a) Minutes of Previous Meeting held on 7th July 2022 **(Pages 3 - 8)**

3(b) Progress on Issues raised at Previous Meetings **(Pages 9 - 12)**

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

4. Declarations of Interest

5. Public Questions and/or Statements

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services (contact details at the foot of page 1 of the Agenda sheet) by midday on Monday 3rd October 2022. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);

when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

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

6(a)	**Minutes of Pension Fund Committee held on 1st July 2022**	**(Pages 13 - 16)**
6(b)	**Confidential Minutes of the Pension Fund Committee held on 1st July 2022**	**(Pages 17 - 20)**
7.	**Pension Fund Administration**	**(Pages 21 - 68)**
8.	**Funding Strategy Statement**	**(Pages 69 - 90)**
9.	**Internal Audit**	**(Pages 91 - 118)**
10.	**Pension Fund Budget and Cashflow**	**(Pages 119 - 124)**
11.	**Training**	**(Pages 125 - 128)**
12.	**Work Plan**	**(Pages 129 - 132)**
13.	**Such other business that in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency**	

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

Wednesday, 28 September 2022

For all enquiries relating to this agenda or to register to speak at the meeting, please contact Stephen Loach, Democratic Services Officer on Tel: 01609 532216 or by e-mail at: stephen.loach@northyorks.gov.uk

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 7 July 2022 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Ann Hook (City of York Council) and David Hawkins (York College).

Scheme Members:

David Houlgate (Unison), Simon Purcell (Unison), Gordon Gresty and Sam Thompson (Hambleton District Council)

In attendance as a Member of the Pension Fund Committee:

County Councillor George Jabbour

County Council Officers:

Ray Busby, Qingzi Bu, Phillippa Cockerill, Ian Morton, Tom Morrison and Jo Foster-Wade.

Copies of all documents considered are in the Minute Book

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1. Chairman's Welcome and Introductions

The Chairman welcomed everyone to the first formal in person meeting of the Pension Board for some time. Members and officers introduced themselves.

2. Apologies for Absence

Apologies were received from Emma Barbery (Askham Bryan College)

3. Minutes of Meeting held on 7th April 2022

Considered –

Minutes of the meeting of the pension board held on Thursday 7th of April 2022 via Microsoft Teams

Resolved -

That the Minutes of the meeting held on Thursday 7th of April 2022 having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record

4. Progress on Issues Raised by the Board

Considered –

Report of the Assistant Chief Executive (Legal and Democratic Services advising members of

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

A response from Government was still awaited in relation to the Hymans Good Governance review. Optimism of an early resolution had receded.

In relation to Minute 265 relating to Pension Administration Breaches Log, this was now regarded as closed.

In relation to the reference to Cyber Security, it was understood that work pressures have delayed the presentation until the October meeting. It would however stay on the list for that reason.

The additional communication exercise planned for pensioners, referred to in Minute No 327 of the table, would undoubtedly place additional demands upon officers. Continuing to meet demand other than by online means – now the default position - was not sustainable under current capacity. IT was explained this is the reason the exercise has been deferred to a later date.

There was some discussion regarding the availability of information and communication particularly for those members who did not have digital access. Gordon Gresty asked that his concern around inclusivity be recorded in the minutes of the meeting.

Phillippa agreed to come back to the Board's October meeting with the scheduling programme for the additional communication to pensioners regarding registering for and using the online functionality.

In response to a question, the Board was advised that the triennial valuation process of the Fund undertaken by the Actuary this year would be the subject of consideration by the Board at a future meeting – date to be determined.

In response to a question regarding Broadacres, it was reported that the application from Broadacres pre-dated LGR and that there would be no financial impact on the NYPF from the proposal, as Hambleton DC were acting as guarantor. Further details on how this was progressing would be submitted in due course.

The other issues were included on the agenda and would be updated during consideration of those items.

Resolved -

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

5. Declarations of Interest

There were no declarations of interest.

6. Public Questions or Statements

There were no public questions or statements.

7. Minutes of Pension Fund Committee held on 27th May 2022

Considered –

Minutes of the meeting of the Pension Fund Committee held on 27th May 2022

The Chairman noted that the Minutes from the meeting had been circulated with the papers for this meeting. Members of the Board did not raise any issues.

Resolved –

That the Minutes be noted.

8. Verbal summary of the Pension Fund Committee held on 1st July 2022

The Chairman explained that the nature of the Pension Fund Committee's considerations at its meeting held on 1 July 2022, comprised the Governance Arrangements papers included in the agenda papers for the Board.

9. Pension Board draft Annual Report 2021/22

Considered –

Draft report of the Pension Board Annual report for 2021/22.

The Chair had identified several typographical and accuracy issues in the report (recorded below). These would need to be taken on board before submission to the Pension Fund Committee, the County Council's Executive and then the full council.

Attendance at Meetings

- There were 4 remote Meetings of the Board during 2021/22 – 1 formal and 3 informal
- Attendance at meetings was as follows: -
- 8th April 2021 – Formal, virtual meeting - County Councillor Bob Baker and Councillor Anne Hook absent. All other Members in attendance.
- 8th July 2021 – Informal, virtual meeting. County Councillor Bob Baker, Emma Barberry and David Hawkins absent. All other Members in attendance.
- 7th October 2021 – Informal, virtual meeting –All Members in attendance.
- 13th January 2022 – Informal, virtual meeting – County Councillor Bob Baker absent. All other Members in attendance.

Data Quality

- In line with the requirement introduced by the Pensions Regulator, to include each Fund's data score in the annual return with effect from 2019, NYPF have submitted the following scores for 2021:
- Common Data: 97.52%
- Conditional Data: 94.95%

In response to a question of clarification relating to the Board's budget, it was explained that the sum allocated was not a cap as such, rather it was a guide as to the amount required for the Board to fulfil its functions effectively.

Resolved –

That the report be approved on that basis.

10. Pension Fund Administration

Considered –

The Head of Pensions Administration, Phillippa Cockerill, provided Members with a report updating on key initiatives undertaken by the Administration Team of the NYPF.

Feedback was welcomed on the documents enclosed relating to pension fund governance.

The NYPF draft accounts had not been finalised by the time of the meeting. They would be circulated to Board members once this has happened. Comments would be welcome. The Chair reminded Board members that the responsibility to approve the final audited accounts rests with the Audit Committee. The deadline for issuing the draft PF accounts is 31 July 2022. The deadline for Audit Committee approval of the audited accounts is 30 November 2022.

In response to a question in relation to cyber security, arrangements for the presentation to members was in hand.

Resolved –

That the contents of the report be noted.

11. Internal Audit Update

Considered

Ian Morton, the Assistant Director – Audit and Assurance, provided the Pension Board with an update on Internal Audit activity.

Two projects remained in progress as recorded in the report schedule; it was expected that both will be completed shortly with every prospect of being able to report the outcome to the next Board meeting.

The two outstanding items in relation to 2021 audits, required by April 2022, had actions completed.

For the future, it was intended to set out a summary of action to be undertaken in the narrative of the report submitted to the Board.

Resolved –

That the report be noted.

12. Dispute Cases and Exercises of Discretion

Considered –

Report providing members with details of the cases received via the Internal Dispute Resolution Procedure and those cases referred to the Pensions Ombudsman in the scheme year to 31 March 2022.

Resolved -

That the report be noted.

13. Training

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

Members were reminded of the availability and details of the Hymans Robertson online training package and that the aim was for Board meetings to provide an opportunity for Members to undertake appropriate training. The regulations require each Member of the Board to have undertaken the appropriate training. However, to recognise the current demands on Board Members' time the Chair suggested that providing each Board Member undertook some of the Hymans' Online Modules training and attended some of the other training offered by other providers, he would contend with the Administering Authority, or the Pensions Regulator, that collectively the Pensions Board had the required skills and knowledge to carry out its responsibilities..

When discussing the report, Members agreed that in addition to the online resources that were available, it would be timely and advantageous to have in-person training.

Resolved-

That the report, and issues raised, be noted.

14. Work Plan

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board for the coming year and providing meeting dates for the Pension Board until April 2023.

The Chairman reported that David Hawkins had given prior notice of his intention to raise the North Yorkshire Pension Fund's proposal to introduce a new Intermediate Funding Target for colleges and universities who can sufficiently demonstrate the strength of their covenant to the Fund. This is part of an overall review of the Intermediate Funding Target which was introduced at the 2019 valuation. He had concerns about how the opportunity for Colleges and Universities to reduce their contributions if they can demonstrate a strong covenant, would be carried out.

The Chairman understood the concerns raised, but reminded Board members that employer contributions are considered as part of the Triennial Valuation and will include discussions between employers and the Fund, with input from the Actuary as appropriate. The Pension Board would not be involved in these discussions.

David Hawkins acknowledged the position.

Resolved –

That the Work Plan, as detailed in Appendix 1 to the report, be noted.

The meeting concluded at 12.15pm.

North Yorkshire County Council

Pension Board

6 October 2022

Progress on issues raised by the Board

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

1.0 Purpose of the report

1.1 To advise Members of:-

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

2.0 **Background**

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

Date	Minute No and subject	Resolution/Action	Comment/completed
3 October 2019 – ongoing – delayed by COVID 19	Minute no 223 – Governance of the Fund/ Minute no 231 (b) – progress on Issues raised / Minute no 289(b) -– progress on Issues raised	Hymans Robertson Report on Good Governance in the LGPS – Members raised concerns regarding the potential for the creation of new local authority bodies and joint committees to oversee the LGPS, which had been raised as part of this study/consultation.	Members agreed to monitor developments in relation to any potential changes to governance arrangements from the Scheme Advisory Board, going forward. Advice is still awaited in relation to this matter. The issue was now progressing with the final implications awaited.
14 January 2021 - ongoing	Minute no 265 – Pension administration – Cyber Security / Minute no 289(b) &306(b) -– progress on Issues raised	The NYPF was covered by the NYCC Policy on Cyber Security and was monitored by Technology and Change, who would be developing a series of reports on this matter for use throughout the Authority.	Reports have not been provided but there will be an IT and cyber security presentation provided by NYCC at the October meeting.

7 October 2021	Minute no 309 - Pension Fund Committee - update on Meeting held on 10 September 2021	Request for Broadacres Housing Association to join the North Yorkshire Pension Fund (NYPF) and for their assets and liabilities to be covered by a transfer agreement with Hambleton District Council.	Progress on the Broadacres transfer into the NYPF will be reported as a standing item at every meeting until the transfer has been completed.
14 January 2022	Minute No. 327 – Pensions Administration	Communication in relation to how details with regards to pensions were provided to pensioners (online or hard copy) had been made with all pensioners, and a further communication exercise would be undertaken, as it was noted that there had been a low response, initially, and the default position was online.	In light of other demands within the pensions team the issuing of a further communication to pensioners has been put on hold for now.
7 April 2022	Minute No. 344 - Border to Coast's Responsible investment Policies	It would be appropriate to indicate timeframes for implementation of policies by fund managers, following engagement, rather than this being left open ended.	BCPP was in a strong position to influence companies and would ensure that this influence was maximised going forward with details would be fed back into the Board.
7 April 2022	Minute No. 346 - Business Plan, Budget 2022/23 and Cashflow	The Triennial Valuation (TV) process was now underway.	Towards the end of the TV process a presentation be provided to both the Board and PFC on the impact on liabilities and investments.
7 July 2022	Minute No.7 – Pension Board draft Annual report 2021/22	The suggested amendments to the Annual Report had been made.	Following the cancellation of the September meeting of the Pension Fund Committee the Pension Board Annual Report would now be submitted directly to the County Council's Executive and then to the November Meeting of the County Council.

3.0 Recommendation

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

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

Report Author – Steve Loach – October 2022

Background Documents – None

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North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 1 July 2022 held at County Hall, Northallerton commencing at 10 am.

Present:-

County Councillors John Weighell OBE (Chairman),George Jabbour, Sam Gibbs, Carl Les (as substitute for Peter Wilkinson) David Noland, Neil Swannick, Angus Thompson, Matt Walker and Andrew Williams.

David Portlock - Chair of the Pension Board.

County Councillors Margaret Atkinson and Peter Wilkinson, Councillor Christian Vassie - City of York Council, and Councillor Patrick Mulligan – North Yorkshire District Councils submitted their apologies

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Copies of all documents considered are in the Minute Book

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10. Exclusion of the Public and Press

Resolved –

That on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, the public was excluded from the meeting during consideration of Min.15 Asset Allocation Issues

11. Minutes

Resolved -

That the Minutes of the meeting held on 27th May 2022 were confirmed and would be signed by the Chairman as a correct record, subject to the following additions:-

The addition of County Councillor David Noland to the list of apologies.

County Councillor George Jabbour requested that his concerns regarding the Fund's significant exposure to Baillie Gifford be added to Minute No.8 – Performance of the Fund – Baillie Gifford rebalancing

12. Declarations of Interest

County Councillor George Jabbour noted that, at the previous meeting he had declared an interest in relation to the business in which he is involved, but had subsequently received advice that there was no need to declare this. He would continue to declare the non-registerable interest that he has been campaigning on issues involving the way public sector organisations, pension funds and other institutions manage their finances.

13. Public Questions or Statements

There were no public questions or statements.

14. Governance Arrangements

Considered -

The report of the Treasurer requesting Members to review a range of governance documents and for the Committee to approve or note the following documents, as appropriate, and to provide Members with an update on the draft 2021/22 Statement of Accounts:

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

Details of the alterations made, if any, since the previous review of the documents, were outlined by officers. Details of the current position in respect of the North Yorkshire Pension Fund (NYPF) draft Statement of Final Accounts were provided for information and it was noted that they were not available at this stage.

Members discussed the documents and the following issues and points were raised:-

- A Member queried the 5% investment allowance for entities connected to the administering authority. In response it was stated that this position reflected the 2016 Local Government Pension Scheme (LGPS) legislation, but the NYPF did not have any such investments, and it would be for the Committee to decide if they chose to pursue this.
- It was stated that completed versions of the documents would be provided to Members, without the tracked-changes, when the review had taken place.
- A Member referred to the training policy and noted that it recommended that all Committee Members complete the LGPS Toolkit and the Hymans online training package. He raised concerns that requiring both to be undertaken could lead to repetition and overlap. In response it was stated that the different toolkits provided different perspectives to the workings of the LGPS, therefore, it was useful to have knowledge of both. The Hymans package provided a good basis for understanding the LGPS and was continually updated to ensure that Members were kept abreast of any developments. The toolkit provided by the Pensions' Regulator was a good

supplement to this. Members discussed the training opportunities available and the Hymans platform was highlighted as being particularly useful and beneficial. A Member suggested that some of the modules appeared a little in-depth, providing knowledge at a level more expected for officers rather than Committee Members. In response it was stated that the modules were a useful tool to assist Members with their service to the Committee, with officers providing guidance at meetings, but the in-depth knowledge would assist Members with difficult decisions, going forward. The Treasurer acknowledged the benefits of the training modules, particularly for new Members, and suggested that the Hymans package was approached first, as part of the Continued Professional Development for Members. A review of Members training requirements would be undertaken in 6 months time. It was noted that, currently, a review of governance arrangements for LGPS funds was awaiting a response from the Government, and this could result in changes being made to to the governance of the NYPF as a result. A Member emphasised that the unique role of the Committee required Members to have as much detail as possible as to how Funds in the LGPS operate, to ensure that their function could be delivered effectively.

- Members discussed the cashflow policy and position of the Fund, and it was asked whether a minimum limit for the amount of cash required should be set out in the policy. The Treasurer stated that the issue of cashflow had been raised as a concern by both the PFC and the Pension Board, previously, however, he emphasised that the Fund would not find itself in a position whereby there was insufficient money to pay what was required. The framework, set out in the policy, enabled funds to be moved around to ensure payments could be made even if the Fund should become cashflow negative. It was noted that a number of LGPS Funds now operated with a negative cashflow and it was not a significant concern.
- In terms of the draft Statement of Final Accounts, it was explained that these were not available at this stage but would be provided to Members as soon as they were. It was noted that the Committee was not required to approve the accounts, as that was undertaken through the Authority's Audit Committee, however, the Committee did consider these for information and the final accounts would be reviewed as part of the consideration of the Annual Report.

Resolved –

(i) that the changes made to the following governance documents be approved:

- Communications Policy
- Risk Register
- Pension Administration Strategy
- IDRP Guide
- Governance Roles and Responsibilities
- Charging Policy
- Breaches Policy
- GDPR Privacy Notice
- GDPR Memorandum of Understanding
- Training Policy

(ii) that the following governance documents be noted:

- Investment Strategy Statement
- Governance Compliance Statement
- Funding Strategy Statement
- Admissions and Terminations Funding Policy
- Administering Authority Discretions Policy
- Cashflow Policy
- Responsible Investment Policy

(iii) that the update on the 2021/22 NYPF Statement of Accounts be noted.

Minute No.15 was considered as a private item (see Minute No. 10, above) and a separate confidential minute was produced. The Minute below provides a public record of the consideration of that item.

15. Asset Allocation Changes

Considered –

The report of the Treasurer:-

Providing background information on the steps taken to implement the investment strategy agreed by Members in 2021.

Setting out the Fund's asset allocation position and the options available to Members to rebalance between equity managers.

Updating Members on the Global Property and the expected timing of the launch of Border to Coast's Global Property Fund.

Noting the position on the Fund's residual allocations which were due to come to an end.

Resolved –

That the Committee agrees to disinvest from Dodge & Cox, and reinvest into Baillie Gifford up to their strategic allocation of 18% of the value of the Fund, in two tranches and as soon as practicable, with any surplus being invested at the discretion of the Treasurer.

The meeting concluded at 11.40 am SML

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 6b

Document is Restricted

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North Yorkshire County Council

Pension Board

6 October 2022

Administration Report

1. Purpose of the Report

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

2. Pension Fund Committee paper

Included for information at **Appendix 1** is the administration paper and appendices provided to the Pension Fund Committee for their September 2022 meeting.

3. Breaches Log

Included at **Appendix 2** is the North Yorkshire Pension Fund's Breaches Log for review. There is one new entry relating to failure to issue five 2021 Pension Saving Statements within the statutory deadline of 6 October 2021.

We have undertaken a review of the process and established the root cause is different to the previous breach which was caused by data not being input when a transfer in is received. The data missing this time related to the year-end pay figures required by the calculation.

Processing amendments have been made to enable us to identify members in this scenario in future. We continue to review and improve the process year on year to prevent statements being missed.

4. Annual Benefit Statements

Annual benefit statements have now been produced.

100% of deferred statement were produced on 25 July 2022 and published online on 5 August 2022.

98.16% (28,997/29,541) of active statements were produced on 9 August and published online on 18 August. Email notifications have been sent to employers and all members with an email address.

Of the 545 active statements outstanding:

359 are not due a statement:
- 307 - have an outstanding piece of work within administration
- 52 – have a data error marker on record which is undergoing investigation and correction

186 – pending further investigations as to why statement has not been produced, we continue to work through these

5. **Major Projects**

5.1. i-Connect - Employer portal

We have now posted the April to June monthly files for NYCC, awaiting July from them, due today and the April to July files for CYC. August file will be used for training of CYC staff on 23 Sept. As soon as these postings are up to date we will be able to hand over the submissions to each employer. We are now focussing on the on-boarding of the remaining employers with the districts being high priority due to LGR.

6. **Broadacres**

We had a minor set back as the S151 officer at Hambleton has left due to the end of their temporary contract but it looks like we're aiming for 1 November as potential transfer date as long as our legal documents have been signed and DLUCH agree to the re-designation.

7. **LGPC Bulletins**

The LGPC regularly issues bulletins, which can include actions for administering authorities. The NYPF reviews every bulletin and logs any actions highlighted. A log of the actions is included at **Appendix 3** to enable Pension Board Members to ensure appropriate activities are being undertaken

8. **Recommendation**

8.1. That Pension Board Members note the contents of this report.

8.2. That Pension Board Members note the contents of the Breaches Log and determine whether a report should be made to the Pensions Regulator.

Phillippa Cockerill
Head of Pensions Administration
County Hall
Northallerton

27 September 2022
Background Papers - Nil

North Yorkshire County Council

Pension Fund Committee

9 September 2022

Administration Report

Report of the Treasurer

1. Purpose of the Report

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

2. Admission Agreements & New Academies

2.1. The latest position relating to admission agreements and academy conversions is shown in **Appendix 1**.

3. Administration

3.1. Membership Statistics

Membership Category	At 31/03/2022	+/- Change (%)	At 30/06/2022
Active	32,155	-4.92%	30,572
Deferred	38,672	+1.5%	39,244
Pensioner (incl spouse & dependant members)	27,206	+1.77%	27,687
Total	**98,033**		**97,503**

3.2. Throughput Statistics

- Period from 1 April 2022 to 30 June 2022

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	2	29	21	10
Transfer Out quotes	11	114	64	61
Employer estimates	4	38	38	4
Employee estimates	13	96	90	19
Retirement quotes	53	385	407	31
Preserved benefits	74	368	300	142
Death in payment or in service	127	311	343	95
Refunds	47	387	390	44
Actual retirement procedure	834	641	827	648
Interfund transfers	285	359	444	200
Aggregate member records	178	737	715	200
Process GMP	0	0	0	0
Others	212	169	182	199
Total Cases	**1,840**	**3,634**	**3,821**	**1,653**

- Alongside the above cases, the Pensions team also handled 2,959 phone calls (average 63 per working day) and 6,526 emails received via the Pensions Inbox (average 108 per working day) in the quarter to 30 June 2022.

Performance Statistics

- The performance figures for the period 1 April 2022 to 30 June 2022 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	92%
Customers surveyed ranking service good or excellent	94%	97%
Increase numbers of registered self-service users by 700 per quarter (total registered users 37,318)	700	999

- Our Measured work completed within target rating continues to be impacted by the high demand into the team. It is anticipated that recent team changes and staff recruitment will start to have a positive impact on this in the near future.
- Our priority continues to be to pay member benefits as promptly as we can. When demand is high on the retirements team staff from other teams are drafted in to assist and this then has an impact on the delivery against their targets. As we are able to increase the knowledge and experience of the new staff, numbers can be increased across all teams, reducing the impact of busy periods.

3.3. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Apr	2	Fantastic help
May	3	All very helpful, knowledgeable and patient
Jun	0	

Complaints

Date	Number	Summary
Apr	0	
May	3	Admin – explanation of previous error not clear and late interest not paid IHER – level of IHER awarded Regs – complaint about reductions being applied to benefits
Jun	1	Admin – delays in processing benefits

- The complaint categories are:

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

Lessons Learned

Having reviewed the complaints received in the period there were no patterns identified requiring further attention.

3.4. **Annual Benefit Statements 2022**

Annual benefit statements have now been produced.

Deferred members: 100% of membership – 38,823 statements produced on 25 July 2022 and published online on 5 August 2022.

Active members as at 12 August 2022:

97.73% of membership – 28,873/29,545 statements produced on 9 August 2022 and are due to be published online once checking has been finalised (ahead of 31 August 2022 statutory deadline).

Of the remaining 672 members:

120 – have outstanding year end tasks
201 – have “other” outstanding administration tasks on record
56 – are x’d out, no outstanding task, prohibits statement creation due to error on record
295 – pending further investigations as to why statement not produced

All statements are published online with 1,578 paper copies issued to those members who have opted to receive one. Members are notified of statements being available by email and via their employers.

3.5. **Breaches Policy & Log**

The North Yorkshire Pension Fund’s Breaches Log is included at **Appendix 2** for review. There is one new entry this time relating to the late provision of the 2021 Pension Savings Statements to five recipients.

We have submitted a report to HMRC advising of the late issuing of the statements and await a response from them. Previous reporting has resulted in no response at all so we don’t expect anything in this case either.

To prevent this issue recurring we have undertaken a review of the annual process and made amendments so similar cases can be identified early.

4. Issues and Initiatives

4.1. **Administration System Project**

The delivery stage of this project and its various work streams is progressing well.

- Both NYCC & CYC have uploaded their month 12, year end, files via i-Connect and we are now working on catching up with monthly files for both employers from April onwards.
- On-boarding of employers to our online portal i-Connect has been temporarily paused due to the team focussing on year end processing, Valuation data processing and annual benefit statement production. This will resume as soon as possible and our aim is still to have all employers on-boarded by 31 March 2023.
- Website development continues.

4.2. **McCloud**

We continue to collect and collate data from employers. The third party supplier is still collating, formatting and validating the data before moving onto the next stage of data load.

We have undertaken a large amount of manual work on both the NYCC & CYC data files and whilst we have managed to get part of the data to the third party for loading the remaining data will need to be loaded by the pension team in house. This will be approximately 50% of the data for each employer and is a significant piece of work.

When the data has been loaded, the errors will need to be reviewed and corrections made before the live data load can happen. Again, this will be a significant piece of work and will be resourced by a small project team taken from within the administration function.

5 Broadacres

Progress continues with the request from Broadacres Housing Association (BHA) to transfer their pension assets and liabilities from the London Pension Fund Authority to the North Yorkshire Pension Fund. The final versions of the draft legal documents are being agreed and, subject to agreement, a transfer date will be then be agreed.

6 Governance Documents

The Funding Strategy Statement has been amended. The changes that have been made to the previously approved version can be seen in tracked changes.

The Funding Strategy Statement, attached as **Appendix 3** 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. The policy has been reviewed and updated by the Fund's actuary ahead of the 31 March 2022 triennial valuation of the Fund and information regarding pre-payment of employer contributions has been added. The FSS will be subject to further explanation as part and parcel of the Actuary presentation to PFC elsewhere on the agenda. **Members are asked to approve this document** and, following consultation with employers, delegate authority to the Treasurer of the Fund to respond to any comments and feedback from employers.

7 Member Training

The Member Training Record showing the training undertaken to March 2022 is attached as **Appendix 4.** Please contact Stephen Loach (01609 532216 or email stephen.loach@northyorks.gov.uk) with any details of training undertaken or conferences attended and these will be added to the training record. Consideration has been given to undertaking the Hymans Knowledge Assessment, however, it was determined that it feels too early, at this stage, for this. Members are encouraged to complete the Hymans online modules on offer and then an assessment will be undertaken as to whether there are knowledge gaps to fill.

Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. Please contact Kirsty Howes (01609 533298) or email kirsty.howes@northyorks.gov.uk for further information or to reserve a place on an event. Events are currently limited due to the pandemic.

Given the start of a new Committee, further training has been devised to help with the induction of new Members and the creation of a new team. The views of Members will be sought as we progress through this approach but, given the technical nature of some of the areas of responsibility, there will be a significant number of training events and it will be suggested that on-line training is made mandatory for all Members. It is recognised however that this will need to be done proportionately and over a period of time.

8 Meeting Timetable

The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 6**.

9 Recommendations

9.1 Members to note the contents of the report.

9.2 Members to determine whether a report should be made to the Pensions Regulator regarding the data breach reported.

9.3 Members to approve the updated Funding Strategy Statement and delegate authority to the Treasurer of the Fund to respond to any comments and feedback from employers

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

27 September 2022

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Academy Conversions – 27 ‘in progress’

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Malton Community Primary School	NYCC	Hull Collaborative Academy Trust	1.1.2022	Approval received from the Secretary of State to join the East Riding Pension Fund. Transfer in progress
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	1.9.2022	In progress
St Margaret Clitherow Catholic Academy Trust		Trust is closing on 31.8.2022. Schools will transfer to Nicholas Postgate Catholic Academy Trust (an existing Trust in the Fund) and St Cuthbert’s Roman Catholic Academy Trust (a new Trust)	31.8.2022	In progress
St Cuthbert’s Roman Catholic Academy Trust		A new Trust (see above)	1.9.2022	In progress
Dacre Braithwaite CE Primary School Fountains CE Primary Grantley School Grewelthorpe CE Primary School Holy Infant CE Infant School Holy Infant CE Junior School Roecliffe Primary School Kirby Hill Primary School Carleton Endowed CE Primary School	NYCC	Leeds Diocesan Learning Trust	Between 1.9.2022 and 1.11.2022	In progress
Ripley Endowed CE VC Primary School	NYCC	Elevate Multi Academy Trust	1.10.2022	In progress
Beckwithshaw CP School	NYCC	Elevate Multi Academy Trust	1.10.2022	In progress
Kettlesing Felliscliffe Primary School	NYCC	Elevate Multi Academy Trust	1.10.2022	In progress
Oakridge Community Primary School	NYCC	Yorkshire Endeavour Academy Trust	1.11.2022	In progress

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
South Kilvington CE VC Primary School	NYCC	Elevate Multi Academy Trust	1.11.2022	In progress
Brompton Hall Special School	NYCC	Venn Academy Trust	1.12.2022	To progress nearer the time
Great Smeaton Primary School		Changing from a single Academy Trust to join Lingfield Education Trust	Possibly 1.4.2023	In progress
Middleham CE VA Primary School (NYCC)	NYCC	Possibly Dales Academies Trust	TBC	Will be progressed when conversion date known
Spennithorne CE VC Primary School (NYCC)	NYCC	Possibly Dales Academies Trust	TBC	Will be progressed when conversion date known
Norton College		Evolution Schools Learning Trust transferring to the Ryedale Learning Trust	TBC	Will be progressed when conversion date known
Barkston Ash RC Primary School	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	Not known	Delayed from 1.9.2020
St Wilfrid's Catholic Primary School, Ripon	NYCC	Possibly with Bishop Wheeler Catholic Academy Trust	Not known	Delayed from 1.9.2020
Naburn CoE Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.10.2018
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.11.2018
Elvington CoE Primary School	COYC	South York Multi Academy Trust	Not known	Conversion delayed, new date not yet known
Fishergate Primary School	COYC	South York Multi Academy Trust	Not known	Delayed from 1.12.2018

Admission Bodies - 14 ‘in progress’

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
City of York Council Bishopthorpe Infant School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council Carr Infant School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council Lord Deramore’s Primary School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council Poppleton Road Primary School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council Ralph Butterfield Primary School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council St Paul's Primary School	Mellors Catering Services Limited	28.7.2021	Complete
City of York Council Yearsley Grove Primary School	Mellors Catering Services Limited	28.7.2021	Complete
Northern Star Academies Trust New Park Primary Academy Harrogate High School Hookstone Chase Primary School Starbeck Primary Academy	Aspens Services Limited	1.1.2022	In progress
South York Multi Academy Trust Bishopthorpe Infant School	Mellors Catering Services Limited	1.1.2022	In progress
Outwood Grange Academies Trust Outwood Academy Ripon	ISS Mediclean Limited	1.1.2022	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
The Rodillian Trust Brayton Academy	Aspens Services Limited	8.4.2022	In progress
North Yorkshire Fire & Rescue Service (cleaning contract)	Atlas	29.4.2022	In progress
Pathfinder MAT Badger Hill Primary	Hutchison Catering Limited	1 May 2022	In progress
Coast & Vale Learning Trust Filey School	Hutchison Catering Limited	1 June 2022	In progress
South Bank Multi Academy Trust Carr Junior School Millthorpe School York High School	Bulloughs Cleaning Services Ltd	1.8.2022	In progress
NYCC Burton Salmon Primary School	Mellors Catering Services Limited	1.9.2022	In progress
NYCC Chapel Haddlesey Primary School	Mellors Catering Services Limited	1.9.2022	In progress
NYCC Barwic Parade Community Primary School	Mellors Catering Services Limited	1.9.2022	In progress
Selby Educational Trust Selby Community Primary School Carlton Primary School	Mellors Catering Services Limited	September 2022	In progress
South Bank Multi Academy Trust Scarcroft School	Bulloughs Cleaning Services Ltd	1.1.2023	Will be progressed nearer the time
Elevate MAT Caretaking and cleaning contract	SBFM Limited	1.9.2022	In progress

Exited Employers – 24

Name of Employer	Date exited the Fund
OCS Group UK Limited	31.3.2017
Superclean Services Limited	16.7.2017
Joseph Rowntree Charitable Trust	31.12.2017
York Arts Education (Community Interest Company)	31.3.2018
Be Independent	31.7.2018
Housing & Care 21	31.8.2018
Consultant Cleaners	31.10.2018 (voluntary liquidation)
The Wilberforce Trust	22.3.2019
Dolce Limited	14.4.2019
Schools Plus	30.4.2019
Sewells Facilities Management Limited	21.12.2020
Sheffield International Venues	31.1.2021
Caterservice Ltd	12.2.2021
Enterprise Managed Services Ltd (Amey)	28.2.2021
Taylor Shaw Limited	12.2.2021

Name of Employer	Date exited the Fund
RCCN Limited	31.3.2021
Streamline Taxis Limited	28.5.2021
Ringway Infrastructure Services Limited	31.5.2021
Churchill Security Solutions Limited	31.5.2021
Hexagon Care Services Limited	6.8.2021
Sanctuary Housing Association	20.12.2021
Atalian Servest Food Co Limited	31.12.2021
Elite Cleaning and Environmental Services	31.12.2021
4 Site Security Services Limited	11.4.2022
Welcome to Yorkshire	14.4.2022

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end.			14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated			22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N
31/08/2019	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 95.69% of Active members received a statement. (1,342 members did not)	Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 329 as at 9 October, work will continue until end of year to further reduce number unissued. Final position: 329 unissued			22/11/2019	03/10/2019	PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. Following provision of above information both PFC & PB agreed not to report this time.	N
09/04/2020	Administration	A member's leaver statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
11/05/2020	Administration	A member's retirement statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's letter was incorrectly sent to the wrong member along with their own letter.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's calculation print was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
26/05/2020	Administration	A pensioner received a payslip which belonged to another pensioner.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
27/05/2020	Administration	A member received a letter meant for a solicitor dealing with the death of another member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
31/08/2020	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statments can be issued.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 94.21% of Active members received a statement. (1,784 members did not)	Analysis of the 1,784 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 274 as at 20 October, work will continue until end of year to further reduce number unissued.			27/11/2020	29/10/2020	PB - Oct meeting, noted position, agreed not to report. PFC - Nove meeting, noted position, agreed not to report.	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
30/11/2020	Administration	A member contacted us to advise she had received the starter pack for another member but with her address on it. The member also advised there were 2 other members affected.	Employer submitted starter file and the data has been mixed up for a number of members, address 26 records, date of birth 11 records, payroll no 21 records, date joined 8 records and school name 18 wrong	Data Protection Act 2018	Accidental disclosure of personal data for a number of members to another member. It is highly likely that the receipient knows the person whose information was disclosed. The 3 original members had discussed it.	Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. Data sent back to employer to provide corrected information. Employer advised we have reported the data breach and we've asked for clarification of what process changes they have made to prevent it recurring. Replacement starter packs issued with correct details on and covering letter advising reason for disclosure and contact details for employer.			05/03/2021	14/01/2021	PB - Recognised the issue was an employer one rather than a Fund one. PFC - Recommended no report required	N
05/10/2020	Administration	Failure to issue 3 members with annual Pension Saving Statements (PSS) in the relevant years. One member was missing a PSS for the 18/19 year, one was missing a PSS for 16/17 and one was missing a PSS for 16/17, 17/18, 18/19 & 19/20.	There are two main causes as follows: missing data and staff not realising a statement should have been issued when the record was recalculated.	Finance Act 2004	When the member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. They can elect to either pay the tax charge via a Scheme Pays option or directly to HMRC. Because the PSS haven't been issued members are now late submitting to HMRC. We are aware of members who have ignored the information we have sent for a number of years, when they do contact HMRC they are advised to just pay what is due. There appear to be no penalties applied. Because we haven't advised members at the correct time they have been unable to take action to mitigate the impact in subsequent years. Members in this position often switch to the 50/50 section to reduce their pension accrual. A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years.	We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take. We have struggled to establish how to report the breach to HMRC but will resubmit the annual HMRC returns for the relevant years. We will then respond to HMRC accordingly. We have reviewed our internal processes and are taking steps to educate the wider team and address some of the issues at source rather than waiting until year end. A targetted working group will be established in the summer to address the backlog of changes we get each year. This will involve training a small number of staff on the whole Annual Allowance process, what it is, why it's important, teh impact on affected members and how to update and maintain records correctly. This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team. Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
19/11/2021	Administration	One Pension Savings Statement (PSS) issued after statutory deadline of 6 October 2021	Record was inhibited from bulk annual allowance run whilst a query on another record was resolved	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. The deadline for a paper annual tax return was 31 October 2021 so the member could not use this option. However, the deadline for an online tax return is 31 January 2022.	Senior officer review of annual process	N/A	N/A	04/03/2022	13/01/2022	PB - No report PFC - No report	N
22/02/2022	Administration	5 letters were included in the same envelope to a single recipient who was the next of kin of a deceased member	Staff member on post duty did not follow the agreed process	Data Protection Act 2018	Accidental disclosure of personal data for 4 members to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient confirmed destruction of 4 letters received in error. Staff reminded again of correct process to follow. Staff involved spoken to directly. Alternative printing and posting arrangements being investigated. Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO.	N/A	N/A	27/05/2022	07/04/2022	PB - No report PFC - No report	N
28/07/2022	Administration	Five Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Records were not selected in the bulk annual allowance process as the year end pay information used in the calculation had not been updated on the records	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Senior officer review of annual process. Process amended so that future similar cases are identfied.	N/A	N/A	09/09/2022	06/10/2022	PFC - PB -	

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North Yorkshire Pension Fund

202~~1~~2 Funding Strategy Statement (FSS)

lgps | Local Government Pension Scheme

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;
- the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements; 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.

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS with details on the Fund's policy on these flexibilities set out in the Admissions and Terminations Funding Policy.

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.
- ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all fund employers.

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
- notify the Administering Authority of any material change in financial circumstances for the employer

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, in particular in relation to any review of contributions between triennial valuations under Regulation 64A
- provide views in relation to any decision by the Administering Authority to spread an exit payment under Regulation 64B
- 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 2022~~19~~ 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 2022~~19~~ valuation, the Administering Authority's default approach is to step any contribution ~~increases~~ changes 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 2022~~19~~ actuarial valuation:

- A default recovery period of 15 years will apply for open employers that are assessed to have a deficit.
- A default recovery period equal to the average future working lifetime of the membership of the employer will apply for closed employers that are assessed to have a deficit.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 18~~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~~ 2019 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~~ 2022 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~~18 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 20~~19~~22 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 2023~~0~~/2~~3~~6 in respect of the past service deficit subject to the review from April 2026~~3~~ based on the results of the 2025~~2~~ 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 202~~0~~3/202~~3~~6. 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.

Amending of contributions between triennial valuations

The Administering Authority may also amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in the Admissions and Terminations Funding Policy.

Pre-payment of contributions

The Administering Authority may, after considering the advice of the Fund Actuary, permit particular employers to pay contributions early as a lump sum that would otherwise be payable over the following year (or a longer period not exceeding three years). An appropriate discount, as determined by the Fund Actuary, would be applied to the contributions to reflect the early payment. A true-up adjustment may be required if the early payment of contributions based on an estimated payroll results in lower contributions being paid into the Fund (after allowing for the discount) than would otherwise have been the case.

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 dated July 2021, is:

Asset Class (Summary)	%
Equities	50
Infrastructure	10
Property	7.5
Private Credit	5
Multi Asset Credit	5
Corporate Bonds	7.5
Government Bonds	15
TOTAL	**100**

The funding strategy adopted for the 2021 investment strategy review was based on an assumed long-term investment return assumption of 4.0% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of 5.6% as at the date of the investment strategy review.

Bespoke Investment Strategy for individual employers

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 consider offering any employer the opportunity to adopt a lower risk Bespoke Investment Strategy (e.g. 100% government 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 material 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. Employers should be aware that they would be required to meet any costs associated with the design and implementation of a Bespoke Investment 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 orphaned liabilities and/or a shortfall in payments where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic is a specific ~~current~~ risk which may have adverse consequences in relation to employers' finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers to engage with the Fund where their financial circumstances have changed, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy as set out in the Admissions and Terminations Funding Policy are met.

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 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~~ 2022 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.

Climate Risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns and life expectancy under review and will commission advice from the Fund actuary on the potential effect on funding as required. [At the 2022 valuation the Fund actuary will undertake scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period.]

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 of the bonds that are in place for Admission Bodies.

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A.

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 timing and detail of any regulations in relation to the remedy to compensate members for illegal age discrimination ~~full scale of the costs~~ following the outcome of the McCloud/Sargeant cases.

  For the purposes of the 2022 valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer's fund membership. Members' benefits will be valued as required by relevant legislation as in force as at 31 March 2022, except for the following assumptions:

  i) It will be assumed that the current underpin (which only applies to those members within 10 years of their Normal Pension Age at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the 2014 Scheme without a disqualifying service gap.
  ii) The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
  iii) Where a member remains in active service beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (whichever is sooner).
  iv) Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.

~~i)~~v) The underpin will consider when members take their benefits, so they can be assured they are getting the higher benefit.

- The outcome of the cost management process as at ~~31 March 2016 and~~ 31 March 2020.~~, noting 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%, before the process was paused due to the McCloud/Sargeant ruling~~
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions 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 (now DLUHC) 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~~ 2022 valuation or subsequent valuations, 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 2022~~19~~
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 2022~~19~~ 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~~ 2022 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 2022~~19~~ the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is an 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.

Academies are currently considered to qualify as indefinite participants in the Fund with full taxpayer backing, as they have a guarantee from the Department for Education. The liabilities and future service (primary) contributions will therefore generally be calculated using the scheduled and subsumption body funding target. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to set the funding target for academies and any admission bodies for which an academy provides a subsumption commitment as well as the default approach taken to the notional assets transferred to academies upon conversion.

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 colleges and universities where a different approach will be adopted at the 2022~~19~~ 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,~~has adopted 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~~ 2022 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.

At the 2022 valuation the Administering Authority will adopt a dual approach to the discount rate used for the Intermediate Funding Target. The standard position will be that Colleges and Universities~~y~~ will have their liabilities valued on the Intermediate funding target (standard approach). It will be open to each College and University to satisfy the Fund as to its covenant strength which may allow a move to the Intermediate funding target (strong covenant approach). This would result in lower contribution requirements.

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 2022~~19~~ valuation is as follows:

- 4.2% p.a. for employers where the Scheduled and subsumption body ~~/ subsumption~~ funding target applies
- 3.85% p.a. for employers where the Intermediate funding target (strong covenant approach) applies
- 3.6~~8~~% p.a. for employers where the Intermediate funding target (standard approach) applies
- 3.6~~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 23% p.a.)~~ and ~~1.6~~0.8% left service, ~~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 0.23% 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 Solutions UK Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

For the 2022 valuation ~~we will increase~~ past service liabilities for the Scheduled and subsumption body funding target by 5% will be increased to allow for short-term ~~the 6 months of~~ high inflation not reflected in the Capital Market Assumptions.

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 for members who had a State Pension Age before 6 April 2016).

Demographic assumptions

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S~~2~~3N tables, year of birth base rates, adjusted by a scaling factor.
Ill-health: Standard SAPS S~~2~~3 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

Active and Deferred Males (normal health)	~~105~~115%
Active and Deferred Females (normal health)	115~~105~~%
Pensioner Males (normal health)	105%
Pensioner Females (normal health)	105%

Active and Deferred Males (ill-health)	~~105~~115%
Active Females (ill-health)	~~115~~140%
Deferred Females (ill-health)	135%
Pensioner Males (ill-health)	110%
Pensioner Females (ill-health)	130%

Appropriate scaling factors will also apply to contingent dependants of members in the above categories.

Future improvement to base rates

An allowance for improvements in line with the CMI 2021~~18~~, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a., s_k of 7.0~~5~~ and parameter A of 0.5~~0~~.

Pre-retirement mortality

Males: As for normal health retirements but with a 55~~40~~% scaling factor
Females: As for normal health retirements but with a 55~~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).

Category of member	Assumed age at retirement
Group 2 members (taper protected)	~~63~~Greater of Ro85 age and 60
Group 3 members (Ro85 age = 60)	64~~3~~
Group 3 members (Ro85 age > 60)	65
Group 4 members (Joiners pre 1 April 2014)	65
Group 4 members (Joiners post 31 March 2014	State Pension Age

Any part of a member’s~~'~~ pension payable from a later age than the assumed retirement age will assumed to be reduced using factors issued by GAD / DLUHC ~~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~~85%
Tier 2 (middle tier)	~~5~~10%
Tier 3 (lower tier)	5%

Family details

A ~~man~~ widower is assumed to be ~~3~~ 1 year~~s~~ older than his spouse, civil partner or cohabitee~~female pensioners~~. A ~~woman~~ widow is assumed to be 3 years younger than her spouse, civil partner or cohabitee~~male pensioners~~.

~~80~~85% of male pensioners / non-pensioners are assumed to be married / cohabitating at age 65 / retirement or earlier death.
~~80~~75% of female pensioners / non-pensioners are assumed to be married / cohabitating at age 65 / retirement or earlier death.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is ~~75~~80% 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~~6% 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 2022~~19~~ 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 (strong covenant approach))	3.85% p.a.
Investment return / Discount Rate (intermediate funding target (standard approach))	3.6~~8~~% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.6~~3~~% p.a.
Left service	0.8~~1.6~~% p.a.
CPI price inflation	2.3~~1~~% p.a.*
Long Term Salary increases	3.55~~35~~% p.a.
Pension increases/indexation of CARE benefits	2.3~~1~~% p.a.

* plus 5% uplift to past service liabilities on the Scheduled and subsumption body funding target to take account of higher short-term inflation

~~Please note that the discount rate shown above was that used as at the actuarial valuation as at 31 March 2019. The Fund has subsequentially carried out an investment strategy review which was based on a discount rate assumption of 4.0% p.a. as at the date of carrying out the investment strategy review.~~

Appendix 4

Date	Title or Nature of Course	Mulligan P	Weighell J	Portlock D	A Thompson	C. Vassie	#C. Les	#S. Gibbs	#G. Jabbour	#C. Lunn	#D. Noland	#A. Williams	#M. Walker	#N. Swannick	Unison (Vacancy)	Unison (Vacancy)
28 January 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
12 February 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
4 March 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
13 May 2021	Investment Strategy Workshop	✓	✓		✓	✓				✓						
18-19 May 2021	PLSA Local Authority Conference			✓						✓						
3 June 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
1 July 2021	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
20 July 2021	BCPP Responsible Investment	✓								✓						
30 September/1 October 2021	BCPP Conference	✓		✓		✓				✓						
25 November 2021	Investment Strategy Workshop		✓	✓		✓				✓						
10 February 2022	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
3 March 2022	Investment Strategy Workshop	✓	✓	✓	✓	✓				✓						
26 May 2022	Asset Allocation Workshop	✓	✓	✓	✓	✓			✓			✓	✓	✓		
30 June 2022	Asset Allocation Workshop		✓	✓				✓	✓		✓	✓	✓	✓		

 # - Appointed to the Committee following May 2022 elections.

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APPENDIX 5

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
BCPP	BCPP Conference	28 – 29 September 2022	Leeds	
PLSA	Annual Conference	12 – 13 October 2022	Liverpool ACC	The PLSA Annual Conference is the UK's number one pensions conference, welcoming more than 1,000 pension professionals to two days of world-class keynotes, educational sessions, and topic deep-dives.
Baille Gifford	Annual Investment Conference	9 – 10 November	Edinburgh	
LGA	LGPS Governance Conference	19 - 20 January 2023	Cardiff (Venue details tbc) or online	The programme includes sessions on: • Scheme Advisory Board update • A member and employer view • Legal update • Responsible investment • Fund valuations 2022 • The administration challenge • An update from DLUHC • Investment outlook

Provider	Course / Conference Title	Date(s)	Location	Themes / Subjects Covered
PLSA	Local Authority Conference 2023.	May 2023	Cotswold Water Park in Gloucestershire Local Authority Conference 2023.	More details coming in the autumn.

Hymans Robertson package (Aspire) of on-line training can now be utilised by Members - “bite-size” sessions that can be dipped in and out of at Members convenience. The training modules are as follows:-

1: Introduction to the LGPS - Stakeholders; local arrangements for committees, boards, officers and advisers; regulatory framework.

2: Governance and oversight - Legislation and guidance; policy documents; roles and responsibilities of committees and board members; Code of Practice 14; pensions administration overview; Government oversight bodies; business plans.

3: Administration and fund management - Pension benefits and contributions; service delivery; administration and communication strategies and policy documents and processes; annual report and accounts; procurements.

4: Funding and actuarial matters - Role of the actuary; the funding strategy; valuations; employer issues; actuarial assumptions.

5: Investments - Investment strategy, asset class characteristics and investment markets; pooling investments; monitoring performance of investments and advisers; responsible investment.

6: Current issues - LGPS reform; McCloud; Goodwin; cost sharing.

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2022/23

Meeting Date	Time & Venue	Event	Fund Managers
8 September 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
9 September 2022	10 am, TBC	Pension Fund Committee	
24 November 2022	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
25 November 2022	10 am, TBC	Pension Fund Committee	
2 March 2023	10 am, TBC	Pension Fund Workshop	Representative of BCPP and / or Fund Manager TBC
3 March 2023	10 am, TBC	Pension Fund Committee	

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Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end.			14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated			22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N
31/08/2019	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 95.69% of Active members received a statement. (1,342 members did not)	Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 329 as at 9 October, work will continue until end of year to further reduce number unissued. Final position: 329 unissued			22/11/2019	03/10/2019	PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. Following provision of above information both PFC & PB agreed not to report this time.	N
09/04/2020	Administration	A member's leaver statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
11/05/2020	Administration	A member's retirement statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's letter was incorrectly sent to the wrong member along with their own letter.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's calculation print was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
26/05/2020	Administration	A pensioner received a payslip which belonged to another pensioner.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
27/05/2020	Administration	A member received a letter meant for a solicitor dealing with the death of another member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
31/08/2020	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statments can be issued.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 94.21% of Active members received a statement. (1,784 members did not)	Analysis of the 1,784 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 274 as at 20 October, work will continue until end of year to further reduce number unissued.			27/11/2020	29/10/2020	PB - Oct meeting, noted position, agreed not to report. PFC - Nove meeting, noted position, agreed not to report.	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
30/11/2020	Administration	A member contacted us to advise she had received the starter pack for another member but with her address on it. The member also advised there were 2 other members affected.	Employer submitted starter file and the data has been mixed up for a number of members, address 26 records, date of birth 11 records, payroll no 21 records, date joined 8 records and school name 18 wrong	Data Protection Act 2018	Accidental disclosure of personal data for a number of members to another member. It is highly likely that the receipient knows the person whose information was disclosed. The 3 original members had discussed it.	Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. Data sent back to employer to provide corrected information. Employer advised we have reported the data breach and we've asked for clarification of what process changes they have made to prevent it recurring. Replacement starter packs issued with correct details on and covering letter advising reason for disclosure and contact details for employer.			05/03/2021	14/01/2021	PB - Recognised the issue was an employer one rather than a Fund one. PFC - Recommended no report required	N
05/10/2020	Administration	Failure to issue 3 members with annual Pension Saving Statements (PSS) in the relevant years. One member was missing a PSS for the 18/19 year, one was missing a PSS for 16/17 and one was missing a PSS for 16/17, 17/18, 18/19 & 19/20.	There are two main causes as follows: missing data and staff not realising a statement should have been issued when the record was recalculated.	Finance Act 2004	When the member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. They can elect to either pay the tax charge via a Scheme Pays option or directly to HMRC. Because the PSS haven't been issued members are now late submitting to HMRC. We are aware of members who have ignored the information we have sent for a number of years, when they do contact HMRC they are advised to just pay what is due. There appear to be no penalties applied. Because we haven't advised members at the correct time they have been unable to take action to mitigate the impact in subsequent years. Members in this position often switch to the 50/50 section to reduce their pension accrual. A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years.	We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take. We have struggled to establish how to report the breach to HMRC but will resubmit the annual HMRC returns for the relevant years. We will then respond to HMRC accordingly. We have reviewed our internal processes and are taking steps to educate the wider team and address some of the issues at source rather than waiting until year end. A targetted working group will be established in the summer to address the backlog of changes we get each year. This will involve training a small number of staff on the whole Annual Allowance process, what it is, why it's important, teh impact on affected members and how to update and maintain records correctly. This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team. Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
19/11/2021	Administration	One Pension Savings Statement (PSS) issued after statutory deadline of 6 October 2021	Record was inhibited from bulk annual allowance run whilst a query on another record was resolved	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. The deadline for a paper annual tax return was 31 October 2021 so the member could not use this option. However, the deadline for an online tax return is 31 January 2022.	Senior officer review of annual process	N/A	N/A	04/03/2022	13/01/2022	PB - No report PFC - No report	N
22/02/2022	Administration	5 letters were included in the same envelope to a single recipient who was the next of kin of a deceased member	Staff member on post duty did not follow the agreed process	Data Protection Act 2018	Accidental disclosure of personal data for 4 members to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient confirmed destruction of 4 letters received in error. Staff reminded again of correct process to follow. Staff involved spoken to directly. Alternative printing and posting arrangements being investigated. Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO.	N/A	N/A	27/05/2022	07/04/2022	PB - No report PFC - No report	N
28/07/2022	Administration	5 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Records were not selected in the bulk annual allowance process as the year end pay information used in the calculation had not been updated on the records	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Senior officer review of annual process. Has been established the cause of the breach different to previous breach in 2020. Process amended so that future similar cases can be identfied earlier in the process.	N/A	N/A	09/09/2022	06/10/2022	PFC - PB -	

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North Yorkshire Pension Fund

LGPC Bulletins Log

Bulletin Number	Action	Response
191	**FCA publish video to help consumers understand pension transfer advice** Please review your transfer communications to make sure that your members are aware of this video before making an election to transfer benefits out of the scheme.	Complete – no longer relevant due to change in transfer requirements
204 – Dec 2020	**Draft GAD guidance for the exit cap** Administering authorities are making comparisons between their current strain cost calculations and the draft strain cost calculation. Please make sure you use the latest version when making these comparisons.	Complete – no longer relevant due to withdrawal of Exit Cap
210 – May 2021	**Updated GAD Guidance** Review and update processes to ensure that they refer to the latest version of the relevant GAD guidance.	Complete
213 – Aug 2021	**Revaluation of CARE benefits transferred from a Club scheme** Review end of year processes to ensure we can identify leavers who have career average pension transferred in from a Club scheme and award the correct adjustment	Complete
214 – Sept 2021	**GDPR documents updated** Review the changes to each document and update your local versions accordingly.	In Progress
215 – Oct 2021	**Pensions Dashboards** Start preparing for dashboard on-boarding by considering whether we wish to use an ISP to connect to the dashboard ecosystem, cleansing our data and ensuring we have adequate resources to prepare for the dashboard connection.	In Progress
218 – Dec 2021	**Pensions dashboards – A to Z industry guide** Review the guide and start preparing for pensions dashboards. **Pensions dashboards – data matching guidance** Review the accuracy of the personal data values held for all active and deferred members	On our To Do list – to be worked on when employers are on-boarded and backlog cleared
219 – Jan 2022	**HMRC managing pension schemes** Review the updates to the Managing Pension Schemes service and take any actions as appropriate **Transfers to QROPS & AVC transfers** Ensure your processes are in accordance with the addendums **Data protection for o/seas trfs** Ensure your processes are in line with legal advice obtained	Complete Complete Complete

223 – Apr 2022	**Annual allowance changes** Update our processes and communications accordingly **Disclosure requirements for NMPA increase** Increases in the normal minimum pension age from 55 to 57 from 6 April 2028. Consider whether and how to pre-warn members about the impending changes on when benefits become payable. Also, as the Finance Act 2022 is now law, if we have not already done so, consider implementing the recommended transfer process changes we set out in the article on the NMPA increase in Bulletin 216. This will reduce the likelihood of revisiting transfer cases in the future.	Complete Complete
226 – June 2022	**LGA Payroll Guide updated** Let employers know **Pensions Dashboards** Read the TPR guidance, check progress against the checklist and attend the webinar **TPR 'Guide to reporting pension scams'** Incorporate the guide into our transfer out process **Life Assurance AVCs** DLUHC has confirmed there is no requirement to provide life assurance AVCs under the LGPS 2013 Regulations. Take on board DLUHC's view when undertaking a market review of AVCs.	Complete – email sent 30/06/2022 Complete – webinar on 28/07/2022 attended Complete – process changed Complete – will be considered at next provider review
227 – July 2022	**SF3 form for 2021/22 published (used in LGPS statistics)** Provide the information to DLUHC by 16 September 2022. **Clarification received on annual allowance changes** Ensure our processes are in line with HMRC's clarification. **Pensions Dashboard Programme consultation and call for input on standards and guidance** Consider whether we want to respond to the consultation. **Communications Working Group minutes** COVID-19 FAQs for members being removed from the LGPS website. Decide whether we want to copy any of the text from the COVID-19 FAQs for members to our own website or guides. Deadline 31 August 2022. **LGA Transfer out documents updated** Review the changes and update our processes. **Employer role training** Let employers know that there are still places available.	Complete – data provided Complete – checklist amended Complete – did not respond to consultation Complete –did not keep any Covid 19 FAQs Complete – letter amended Complete – email sent 01/08/2022
228 – August 2022	**Supreme Court decision concerning term time workers** Share the details of the case with Scheme employers. **Transfer and liberation guidance** If you are a pension manager and you have not received a copy, please email query.lgps@local.gov.uk. **Pension sharing for members with CARE and final salary benefits** Review your pension sharing processes to make sure that they allow a different percentage share to apply to final salary and CARE benefits. Contact your software supplier for advice on any system issues. **Online practitioner and employer training** Please make sure your staff are aware they will need to keep their cameras turned on for the duration of any online practitioner and employer training.	Complete – email sent 13/09/2022 Complete – copy was received Complete – process amended Complete – staff made aware

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

6 October 2022

FUNDING STRATEGY STATEMENT

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To review the Funding Strategy Statement prior to it being consulted on with the Fund's employers.

2.0 BACKGROUND

2.1 The Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations") provide the statutory framework from which the Council in its capacity as the Administering Authority for the North Yorkshire Pension Fund (NYPF) is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS are:

- 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

  - the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements

  - 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

2.2 The purpose of the FSS is to clearly set out the Fund's approach to:

- meet the cost of employers' liabilities over the long term

- maintain as constant a primary contribution rate as possible

- achieve solvency and cost efficiency over the long term

2.3 The FSS is updated every three years in line with each Valuation, or more frequently if required. The last update was in 2021 following MHCLG (now DLUHC) publishing statutory guidance on how to use new employer flexibilities. This included preparing and maintaining policies on review of employer contributions (between formal valuations), spreading employer exit payments and deferred debt agreements. A general review was carried out at the same time and information regarding climate risk was also added.

3.0 2022 FUNDING STRATEGY STATEMENT

3.1 The FSS has been reviewed and updated in collaboration with the Fund's actuary to reflect the approach being taken in the 2022 Valuation. The updated document, showing tracked changes from the 2021 FSS is attached as an **Appendix.** The main changes to the document are described below.

Section 5, determination of the funding target and recovery period

3.2 The wording has been simplified to have stepping of contribution rate changes as the default approach for all employers.

3.3 The default recovery periods for open and closed employers have been clarified, and the maximum deficit recovery period which could be applied at the discretion of the Fund has been reduced by three years, three years on from the 2019 Valuation. The surplus recovery period has been reduced by three years.

Section 5, prepayment of contributions

3.4 A paragraph has been added to outline the potential for the prepayment of contributions. It is unlikely that this option would be made widely available, given the potential impact on the Fund's monthly cashflow position over the three year period from April 2023.

Section 7, climate risk

3.5 The sentence in square brackets has been added in anticipation of the requirements of the Government Actuary's Department and the expected legislation on climate risk reporting, which is currently being consulted on.

Section 7, regulatory and compliance risk

3.6 This section has been updated to reflect the Treasury Direction on GMP indexation made on 31 March 2021, and to be consistent with DLUHC's required approach to allowing for McCloud. It also notes that the 2020 cost management process is still in progress.

Appendix 1, colleges and universities

3.7 Additional wording has been included to reflect the standard and strong covenant approach being taken in the 2022 Valuation.

Appendix 1, financial assumptions

3.8 The wording in the section on discount rates has been simplified. An additional one-off allowance for the current rate of inflation will be included, to reflect the impact this is expected to have on pension benefits from April 2023.

3.9 At the end of Appendix 1 updates have been made to demographic and mortality assumptions and the summary of financial assumptions.

4.0 RECOMMENDATION

4.1 Pension Board members are asked to review and comment on the FSS prior to it being consulted on with the Fund's employers.

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

26 September 2022

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North Yorkshire Pension Fund

202~~1~~2 Funding Strategy Statement (FSS)

lgps | Local Government Pension Scheme

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;
- the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements; 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.

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS with details on the Fund's policy on these flexibilities set out in the Admissions and Terminations Funding Policy.

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.
- ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all fund employers.

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
- notify the Administering Authority of any material change in financial circumstances for the employer

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, in particular in relation to any review of contributions between triennial valuations under Regulation 64A
- provide views in relation to any decision by the Administering Authority to spread an exit payment under Regulation 64B
- 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 2022~~19~~ 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 2022~~19~~ valuation, the Administering Authority’s default approach is to step any contribution ~~increases~~ changes 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 2022~~19~~ actuarial valuation:

- A default recovery period of 15 years will apply for open employers that are assessed to have a deficit.
- A default recovery period equal to the average future working lifetime of the membership of the employer will apply for closed employers that are assessed to have a deficit.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 18~~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~~ 2019 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~~ 2022 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~~18 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 20~~19~~22 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 2023~~0~~/2~~3~~6 in respect of the past service deficit subject to the review from April 2026~~3~~ based on the results of the 2025~~2~~ 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 202~~0~~3/202~~3~~6. 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.

Amending of contributions between triennial valuations

The Administering Authority may also amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in the Admissions and Terminations Funding Policy.

Pre-payment of contributions

The Administering Authority may, after considering the advice of the Fund Actuary, permit particular employers to pay contributions early as a lump sum that would otherwise be payable over the following year (or a longer period not exceeding three years). An appropriate discount, as determined by the Fund Actuary, would be applied to the contributions to reflect the early payment. A true-up adjustment may be required if the early payment of contributions based on an estimated payroll results in lower contributions being paid into the Fund (after allowing for the discount) than would otherwise have been the case.

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 dated July 2021, is:

Asset Class (Summary)	%
Equities	50
Infrastructure	10
Property	7.5
Private Credit	5
Multi Asset Credit	5
Corporate Bonds	7.5
Government Bonds	15
TOTAL	**100**

The funding strategy adopted for the 2021 investment strategy review was based on an assumed long-term investment return assumption of 4.0% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of 5.6% as at the date of the investment strategy review.

Bespoke Investment Strategy for individual employers

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 consider offering any employer the opportunity to adopt a lower risk Bespoke Investment Strategy (e.g. 100% government 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 material 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. Employers should be aware that they would be required to meet any costs associated with the design and implementation of a Bespoke Investment 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 orphaned liabilities and/or a shortfall in payments where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic is a specific ~~current~~ risk which may have adverse consequences in relation to employers' finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers to engage with the Fund where their financial circumstances have changed, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy as set out in the Admissions and Terminations Funding Policy are met.

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 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~~ 2022 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.

Climate Risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns and life expectancy under review and will commission advice from the Fund actuary on the potential effect on funding as required. [At the 2022 valuation the Fund actuary will undertake scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period.]

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 of the bonds that are in place for Admission Bodies.

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A.

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 timing and detail of any regulations in relation to the remedy to compensate members for illegal age discrimination ~~full scale of the costs~~ following the outcome of the McCloud/Sargeant cases.

  For the purposes of the 2022 valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer's fund membership. Members' benefits will be valued as required by relevant legislation as in force as at 31 March 2022, except for the following assumptions:

  i) It will be assumed that the current underpin (which only applies to those members within 10 years of their Normal Pension Age at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the 2014 Scheme without a disqualifying service gap.
  ii) The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
  iii) Where a member remains in active service beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (whichever is sooner).
  iv) Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.

~~i)~~v) The underpin will consider when members take their benefits, so they can be assured they are getting the higher benefit.

- The outcome of the cost management process as at ~~31 March 2016 and~~ 31 March 2020.~~, noting 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%, before the process was paused due to the McCloud/Sargeant ruling~~
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions 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 (now DLUHC) 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~~ 2022 valuation or subsequent valuations, 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 2022~~19~~
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 2022~~19~~ 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~~ 2022 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 2022~~19~~ the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is an 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.

Academies are currently considered to qualify as indefinite participants in the Fund with full taxpayer backing, as they have a guarantee from the Department for Education. The liabilities and future service (primary) contributions will therefore generally be calculated using the scheduled and subsumption body funding target. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to set the funding target for academies and any admission bodies for which an academy provides a subsumption commitment as well as the default approach taken to the notional assets transferred to academies upon conversion.

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 colleges and universities where a different approach will be adopted at the 2022~~19~~ 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,~~has adopted 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~~ 2022 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.

At the 2022 valuation the Administering Authority will adopt a dual approach to the discount rate used for the Intermediate Funding Target. The standard position will be that Colleges and Universities~~y~~ will have their liabilities valued on the Intermediate funding target (standard approach). It will be open to each College and University to satisfy the Fund as to its covenant strength which may allow a move to the Intermediate funding target (strong covenant approach). This would result in lower contribution requirements.

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 2022~~19~~ valuation is as follows:

- 4.2% p.a. for employers where the Scheduled and subsumption body ~~/ subsumption~~ funding target applies
- 3.85% p.a. for employers where the Intermediate funding target (strong covenant approach) applies
- 3.6~~8~~% p.a. for employers where the Intermediate funding target (standard approach) applies
- 3.6~~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 23% p.a.)~~ and ~~1.6~~0.8% left service, ~~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 0.23% 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 Solutions UK Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

For the 2022 valuation ~~we will increase~~ past service liabilities for the Scheduled and subsumption body funding target by ~~5~~10% will be increased to allow for short-term ~~the 6 months of~~ high inflation not reflected in the Capital Market Assumptions.

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 for members who had a State Pension Age before 6 April 2016).

Demographic assumptions

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S~~2~~3N tables, year of birth base rates, adjusted by a scaling factor.
Ill-health: Standard SAPS S~~2~~3 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

Active and Deferred Males (normal health)	~~105~~115%
Active and Deferred Females (normal health)	115~~105~~%
Pensioner Males (normal health)	105%
Pensioner Females (normal health)	105%

Active and Deferred Males (ill-health)	~~105~~115%
Active Females (ill-health)	~~115~~140%
Deferred Females (ill-health)	135%
Pensioner Males (ill-health)	110%
Pensioner Females (ill-health)	130%

Appropriate scaling factors will also apply to contingent dependants of members in the above categories.

Future improvement to base rates

An allowance for improvements in line with the CMI 2021~~18~~, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a., s_k of 7.0~~5~~ and parameter A of 0.5~~0~~.

Pre-retirement mortality

Males: As for normal health retirements but with a 55~~40~~% scaling factor
Females: As for normal health retirements but with a 55~~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).

Category of member	Assumed age at retirement
Group 2 members (taper protected)	~~63~~Greater of Ro85 age and 60
Group 3 members (Ro85 age = 60)	64~~3~~
Group 3 members (Ro85 age > 60)	65
Group 4 members (Joiners pre 1 April 2014)	65
Group 4 members (Joiners post 31 March 2014	State Pension Age

Any part of a member’s~~'~~ pension payable from a later age than the assumed retirement age will assumed to be reduced using factors issued by GAD / DLUHC ~~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~~85%
Tier 2 (middle tier)	~~5~~10%
Tier 3 (lower tier)	5%

Family details

A ~~man~~ widower is assumed to be ~~3~~ 1 year~~s~~ older than his spouse, civil partner or cohabitee~~female pensioners~~. A ~~woman~~ widow is assumed to be 3 years younger than her spouse, civil partner or cohabite~~emale pensioners~~.

~~80~~85% of male pensioners / non-pensioners are assumed to be married / cohabitating at age 65 / retirement or earlier death.
~~80~~75% of female pensioners / non-pensioners are assumed to be married / cohabitating at age 65 / retirement or earlier death.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is ~~75~~80% 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~~6% 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 2022~~19~~ 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 (strong covenant approach))	3.85% p.a.
Investment return / Discount Rate (intermediate funding target (standard approach))	3.6~~8~~% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.6~~3~~% p.a.
Left service	0.8~~1.6~~% p.a.
CPI price inflation	2.3~~1~~% p.a.*
Long Term Salary increases	3.55~~35~~% p.a.
Pension increases/indexation of CARE benefits	2.3~~1~~% p.a.

* plus 10~~5~~% uplift to past service liabilities on the Scheduled and subsumption body funding target to take account of higher short-term inflation

~~Please note that the discount rate shown above was that used as at the actuarial valuation as at 31 March 2019. The Fund has subsequentially carried out an investment strategy review which was based on a discount rate assumption of 4.0% p.a. as at the date of carrying out the investment strategy review.~~

North Yorkshire County Council

Pension Board

6 October 2022

Internal Audit update

Purpose of Report

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

Audit Plan 2021/22

The audit plan for 2021/22 was approved by the Pensions Board on 7 October 2021. The current status of each audit is as shown below

Audit	**Days**	**Status**
Pension Fund Investments	15	Final – Substantial Assurance
Pension Fund IT	15	Final – Substantial Assurance
Pension Fund Expenditure	15	Final – Substantial Assurance

All three completed audits are attached as Appendix 1.

All actions from 2020/21 audits had been completed prior to the previous meeting. The only outstanding actions are therefore those relating to the reports included as Appendix 1. Details are shown in Appendix 2.

Audit Plan 2022/23

In accordance with professional standards and the County Council's Audit Charter, internal audit plans are prepared on the basis of a risk assessment. This is intended to ensure that limited audit resources are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of corporate priorities and objectives. Suggested areas for inclusion in the plan have been discussed with officers. The proposed plan for 2022/23 is detailed below

Audit	Description	Days
Expenditure	The audit will review the processes in place to manage changes to pensions, and the processes to end pension payments. The audit will also review the processes in place to ensure payments continue correctly following enhancements to the pensions system due to be delivered by 31 December 2022.	15
Income	A review of the processes to manage pension fund income. The audit will cover procedures to manage the collection of income, particularly AVC related income and transfers and strain payments.	15
Investments	The audit will review the processes and controls in place to manage the movements of assets for reallocation and rebalancing, and the assurances provided by the remaining fund managers.	15
Advice and support	An allowance of time to provide advice and support and attendance at Pensions Board	5
Total		50

Recommendation
Pension Board Members are asked to note this report

Ian Morton,

Assistant Director – Audit Assurance,

Veritau Ltd.

Pension Fund Expenditure

North Yorkshire County Council

Internal Audit Report 2021/22

Business Unit: Central Services
Responsible Officer: Corporate Director – Strategic Resources
Service Manager: Head of Pensions Administration
Date Issued: 13 September 2022
Status: Final
Reference: 32220/015

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Local Government Pension Scheme (LGPS) is a statutory scheme for local authority employees, operated under the Local Government Pension Scheme Regulations under regulations issued by the Central Government Department, Communities and Local Government. The Scheme is administered on a local basis and the County Council is responsible for the Scheme within the geographical areas of North Yorkshire and the City of York. In addition to employees working in local government, a number of other public, education and voluntary sector employees are also members of the LGPS. Private contractors engaged in local authority work are also able to participate in the scheme.

Until 31 March 2021, North Yorkshire County Council Employment Support Service (NYCC ESS) provided the payroll function to the North Yorkshire Pension Fund (NYPF) through ResourceLink (RL). However, from 1 April 2021, payments are made directly from the Altair LGPS platform.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Payments of pension made using Altair LGPS platform are accurate, timely, agree to supporting documentation held and are appropriately authorised.
- Bank account changes are verified and there is evidence of the checks made to minimise the risk of payments to a fraudulent bank account.

Key Findings

The migration from RL to Altair, which took place during 2020-21 was undertaken by Heywoods, the supplier of the Altair system, and officers of NYPF and NYCC's Employment Support Services (ESS). The pension payment information for around 21,000 NYPF pensioners was taken from RL and uploaded into Altair's test system. Staff in ESS and NYPF tested this data several times to ensure the amount paid to each NYPF pensioner using Altair, would be the same amount which would have been paid by RL. This process involved the use of parallel running of these systems, and several comparisons of the amounts calculated for payment by each system to each pensioner, the total number of NYPF pensioners paid and the total amount paid to all NYPF pensioners. During February 2021, extracts from both RL and Altair test systems showed that Altair paid the same as RL in all cases, with the exception of 214 cases, where it paid less than RL, by up to 20 pence. The decision was then made to go ahead with the migration from April 2021. We tested a sample of 10 of the 214 cases where there was a small adjustment and found that these had been corrected in Altair, by the Head of Pensions Administration during 2021.

The first payments were made using Altair in April 2021. However, when the BACS file for the first payment run in April 2021 was submitted, it became apparent some payments to building society accounts weren't going to be made correctly as they weren't accompanied by 'roll numbers'. NYPF were unable to test the full BACS process through to the payment stage as part of the testing process, as it would have paid pensioners twice for the same month, so this issue was not identified during parallel processing. The payment run was still made but it included some payments without 'roll number' details. Some building societies rectified this issue internally, but others returned payments to NYPF. NYPF contacted the pensioners involved and correctly resolved the payment issue. No similar issues have taken place since and building society payments have all been processed correctly.

NYPF pensioners receive an annual percentage increase of their pension in April. The increase due to be applied in April 2021 was 0.5%. The increase was uploaded into Altair which updates each member's Administration Record. These were checked for correctness, then creating an extract file which was sent to ESS for them to update the payroll record in the test system. These were checked by ESS and once verified as correct, input to the live Altair payment system. We checked a sample of 20 large annual pension payment values in Altair to determine if they had been correctly paid using the 2021 annual increase of 0.5% and found all 20 cases had been increased by the correct amount.

Records of new NYPF pensioners are uploaded by NYPF staff into Altair, which calculates the amounts of annual pension and tax-free cash payments to be paid as well as creating or updating the member's status in the system. NYPF Administration check and authorise them and import them into Altair's payroll module. This should ensure the members' records and the calculations are correct. We tested a sample of 12 high value new pension payments and found each had been created in Altair by a NYPF officer and the calculations and entitlement checked and authorised by a senior officer, with the records showing the initials of the two officers who created and checked the amounts to be paid in each case. We also found the entitlement and the amounts paid matched to the administration record in Altair.

Overpayments of pension can occur, although NYPF makes the vast majority of payments in arrears, which should minimise the number and value of overpayments. Pension payments are made on the last working day of the month, although there are a small number of payments paid in advance on the 6th of each month, for the whole of that month. Overpayments are normally identified through receipt of returned mail, a returned bank payment or NYPF being notified of the death of a member. Once notification is received, NYPF suspend pension payments immediately. If a pensioner dies, they are paid until the date of death. We tested a random sample of 10 overpayments from Altair created during 2021-22. We found that all 10 had been established due to the death of the pensioner, with the information received through either 'Tell Us Once' or by receipt of a death certificate. Each had been processed promptly and accurately to minimise the value of the overpayment created.

NYPF's Debt Recovery Policy states that if an overpayment is less than £100, it will be written off. If it exceeds £100, an invoice is to be issued through Credit Control & the Sundry Debtors System, and in cases where the member has died, the invoice is sent to the executor of the pensioner's estate. ESS undertake the overpayment recovery process. We tested a sample of 10 overpayments processed by Altair, and the recovery action on each of them was taken in accordance with the NYPF Overpayment Recovery Policy. Seven, totalling £284.32, were in respect of overpayments which were less than £100 and were correctly written off. Another 2 had an overpayment greater than

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£100 and were correctly invoiced, and subsequently paid. The remaining case was also processed promptly, and it resulted in no overpayment.

The process of transferring the pension payment system from RL to Altair included an initiative to get pensioners to receive their payslips and P60 electronically. All pensioners were contacted 3 times by letter, in December 2020, March 2021 and June 2021, with the letters saying that NYPF is to move to electronic payslips, but that pensioners can request a paper version instead. In August 2022, NYPF had around 21,000 members, with only 102 pensioners in receipt of paper payslips and P60. All new retirement applicants receive an application pack, which includes a section for options to receive paper or electronic payslips / P60s. The latter requires the applicant to provide an email address as part of setting up their online NYPF account. There is also an option for each member to amend the method of receipt of payslips on a later date. The NYPF website includes details of how pensioners can opt for paper payslips, although this is on the payslip page not the front page. Pensioners in receipt of paper payslips only receive them where the amount of pension paid differs from that paid the previous month by £5 or more. Electronic payslips make a significant saving in postage costs in addition to the cost of paper and officer time associated with paper payslips. It is estimated that the postage saving alone is currently around £140,000 per annum.

The system used to process changes to pensioners' bank accounts, should contain suitable controls to ensure these can't be amended by anyone other than the pensioners, to minimise the risk of fraudulent changes being made and payments made to an incorrect bank account. Most changes are made by the pensioner themselves via the self-service process and this relies on the system controls to ensure changes can only be made by the pensioner. When the NYPF is contacted by letter, email or telephone the process used includes obtaining correct responses to 3 security questions. This process generally is compliant with best practice, but the information available to the fund could be obtained by fraudsters, so a level of risk remains. Confirming changes promptly by letter would help to reduce the risk of a fraudulent change.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Processing of Bank Account Changes

Issue/Control Weakness	Risk
The process to request a change to a member's bank account does not fully comply with best practice.	Fraudulent bank account changes are made with future payments not being made to the correct account and losses accruing to NYPF

Findings
For a number of years there has been attempted fraud where fraudsters claim to represent a creditor and seek to change the creditor’s bank account details so that they obtain future payments made to the creditor. As additional controls are put in place to verify bank account changes for creditors, the fraudsters have moved on to other payments such as pension and payroll payments. Around 270 of the 360 annual bank account changes are made directly by the pensioner using the NYPF self-service process. This relies upon systems access controls to prevent fraudulent changes. However, changes can also be made by claimants via email, letter and telephone. Contact made using email and letter requires the member to provide 3 forms of security information (National insurance Number, Payroll Reference Number and Date of Birth). If incorrect information is provided, NYPF will either, write to the member by letter or email (where the change was requested by email) using the address or email address held in Altair, not the one provided in the email received requesting the change of bank account, to advise the pensioner that a bank account change had been requested but refused because the security information provided was incorrect. Where a bank account change has not been made through the NYPF self-service process, NYPF confirm by email if the pensioner has requested the change by email or by letter if the pensioner requested the change by letter. Annually, there are around 90 bank account changes requested not using the self-service process. It is very difficult to remove all risk in these cases as often limited information is held by the pension fund. To minimise the risk that the change is fraudulent, NYPF should write to all pensioners where the change has been made not using the self-service process, advising them of the change and to contact NYPF if the change was not made by them. If the letters are issued promptly after making the change, and if a change has not been initiated by the pensioner, it could leave adequate time for the pensioner to contact NYPF to stop payments being made to the new bank account, and also reduce the risk of potential fraudulent payments being made.

Agreed Action 1.1		
Amend bank account change process to include acknowledgement back to the pensioner of the change by letter, where the portal hasn’t been used to make the bank account change.	**Priority**	3
	Responsible Officer	Head of Pensions Administration

Timescale	31 March 2023

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Pension Fund Investments

North Yorkshire County Council

Internal Audit Report 2021/22

Business Unit: Strategic Resources
Responsible Officer: Corporate Director of Strategic Resources
Service Manager: Head of Investments
Date Issued: 12 July 2022
Status: Final
Reference: 32210/014.bf

	P1	P2	P3
Actions	**0**	**0**	**1**
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Border to Coast Pensions Partnership (BCPP) was established in 2017 following Central Government changes to the management of Local Government Pension Schemes. The objective of the pools was to ensure they achieved economies of scale, strong governance and decision making, reduce costs whilst attaining excellent value for money, and had an improved capacity to invest in infrastructure. The North Yorkshire Pension Fund (NYPF) is part of the Border to Coast Pensions Partnership consisting of 11 funds in total. The Pool is responsible for investment manager selection and the intention of NYPF is to transition all suitable funds to the Pool.

The NYPF has included two key risks on their most recent risk register in relation to pooling:

- failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy
- failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- performance information is produced by Border to Coast Pensions Partnership and sent to the Pension Fund on a regular basis;
- performance information is made available to the Pension Fund Committee and Pension Fund members in a timely manner;
- information is used as a tool to review the Pool's performance against the Pension Fund's Investment Strategy;
- mechanisms are in place to challenge the Pool's performance and management of the Pension Fund's investments.

Key Findings

Border to Coast Pension Partnership (BCPP) sets out the information, documentation, and activities it will provide and facilitate to shareholders (Partner Funds), including NYPF, in its Governance Charter. The charter is updated annually by BCPP and reviewed by shareholder representatives on the BCPP Joint Committee who approve any material alterations to it. On the whole, the documentation and meetings detailed on the BCPP Governance Charter 2021 were provided or held on a regular basis, including quarterly investment performance reports. During the audit, officers confirmed that performance information follow up meetings are held with BCPP and recorded, although evidence was not available on the host council's website to review.

Quarterly reports by the Fund's independent investment consultant, Aon, are made available to NYPF members and the Pension Committee in a timely manner and published on the members website and NYCC website. Investment manager performance information, including BCPP, is included in the reports. A 'quarterly snapshot' of manager investment performance is ranked in order of the best performing. A table of longer-term performance is also included comparing manager performance over a one year and three-year period, as well as since their inception with NYPF. There is a clear visual representation of the comparative performance levels between managers. It was not possible to review the content and quality of performance information between BCPP and other fund managers due to the BCPP detailed reports being too large to transfer electronically. However, BCPP quarterly performance presentation slides were provided for quarter four. The content was broadly comparable to the other fund manager reports for the same period. Officers confirmed that the performance information reports are accessed directly from the BCPP data portal. Officers also confirmed that the BCPP reports had improved over time since NYPF had been investing with them, and that they are satisfied the content of the reports provides the required information. BCPP do not formally report on performance measures for their own internal operations, and recordings of the BCPP operational review meetings were not available via the host council's website.

The Joint Committee, made up of Partner Fund members, oversees the governance of the Pool including investment performance. Joint Committee meetings are held on a regular basis, performance information is provided and discussed, and minutes recorded and published. NYPF's Councillor representative and officer support regularly attended the Joint Committee meetings in the period covered by the audit. Quarterly calls to discuss fund performance are held between BCPP and the Officer Operations Group and advisors and are regularly attended. We found that supplementary calls to manage BCPPs performance take place but are not formally documented. Officers confirmed that issues have been raised by NYPF's independent investment consultant, Aon, and NYPF's independent advisor, but are also not documented.

Formal frameworks are in place to govern and manage NYPF and BCPP, with BCPP being regulated by the Financial Conduct Authority (FCA). The Investment Strategy Statement sets out the ways in which the NYPF will manage BCPP and hold them to account. This includes representatives on the Shareholder Board and the Joint Committee and officer support to these representatives. Officers confirmed that elected representatives from NYPF sit on both the Shareholder Board and Joint Committee and are supported by council officers, with both attending the shareholder meetings. Whilst Shareholder Board meetings are informal with no minutes being recorded, the Joint Committee meetings are minuted. Shareholders also attend the BCPP Annual General Meeting where minutes are formally recorded and made available. In addition, officers and elected representatives attend the quarterly Officer Operations Group meetings with minutes recorded.

The Pension Fund Committee (PFC) forms part of the NYPF governance framework and is a committee of the Council. The PFC has delegated powers in respect of the NYPF, meets on a regular basis and minutes are documented and published. Items in relation to investment performance and investment managers can be raised at the PFC meetings. An issue was raised in the March 2021 PFC meeting for escalation to BCPP Joint Committee which was resolved at the Shareholders Board.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Records of performance management issues

Issue/Control Weakness	Risk
Performance management of issues raised with BCPP are not recorded leading to a lack of supporting evidence for escalation.	Investment performance falls below expected levels resulting in a loss of income to NYPF

Findings

Records of supplementary performance calls by NYPF with BCPP are not documented or retained. Whilst officers confirmed that issues requiring attention by BCPP are documented in emails and have been responded to appropriately, no evidence could be provided to demonstrate this. Officers confirmed that issues have been raised by NYPF's independent investment consultant, Aon, and NYPF's independent advisor which have been fed back to BCPP but not documented.

Agreed Action 1.1

Officers will ensure that meetings and discussions with BCPP held outside of the formal meetings are appropriately documented and filed.

Priority	3
Responsible Officer	Head of Investments
Timescale	31st July 2022

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Audit Opinions and Priorities for Actions

Audit Opinions

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Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
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Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Pension Fund IT Security

North Yorkshire County Council

Internal Audit Report

Business Unit: Strategic Resources
Responsible Officer: Corporate Director of Strategic Resources
Service Manager: Head of Pensions Administration
Date Issued: 27 September 2022
Status: Final
Reference: 32270/002

	P1	P2	P3
Actions	0	1	4
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

North Yorkshire County Council (NYCC) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF), which is part of the Local Government Pension Scheme (LGPS). NYPF covers staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area.

In April 2018, The Pensions Regulator published Cyber security principles for pension schemes ('the Principles'), highlighting the need for trustees and scheme managers to take steps to protect their members and assets from cyber risks given the large amounts of personal data and assets that they hold. Key areas covered by the Principles included IT governance, controls for physical and logical IT security, and incident response.

NYPF uses the Altair system for administration purposes, to calculate pension benefits, and to make payments to scheme members. The system and data are hosted by NYCC. There are also two associated systems: I-Connect, which allows employers to upload information, and Member Self-Service, an online portal for scheme members. These systems are also supported by NYCC, so it is important that NYPF has assured itself that NYCC has effective cyber security controls in place. The audit reviewed the controls for the Altair system, including any assurances provided by NYCC about its cyber security arrangements, using the Principles as a guide.

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Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- There are suitable governance arrangements in place regarding cyber security.
- Access to the Altair system and associated modules is suitably secured and managed.
- There are appropriate backup, recovery and incident management arrangements in place for the Altair system.
- The Altair system is kept secure through timely and effective application of updates and patches.

Key Findings

North Yorkshire Pension Fund (NYPF) has generally suitable cyber security arrangements in place that largely follow the guidance provided by the Pensions Regulator.

NYPF's providers of IT systems and services, Aquila Heywood and NYCC Technology & Change (NYCC T&C), adhere to several good practice standards for IT security: ISO 27001 Information Security Management, ISO 20000 IT Service Management (NYCC only), Cyber Essentials, and the Government's Public Services Network standard (PSN, NYCC only). However, it was noted that NYPF do not receive regular confirmation from NYCC T&C of their continuing adherence to these standards as part of their Service Level Agreement. Roles and responsibilities are defined in an SLA between NYPF and NYCC T&C and in the contract with Aquila Heywood.

All but one staff member (a recent transfer from another department) had completed mandatory training on information security and completion rates are monitored monthly by the Head of Pensions Administration (HPA). In March 2022, NYCC T&C implemented additional monthly training through the Boxphish learning platform. Most staff (65%) had completed at least 3 of the 4 training courses issued through Boxphish at the time of the audit, but the HPA does not currently receive completion reports to enable regular compliance monitoring. Committee and Board members are provided with training through the Hymans LGPS learning platform. NYCC T&C maintains a suite of policies governing access to and use of IT, which NYPF staff are required to comply with. Overall, governance arrangements are reasonable.

Access controls for the Altair system are reasonable. The current password settings for the system are reasonably strong, but it was noted that they no longer meet NYCC T&C's policy requirements following a change to the password policy in June 2022. Appropriate processes are in place for providing and revoking access for users and there are suitable controls over generic and third-party accounts. However, audit testing found that reviews of user roles and access rights are not undertaken periodically as recommended by the guidance. We also found that controls to prevent users from amending their own pension records had not been implemented for two users. Officers corrected this error during the audit, but periodically reviewing user roles and access rights may prevent this error from reoccurring in future.

Backup, recovery and incident management arrangements are generally satisfactory. Backups are taken regularly and monitored to confirm they are successful. They are stored for 30 days and replicated to NYCC's secondary site. Recovery testing is carried out periodically by NYCC Technology & Change on a range of systems, including Altair. The next recovery test is planned for September - October 2022 as part of a server replacement project. A summary of these arrangements is documented in the SLA, but the SLA does not require NYCC T&C to provide regular assurances over these arrangements to NYPF.

NYPF has business continuity and disaster recovery plans that cover most of the areas recommended by the Pensions Regulator's cyber security guidance. However, they do not cover external communications with stakeholders, plan testing or post-incident review. NYCC T&C maintains a comprehensive disaster recovery plan that is regularly tested.

Suitable processes are in place to ensure timely and effective application of updates to Altair. Heywood provide an update schedule for releases for the year ahead. Communication takes place between Heywood, NYPF and NYCC T&C to coordinate releases. Requests for change are logged and approved, with comprehensive testing of system functionality taking place before updates are deployed to the live system.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 NYPF business continuity and disaster recovery plans

Issue/Control Weakness	Risk
NYPF's business continuity plan does not cover all areas recommended by the Pensions Regulator's cyber security guidance.	If NYPF's business continuity plan is incomplete or not kept up to date, incident response may be less effective or timely.

Findings

Our review of NYPF's business continuity (BCP) and disaster recovery (DR) plans found that they cover most areas recommended by The Pensions Regulator guidance. However, information on external communications, testing and post-incident reviews are not included. It was also noted that the BCP had not been properly reviewed since 2017.

The Pensions Regulator's cyber security guidance for incident response states that a plan should include: roles and responsibilities; critical functions and processes; a communications plan; and arrangements for notifying stakeholders (e.g. The Pensions Regulator or the Information Commissioner's Office) of an incident. Incident notification should cover the process, timescales and threshold for doing so. The plan should also cover a range of scenarios based on the scheme's functions, assets and likelihood of different types of incident. Incidents should also be documented and post-incident reviews carried out.

While key stakeholders are mentioned in the scenarios in the BCP, it does not specify the time limits, thresholds, process or contact details for external stakeholders such as the Pensions Regulator or Information Commissioner's Office.

A range of scenarios are covered in which the plans might be activated. However, the plans do not include a testing schedule or requirements for post-incident reviews. NYPF officers stated they planned to review the scenarios with NYCC Technology & Change (an action in NYPF's risk register), but this had not happened at the time of the audit. Carrying out this review and including ongoing requirements for testing and post-incident review may provide more resilience to NYPF's BC and DR plans.

Agreed Action 1.1

1. The BC and DR plans will be reviewed and updated to meet current Pensions Regulator standards. The BC plan will be updated to include arrangements for plan testing, post-incident reviews, and for contacting external stakeholders. 2. The plans will be reviewed annually, and this review will be included in the governance document review tracker.	**Priority**	2
	Responsible Officer	Head of Pensions Administration
	Timescale	31 March 2023

2 Assurances about contingency arrangements and good practice standards

Issue/Control Weakness	Risk
NYPF does not routinely receive assurances from its providers of IT systems and services of their continued conformance to good practice standards for cyber security as recommended by the Pensions Regulator's guidance on cyber security.	NYPF may not be assured that suitable cyber security arrangements are in place and continue to be maintained by Aquila Heywood and NYCC Technology & Change.

Findings

NYPF does not receive regular assurances from its IT providers (Aquila Heywood and NYCC T&C) that they continue to follow recognised good practice standards for IT security, meaning that NYPF may not be receiving the assurances it requires about cyber security. The Pensions Regulator guidance states that pension funds should assure themselves that suppliers adhere to good practice standards and that they may wish to ask for relevant accreditations and reports as evidence of adherence to standards.

In particular, NYPF does not receive ongoing assurances over two areas:

1. NYCC T&C's and Aquila Heywood's continued accreditation to recognised standards, such as ISO 27001 and 20000, Cyber Essentials and PSN.
2. NYCC T&C's backups and recovery testing arrangements for the Altair system and its BC & DR plans. Arrangements are summarised in the draft SLA, but NYCC T&C is not required to evidence that these are maintained and tested regularly.

Audit testing confirmed that NYCC T&C and Aquila Heywood are accredited to the standards noted above and that NYCC T&C have suitable backups and recovery testing arrangements for Altair and BC & DR plans. Therefore, NYPF is not exposed to significant risk, but periodically obtaining these assurances will provide NYPF with greater assurances about cyber security and help it to meet the Pensions Regulator's guidance.

Agreed Action 2.1

A programme of regular reporting will be agreed with NYCC T&C and documented in the Service Level Agreement. This will provide assurance that standards continue to be met and accreditation continues.	**Priority**	3
	Responsible Officer	Head of Pensions Administration
	Timescale	31 March 2023

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3 Monitoring of Boxphish training completion rates

Issue/Control Weakness	Risk
NYPF does not currently receive Boxphish training records to enable monitoring of completion rates.	Lack of training or awareness of cyber security risks may increase the likelihood or impact of an incident.

Findings

In March 2022, NYCC T&C implemented additional monthly cyber security training through the Boxphish learning platform.

Most NYPF staff (65%) had completed at least 3 of the 4 training courses issued through Boxphish at the time of the audit, but 12 (35%) staff had not completed any of the courses. NYCC T&C Information Security team stated they monitor completion rates at their monthly security meetings. However, the Head of Pensions Administration does not receive reports to enable monitoring by NYPF and had not been notified by T&C of the completion rates noted above.

Providing the HPA with training records and documenting this in the SLA with NYCC T&C may provide NYPF with greater assurances about cyber security and help it meet the Pensions Regulator's guidance on cyber security.

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Agreed Action 3.1

Quarterly reports will be requested from NYCC T&C from the Boxphish learning platform. These will be reviewed and monitored to ensure that staff complete training.

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2023

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4 Altair password settings

Issue/Control Weakness	Risk
Password settings for the Altair system are not in line with NYCC T&C's password policy.	Weaker password settings increase the risk of unauthorised users gaining access to the system.

Findings
Following a review in June 2022, the NYCC IT Access policy now requires that passwords meet the minimum standard of twelve characters long and a minimum of three types of character. The current settings for Altair passwords meet the requirement for types of character, but they do not meet the minimum length standard and therefore are not in line with NYCC policy. Altair passwords are currently required to be changed every 2 months. This exceeds the requirement set out in the NYCC IT Access policy which requires passwords to be changed every 90 days.

Agreed Action 4.1		
Password requirements within Altair will be reviewed and amended to ensure that they are in line with NYCC T&C’s IT Access policy.	**Priority**	3
	Responsible Officer	Head of Pensions Administration
	Timescale	30 September 2022

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5 User roles and access rights

Issue/Control Weakness	Risk
User accounts and user roles are not routinely reviewed to ensure they are appropriate and still required.	Users may have access that they no longer require or is inappropriate to their role.

Findings

The Pensions Regulator's guidance on cyber security recommends that user access to systems and data is regularly reviewed, but NYPF does not currently have a process in place for routinely reviewing Altair user accounts and roles. Two particular issues were noted in relation to user access and roles:

1. Altair users should have a National Insurance Number filter on their account to prevent them from making changes to their own or a family member's pension account. Audit testing found two system users did not have a National Insurance Number filter (these have now been added). Officers stated it was possible these were not available when the accounts were set up and they had not subsequently been added.

2. A range of Altair access roles are in place for staff with different job roles. Currently, a number of payroll staff have the 'Client' user role, which officers noted is intended for use by third party organisations, such as Heywood. There is a planned review of access level requirements for payroll staff to ensure that their roles are appropriate.

Currently, periodic reviews of user accounts and roles is not undertaken as is recommended by the Pension Regulator guidance.

Agreed Action 5.1

1. Quarterly reviews of user accounts and roles will be established to ensure user access and roles are at the appropriate level for all users.
2. The use of the ‘Client’ user role for payroll staff will be reviewed to ensure they have the appropriate user role. Roles will be amended as needed following the review.

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	30 September 2022

Audit Opinions and Priorities for Actions

Audit Opinions

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Opinion	Assessment of internal control
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Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Veritau

Veritau

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

06 October 2022

BUDGET AND CASHFLOW

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

(a) the 2021/22 budget and the outturn position of the Fund (see section **2**)

(b) the 4 year cashflow forecast for the Fund (see section **3**)

2.0 2021/22 BUDGET - THE COST OF RUNNING THE FUND

2.1 The budget and outturn position for 2021/22 is presented in **Appendix 1**. The total running costs of the Fund in 2021/22 were £30.3m against a budget of £33.9m. The underspend of £3.6m is primarily due to a decrease against budgeted costs for investment management fees, which has arisen from:

- the Fund's assets performed below the long term return expectations, which in turn resulted in lower than expected fees as they are based on the values of the assets;
- one-off transition costs to Border to Coast (B2C) funds were included in the budget, however they did not materialise;
- the gradual shift of assets into B2C has led to overall lower ongoing management fees.

2.2 Variances for non-fee budget items include an increase in the pooling operating charge to the Fund. This is also a result of asset transitions to B2C, which in turn attracts a greater share of the pool's overheads.

2.3 The outturn differs significantly from the Fund's last reported forecast of £0.1m overspend in November 2021. The main difference again is on the investment management fees, which were previously forecast as being on budget. Asset values fell significantly in the first quarter of 2022 due to concerns over inflation, the Russian invasion of Ukraine and global supply chains.

3.0 4 YEAR CASHFLOW FORECAST

3.1 The cashflow forecast of the Fund is presented in **Appendix 2**. This shows the actual 2021/22 position along with the projected cashflows over the following 4 years. It details contribution income and benefits payable, which are the two key determining factors for when the Fund will turn cashflow negative.

3.2 At the current time the rate of inflation is extremely difficult to predict. This will have a significant effect on pension payments and will also impact pay increases. The forecast should therefore be seen as an indication of the direction of travel, rather than an accurate prediction.

3.3 The forecast for pension benefit payments including lump sums is based on assumptions on annual increases in pensioner numbers and inflationary rises, expected to be a combined 12% in 2023/24. This assumes the September 2022 figure for CPI will be 10%. Pensions in payment will increase by this amount in April 2023. The figures for later years in the forecast are 5% in 2024/25 and 3% in 2025/26. A 2% increase in pensioner numbers has been factored in each year, which is in line with recent experience.

3.4 The forecast for contribution income is based on the employers' current contribution rates which are in turn based on the 2019 Triennial Valuation. Early indications from the 2022 Valuation are that the solvency position at the Fund level has improved, but that the cost of future accrual has increased. These two factors approximately balance each other out, which suggests contribution requirements will remain broadly stable. However individual employer results could vary significantly.

3.5 The pay increase assumption for 2022/23 is based on the offer to local authorities of £1,925 per employee. The estimate for pay increases in later years is assumed to be 4% in 2023/24, 3% in 2024/25 and 2% in 2025/26.

3.6 The overall cashflow forecast position is a surplus in 2021/22 and 2022/23, with small but increasing deficits thereafter. However, as noted in paragraph 3.2 these figures are heavily caveated.

3.7 The forecast also takes into account the future cashflows from the Fund's investment activities, which in time are expected to be needed to support the Fund's operational expenditure. This has been anticipated for a number of years and is an inevitable consequence of a maturing pension fund. Cash will be available from investment income or from scheduled asset sales from the Fund's liquid assets, which make up approximately 75% of the Fund by value. This will help keep the cash balance around 0.5% of the value of the Fund, which is the agreed pragmatic level of cash required to manage the day to day requirements of the Fund.

4.0 RECOMMENDATIONS

4.1 Pension Board members to note the contents of the report.

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

26 September 2022

North Yorkshire Pension Fund - 2021/22 Budget - Cost of Running the Pension Fund

	Budget 2021/22 £k	Outturn 2021/22 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	440	388	(52)
Provision of Pensioner Payroll (ESS)	90	138	48
Pensions Administration Team	1,120	1,164	44
McCloud	80	40	(40)
Other Admin Expenses	510	483	(27)
	2,240	**2,213**	**(27)**
Oversight and Governance			
Actuarial Fees	20	96	76
Custodian Fees	50	100	50
Consultants Fees	200	143	(57)
Pooling Operational Charge and Project Costs	776	1,057	281
Other O & G Expenses	100	71	(29)
	1,146	**1,467**	**321**
Investment Fees			
Base Fees invoiced	2,900	2,656	(244)
Performance Fees invoiced	2,820	3,527	707
Fees deducted from Fund	24,800	20,401	(4,399)
	30,520	**26,584**	**(3,936)**
TOTAL	**33,906**	**30,264**	**(3,642)**

North Yorkshire Pension Fund - Cash Flow

	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k
SCHEME PAYMENTS					
Benefits					
Pensions	(99,282)	(110,000)	(123,000)	(132,000)	(136,000)
Lump Sums	(29,518)	(31,000)	(32,000)	(33,000)	(34,000)
	(128,800)	**(141,000)**	**(155,000)**	**(165,000)**	**(170,000)**
Transfers out	(8,878)	(12,000)	(13,000)	(13,000)	(14,000)
Refunds to leavers	(405)	(500)	(550)	(600)	(650)
	(9,283)	**(12,500)**	**(13,550)**	**(13,600)**	**(14,650)**
Operational Expenses					
Admin Expenses	(2,294)	(2,400)	(2,500)	(2,600)	(2,700)
Oversight and Governance	(1,387)	(1,430)	(1,470)	(1,510)	(1,560)
	(3,681)	**(3,830)**	**(3,970)**	**(4,110)**	**(4,260)**
TOTAL PAYMENTS	**(141,764)**	**(157,330)**	**(172,520)**	**(182,710)**	**(188,910)**
SCHEME RECEIPTS					
Employer and Employee Contributions	135,497	146,000	152,000	156,000	159,000
Transfers in	11,941	15,000	16,000	17,000	18,000
TOTAL RECEIPTS	**147,438**	**161,000**	**168,000**	**173,000**	**177,000**
SCHEME SURPLUS/ (DEFICIT)	**5,674**	**3,670**	**(4,520)**	**(9,710)**	**(11,910)**
CASH FLOW FROM INVESTMENT ACTIVITIES	**(95,780)**	**0**	**4,000**	**10,000**	**12,000**
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	**(90,106)**	**3,670**	**(520)**	**290**	**90**
CASH BALANCE B/F	**111,848**	**21,742**	**25,412**	**24,892**	**25,182**
CASH BALANCE C/F	**21,742**	**25,412**	**24,892**	**25,182**	**25,272**

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North Yorkshire County Council

Pension Board

6 October 2022

Training

1.0 Purpose of the Report

To provide an update on Pension Board member training.

2.0 Background

The Training Policy was adopted by the Pension Board at its inaugural meeting in July 2015. This set out the knowledge and understanding requirements of members of the Pension Board, routes to obtaining training, and training review arrangements.

It states that the suitability of training events and activities should be based on a self-assessment carried out by each Pension Board member. The regulations place the responsibility for making this assessment, and subsequent action to ensure Pension Board members have an appropriate level of knowledge and understanding, on the individual members. In addition, the Pensions Regulator requires that Pension Board members invest time in learning and development.

3.0 Training Activity

Further to a discussion undertaken at the April 2021 meeting of the Pension Board Members were requested to identify issues relevant to the Pension Board that could be the subject of future training sessions. The following issues have been identified by Board Members, further to that discussion:-

- McCloud
- Goodwin
- Administering Authority discretions
- Risk Register and risk management
- GMP
- Investment classes
- Pooling and BCPP
- Valuation of assets by Actuary

Following discussions related to the development of training at both the Board and Pension Fund Committee, the provision of a package of online training sessions has been obtained from a third party provider, with Hymans Robertson. A number of issues highlighted above as issues that may require further consideration for training purposes, are addressed in this on-line package. Members are encouraged to take part in these sessions which are detailed below:-

1: Introduction to the LGPS

Stakeholders; local arrangements for committees, boards officers and advisers; regulatory framework.

2: Governance and oversight

Legislation and guidance; policy documents; roles and responsibilities of committees and board members; Code of

Practice 14; pensions administration overview; Government oversight bodies; business plans.

3: Administration and fund management

Pension benefits and contributions; service delivery; administration and communication strategies and policy documents and processes; annual report and accounts; procurements.

4: Funding and actuarial matters

Role of the actuary; the funding strategy; valuations; employer issues; actuarial assumptions.

5: Investments

Investment strategy, asset class characteristics and investment markets; pooling investments; monitoring performance of investments and advisers; responsible investment.

6: Current issues

LGPS reform; McCloud; Goodwin; cost sharing.

Details of training events attended and activities undertaken by Pension Board members are contained in a report that is now published on-line with the documents, but is no longer circulated with the papers. COVID 19 had prevented a number of training events and conferences from taking place, however, training activities had continued to take place via virtual platforms, and Members were encouraged to utilise these, although face-to-face training events are again now taking place. Board members are asked to review the training record and advise officers if updates are required.

Previously Members of the Board undertook a self-evaluation of skills, knowledge and training in relation to their service to the Pension Board, however, some time has elapsed since that was undertaken, and it is considered appropriate that Members determine whether a similar evaluation should now be provided.

Pension Board members may wish to discuss the merits of recently undertaken training activity and, where appropriate, the pros and cons, to inform other Board members of its usefulness.

It is recognised that Members of the Board have constraints on their time and may have difficulty in undertaking the necessary training in view of this. Members agreed, therefore, that Board meetings should allow time for Members to undertake training, either individually or collectively. A training programme is currently being developed in relation to this.

4.0 Recommendations

(i) That Members provide an update regarding any Pensions Regulator modules they wish to complete and note the availability and details of the Hymans Robertson online training package;

(ii) That Members provide details of any training they wish to be included on their training record:

(iii)	That Members consider whether to undertake a self-evaluation of skills, knowledge and training:
(iv)	That Members provide details of any issues relevant to the Pension Board, that could be the subject of future training sessions and note those highlighted in the report.

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

October 2022

Background Documents: Pensions Regulator on-line training modules

Hymans Online Learning platform

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North Yorkshire County Council

Pension Board

6 October 2022

Work Programme

1.0 Purpose of the Report

To detail the areas of planned work by the Pension Board

2.0 Future Activity

Previous reports to the Board have set out a number of areas that could be identified as potential priority areas of work for Board Members to provide scoping reports to subsequent meetings. At previous meetings it was suggested that consideration be given as to how to progress project work more effectively before undertaking any further projects. Further consideration will be given to this matter, going forward. It was agreed that project work would not be undertaken for at least another year at the January 2022 meeting, given the current workload within the NYPF.

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

3.0 Meeting Dates

The dates for ordinary Meetings of the Pension Board for the remainder of 2022/23 are as follows:-

2022/23 – all Thursday at 10am:-

12th January 2023
6th April 2023

4.0 Recommendations

That members:

i) Review and agree any updates to the Work Plan (as set out in Appendix 1);

ii) Note the dates of ordinary meetings as detailed.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)
County Hall
Northallerton
Background Papers - None

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PENSION BOARD WORK PLAN

APPENDIX 1

		13-Jan-22	07-Apr-22	07-July-22	06-Oct-22	12-Jan-23	06-Apr-23
1	Agree plan for the year	✓				✓	
2	Review Terms of Reference	✓				✓	
3	Review performance against the plan	✓	✓	✓	✓	✓	✓
4	Report to the PFC / NYCC – Minutes and Chair's feedback/Annual Report	✓	✓	✓	✓	✓	✓
5	Report to Scheme Advisory Board / MHCLG – via Annual Report			✓			

Compliance checks

6	Review such documentation as is required by the Regulations			✓			✓
7	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓
8	Review the outcome of external audit reports					✓	
9	Review Pension Board Annual Report			✓			
10	Review the compliance of particular issues on request of the PFC – as required						
11	Review the process and note the outcome of actuarial reporting and valuations – every three years					✓	✓

Administration procedures, performance and Communication

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

Training

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

***Project Work – to be undertaken by individual Members – dependent upon available time and resources – based on relevant issues within the Work Programme**