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Agenda

Please note the venue for this meeting

Meeting: **Pension Fund Committee**

Venue: **Border to Coast Pensions Partnership, Head Office, 5th Floor, Toronto House, Leeds, LS1 2HJ**

Date: **Friday, 30 June 2023**

Time: **1.30 pm**

Councillors: **John Weighell (Chairman), Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Neil Swannick, Angus Thompson, Matt Walker, and Andrew Williams; together with:-**

Councillor Jonny Crawshaw - City of York Council

David Portlock - Chair of Pension Board (Non-Voting)

Brian Hazeldine, UNISON (Retired Members) (Non-Voting)

Business

1. Minutes of the Committee Meeting held on 26th May 2023 **(Pages 3 - 12)**

2. Appointment of Vice-Chair

3. Declarations of Interest

4. Public Questions or Statements

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach or Harriet Clarke of Democratic Services (contact details at the foot of page 1 of the agenda sheet) by midday on Tuesday 27th June 2023. 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.

Enquiries relating to this agenda please contact Stephen Loach Tel: 01609 532216 or e-mail stephen.loach@northyorks.gov.uk or Harriet Clarke Tel: 01423 556068 or e-mail harriet.clarke@northyorks.gov.uk

5. **Governance Arrangements - Report of the Treasurer** **(Pages 13 - 250)**

6. **Border to Coast Responsible Investment Policies - Report of the Treasurer** **(Pages 251 - 294)**

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

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

Thursday, 22 June 2023

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 or Harriet Clarke, Democratic Services Officer on Tel: 01423 556068 or by e-mail harriet.clarke@northyorks.gov.uk

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North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on 26 May 2023 held at County Hall, Northallerton commencing at 10 am.

Present:-

Councillors Mark Crane, Sam Gibbs, George Jabbour, Carl Les (as substitute for John Weighell), David Noland, Neil Swannick, Angus Thompson, Matt Walker and Andrew Williams.

David Portlock - Chair of the Pension Board.

Brian Hazeldine – UNISON retired members.

Councillor Cliff Lunn – Attended the meeting remotely

Apologies for absence - County Councillor John Weighell (Chair)

Copies of all documents considered are in the Minute Book

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1. Appointment of Chair – for the purposes of this meeting only

In the absence of the Chair, and as no Vice-Chair had currently been appointed, the Committee were asked to appoint a Chair for the purposes of this meeting only.

Resolved –

That Councillor Angus Thompson be appointed Chair for the purposes of this meeting only.

2. 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.no. – 3(b) Confidential minutes.

3(a). Minutes

Resolved -

That the Minutes of the meeting held on 3rd March 2023 were confirmed and were signed by the Chair as a correct record, subject to the removal of Councillor Carl Les from the attendance list.

3(b). Confidential Minutes Resolved -

Resolved -

That the Confidential Minutes of the meeting held on 3rd March 2023 were confirmed and would be signed by the Chairman as a correct record at the first available opportunity subject to the removal of Councillor Carl Les from the attendance list.

(There was no discussion of the Confidential Minutes, therefore, the Meeting did not go into private session).

4. Appointment of Vice-Chair

Resolved –

That the appointment of Vice-Chair be deferred to a subsequent meeting, allowing the Chair to be in attendance.

5. Declarations of Interest

County Councillor George Jabbour declared the following non-registerable interest:-

I have been campaigning on issues involving the way public-sector organisations, pension funds and other institutions manage their finances.

6. Public Questions or Statements

Howard Green and Harriet Wood of Fossil Free North Yorkshire submitted questions/statements.

Harriet Wood.

Thank you for affording us the opportunity to speak to you.

It is twelve months since we last spoke to the committee and during that time there has been no significant shift towards divesting from fossil fuel companies. Indeed, with the government's incentives to exploit new fields in the North Sea there has been an increase in funding for the major oil and gas producers. Even ethically styled ESG funds have been diverting funds to the fossil fuel giants.

It is against this backdrop and with overwhelming scientific evidence that climate change is gathering pace, that we are asking the committee once again to consider actively and urgently divesting from fossil fuel companies and reinvesting in renewables and other activities.

To take one example, there are nascent programmes to upgrade housing stock throughout the UK, to make homes more energy efficient and there is evidence that there is a real appetite amongst the public to take advantage of such schemes. Gareth Williams MD of Coplar Energy recently estimated that up to 20,000 new installations of alternatives to gas heating (air/ground source heat pumps, solar arrays) were being installed every month. He also said in the same conversation that all renewable technologies were cheaper than fossil fuel alternatives.

In his foreword to the latest UK Divest report, 'Divesting to Protect Our Pensions and the Planet' - Mark Campanale,Director of Carbon Tracker, has likened the continued investment in fossil fuels to the transition from Block Buster video hire to Netflix streaming. In this extract Mark exhorts Investment managers to open their eyes to the potentials of the new technologies and to the perils of stranded assets and act now.

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We are asking the same of this committee.

We are aware that Borders to Coast Pension Partnership on behalf of the eleven funds they manage, which includes North Yorkshire, has recently switched investment to UK Alpha funds which are effectively fossil free. We are also aware, following analysis by colleagues with investment backgrounds, that the North Yorkshire Fund has a lower exposure to fossil fuel investments than some other comparable funds.
We commend you for this, but it is still not enough.

In 2020/214 it was estimated that £10 billions of local government pension money was invested in fossil fuel companies. That is £1450 for every person who receives a LGPS pension.

As a North Yorkshire pensioner, I respectfully ask that the committee makes decisions to shift many of its assets from fossil fuel companies over the next twelve months.

Howard Green

The context for this submission is the ongoing climate crisis – we last spoke to this committee a year ago. At that time we referred to the recent IPCC report which suggested that the world had 30 months to begin the radical changes necessary to enable all countries to attain their targets to keep global warming below or at a 1.5 degrees increase above pre-industrial levels.

As a member of Fossil Free North Yorkshire though not a recipient of a North Yorkshire pension I am someone who has been aware for many years of a problem for the world's climate in our reliance on the burning of fossil fuels.

The only way of making the sort of impact required to rapidly move away from burning fossil fuels is to stop investing in them. If investment were to dramatically fall in companies like Shell and BP they would be forced to radically change their working practices

We hear that NYPF and BCPP have indeed made some progress in divestment in the past year but we are not aware of any publicly declared commitment to divest from fossil fuels over a specific time period.

From a purely financial point of view there have been many studies that show that divestment from fossil fuels is likely to be beneficial. In a study by Jeremy Grantham et al – the New York State Common Retirement Fund would have been an estimated $22.2 billion richer if it had divested its fossil fuel stocks over an eleven year period, leaving its members and retirees an additional $19,820 richer.

Modelling by think-tank Ember for The World Economic Forums suggests that by upgrading its power system and quadrupling growth in wind and solar capacity, Europe could save an estimated €1 trillion by 2035.

From a purely technical point of view, with solar and wind power (with the world's biggest offshore wind farm on Dogger Bank, just off the Yorkshire coast) and turbines for rivers, tidal barriers and battery technologies there is surely enough renewable industries in which to invest and support further innovations.

However, the moral argument for divestment from fossil fuels is also compelling. We need to make a compact with future generations to not destroy the environment that we are handing to them. If we do the right thing now and realign ourselves with the natural world by stopping the burning of fossil fuels we can save a future for our children worth living in. I urge you to think very carefully about the continuation of

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support of fossil fuel investments and ask this committee to commit to fossil fuel divestment by the end of 2025 at the latest.

The following response was provided to the issues raised:-

We agree about the seriousness of climate change. In our recent investment strategy review we spent more time talking about this issue than anything else, including assessing the impact of a number climate change scenarios. We also recognise that the world will be reliant on oil and gas for many years and we believe that oil and gas companies will play an important role in the transition to a low carbon economy. This is why we think our approach of investing in and engaging with these companies to encourage a swifter transition is the right approach.

That being said, our oil and gas exposure is very low for a local government fund, and has actually fallen over the year from 1.8% to 1.3% despite this sector outperforming all of the others by a wide margin. This fall is due to decisions the Committee has made to move investments to Border to Coast. Climate change was a part of the decision making process however, to be clear, this was in part a recognition of the increasing risk climate change presents, rather than a divestment decision.

It should also be noted that the Committee has been increasing investment in renewable energy over recent years. Investments in wind, solar and other renewables now exceed those in oil and gas, and are expected to more than double over the next five years

7. Pension Administration Report

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund in the quarter and updates on key issues and initiatives which impact the administration team, including the following:-

Admission Agreements and New Academies

Administration

Membership Statistics

Throughput Statistics

Performance Statistics

Commendations and Complaints

Annual Benefit Statements 2023

Breaches Policy & Log

Issues and Initiatives

i-connect

LGR

McCloud

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Member Training

Meeting Timetable

The following issues from the report were highlighted:-

- The Administration Section continue to be very busy, however, there had been a further improvement in the performance against target rating of the section which had resulted from a full complement of staff and better management.
- The number of members adopting self-service had increased which would assist with reducing the pressure on administration staff.
- There were 10 compliments received during the quarter and no complaints.
- The 2023 annual benefit statement (ABS) process had started with 198 returns provided by employers at this stage, 100 through i-connect, and four outstanding returns were being pursued. There were currently 43 returns to be verified and posted to records.
- Letters regarding pension options were being issued to employees who had transferred to North Yorkshire Council as part of Local Government Reorganisation. Employees from four of the seven former district and borough councils had received their letters, the rest would be issued by the end of June (when the year end files had been submitted).
- There had been no reported breaches of the regulations over the previous quarter.
- An update was provided in respect of the employer portal, i-Connect, for monthly data returns, with 128 employers now on-boarded.
- The McCloud Project was now at the stage of reconciling data. The project had changed direction slightly in that the 3rd party provider will no longer be completing the project, with this to be done in-house, with a team being set up to carry this out.

Members discussed the report and the following issues were raised:-

- The Chair commended the Administration Team on the progress being made within their service.
- A Member noted that despite the good progress being made by the Team he was aware that the number of outstanding cases had increased during the quarter to over 1400, and he asked why this had occurred. In response it was stated that the measurement of outstanding work had been improved to provide better transparency. A project team had been created to deal with the backlog and since 31st March, when the quarter ended, the backlog has been drastically reduced.
- Members welcomed the details within the report that there were no complaints and no breaches during the quarter. It was stated that this reflected the good working systems now in place.
- It was asked if the publication of ABS for 2023 would comply with the legislation having 100% published by the deadline. It was emphasised that every effort would be made to meet this, however, only ABS with verified data would be issued.

Resolved –

That the contents of the report be noted.

8. Budget and Cashflow

Considered –

The report of the Treasurer outlining the following:-

the 2022/23 budget and the cost of running the Fund;

the 4 year cashflow projection for the Fund;

an update on the Fund's final accounts and annual report 2021/22

The main variances within the budget were lower fund manager fees with the decrease resulting from the difficult market conditions experienced over the year, leading to lower asset values and, therefore, lower manager fees. It was expected that, in the long term, the position would recover.

The overall cash flow position was for a small Scheme Surplus in 2022/23, which was the position before investment related cashflows were taken into account. Deficits were projected from 2023/24. As previously reported to the Committee, it was a natural development for a pension fund to become cashflow negative, due to factors such as increasing life expectancy.

It was stated that the final accounts were still to be signed off. the reasons were nationwide accounting issues relating to infrastructure assets such as roads and bridges owned by councils across the UK, and the potential need to reflect the outcome of the 2022 Valuation.. The Treasurer stated that clarification was currently being sought with the External Auditors as to when the accounts would be signed off, as it was considered there was now sufficient evidence in place for this to happen. He considered that the longer that it took to sign off the accounts the greater the risk that additional issues may need to be taken into account. It was noted that an updated actuarial statement reflecting the 2022 Valuation may be required for the NYPF accounts , but no other changes were expected to be required.

Members of the Committee who also serve on the Audit Committee, outlined how discussions had been held with the External Auditor on the timescale for publishing the accounts. There was little optimism that this would happen in the near future and there were fears that this could have a knock-on effect for the 2022/23 audit. It was considered that the current position was unacceptable. Concern was also expressed that with the new Council inheriting responsibility for a number of district and borough council accounts needing signing off, the issue was significant and it was asked what could be done to expedite the signing off processes. The Treasurer stated that there was little else that could be done to speed matters up as this was entirely dependent on the External Auditor. Every avenue had been explored, but the Council would continue to press the Auditors on this.

A Member noted that the current External Auditor was moving away from undertaking Local Authority audits and wondered whether this was having an effect. In response it was stated that this could be true but the opposite was as likely, as the Auditor may want to wrap up the provision of this service as soon as possible. It was emphasised that the auditing process was fully scrutinised to ensure that the work was being carried out appropriately.

Members highlighted that the External Auditor may request additional fees for the extra work undertaken, going forward, and it was asked whether these would be paid, given the circumstances. In response it was emphasised that the fees position would be the subject of robust discussions and the basis of any additional fees would be challenged if appropriate. In terms of moving on to an alternative auditor it was stressed that, at this stage, it would not be practical, and the External Auditor was anyway in the last year of their contract.

A member queried the fees paid to BCPP, as outlined in the report. It was explained that these related to their project and governance costs which were costs evenly split between the local authority Funds within the partnership. It was noted that BCPP was not operated for profit and the fees on asset management represented the actual operational costs.

It was noted that the report highlighted rising life expectancy as a reason for the move towards negative cashflow, and it was queried whether this was still the case. In response it was stated that life expectancy was still rising, but not as fast as previously forecast. It was noted that many of the LGPS Funds had been cashflow negative for many years without any detrimental effects on their arrangements. It was also stressed that the Fund had expected to be in a negative cashflow position some years ago, but this has taken longer to materialise than expected, but now seems inevitable.

Resolved –

That the contents of the report, and issues raised, be noted.

9. Performance of the Fund

Considered –

Report of the Investment Consultants, AON, providing comprehensive details of performance and asset allocation information for the Fund along with a background to the investment markets during the first quarter of 2023/24. The Fund's Independent Financial Advisor also provided analysis of the details.

The risks to the Fund's investment strategy and the performance of the various fund managers were also detailed.

Market Background – previous 12 months

- End of an era of low inflation and low interest rates
- Inflation at a high level coming out of the pandemic and had remained higher than originally expected. Also the war in Ukraine had pushed up inflation and had added to the pressure on central banks to increase interest rates.
- As a result market returns were driven down in 2022, and although returns were now showing signs of a bounce-back, they were still lower than before that period.
- Investments in property had been hit recently, as private sector investors saw higher yields on liquid bonds being more attractive than illiquid property investments.
- Yields for long term gilts had now risen to levels that were seen at the time of the Truss Government's mini-budget, and mortgage rates were rising steeply. In terms of the economy the UK was not in a particularly healthy state. It was noted that the position at the time of the mini-budget was particularly detrimental to private sector pension funds which needed to sell assets including commercial property to meet margin calls on gilts investments used in liability driven investment strategies. Details of the effect this had on these funds was outlined, and how that had impacted on markets.
- Details of how other markets had been affected, including bonds and property, were outlined. A Member, whilst agreeing with the majority of the Committee in keeping the Investment Strategy as it is for now, felt that the Fund's investments were still over exposed to equities and, eventually, would like to see action to reduce that risk to help safeguard the funding position of the Fund. It was noted that Corporate Pension Funds used gilts to match the cost of liabilities , but this had led to them selling property and other illiquid assets, whereas the LGPS could take a long term view. The current position regarding inflation and interest rates was captured to some extent in the recent valuation of the Fund, including a specific one off adjustment to take account of high inflation, but inflation may take longer to return to longer term expected levels than anticipated.

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Funding position

- At the time of the valuation the funding level of the Fund was 115%, with a surplus of £640m. The position as of 30 March 2022 was 125% funded, but this was based on assumptions used in the 2019 valuation and did not include the adjustment of approximately 10% for high inflation. By the end of March this year the funding level had fallen to 110%, due, in the main, to the high volatility in the markets. Assets had fallen around 10% but liabilities had also fallen, resulting in the 5% reduction in the funding level. Returns were expected to recover in the future. Full details were provided in the report.
- Despite the downturn in the funding position the Fund was still in a healthy position as it was well above 100% funded. The risk to the Fund was that the funding position slipped back to below 100%, therefore, continuing to de-risk the investments whenever possible remained a priority.
- Issues around index linked bonds and their capacity to generate income to mitigate the negative cash flow position were discussed.
- It was noted that the Fund was now quite close to the Investment Strategy target allocations but some final tweaks were required.

Baillie Gifford

- The investment with Baillie Gifford was discussed, as the Committee were due to meet with their representatives immediately following the meeting. The previous Quarter had seen a strong performance from the investment following a recent run of poor performance. They remained highly ("buy") rated by the investment advisors. It was noted that Baillie Gifford and BCPP's Global Alpha fund were quote different but that both had outperformed their benchmark during the Quarter A report on the Fund's allocation to equities would be provided to the September meeting of the Committee. The various issues around the Baillie Gifford investment were outlined including their history of outperformance, their strategy going forward the market environment they were working in and how that may affect the performance of the investment. It was noted that they had been "buy" rated for a substantial number of years and had been instrumental in ensuring the Fund was more than 100% funded. The main concern raised was the recent change of personnel, which advisers were comfortable with.

Resolved –

That the contents of the report, and the issue raised, be noted;

10. Pension Board – report back by the Chair on the meetings held on 6th April 2023

The Chair of the Pension Board gave a verbal update on the most recent meeting of the Board based on the Minutes of the meeting held on 6th April, which had been provided.

The Chair of the Pension Board stated that details of changes to the Terms of Reference were reported to the Meeting. These related wholly to the change from North Yorkshire County Council to North Yorkshire Council following LGR.

Board Members were pleased to note that there had been no breaches of the regulations since their previous meeting.

Members discussed the minutes and update by the Chair of the Pension Board, and the following issue was highlighted:-

- A Member noted that the Board had discussed Responsible Investment Policies and Zero Carbon targets, and he asked for further details on that discussion. The Chair of the Board stated in response that the Board had highlighted that there were no specific targets set out in policies in terms of achieving Zero Carbon, however, he emphasised that it was within the remit of the PFC to consider. The Treasurer stated that the Committee would consider the policies, and the targets around Climate Change/responsible investments at a subsequent meeting.

Resolved -

That the details of the meeting outlined be noted and the Board's Chairman be thanked for his updates.

The meeting concluded at 11.30am

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North Yorkshire Council

Pension Fund Committee

30 June 2023

Governance Arrangements

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To review a range of governance documents and for the Committee to approve them, being:

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

1.2 To provide Members with the NYPF draft 2022/23 Statement of Accounts.

2.0 BACKGROUND

2.1 The governance documents for the North Yorkshire Pension Fund (NYPF or ‘the Fund’) are reviewed and approved annually by the Pension Fund Committee (PFC). Regulations require that certain governance documents and the Pension Fund Final Accounts form part of the Annual Report of the Fund. In addition to those documents that form part of the Annual Report, all other governance documents are also reviewed annually for reasons of good practice.

3.0 GOVERNANCE ARRANGEMENTS FOR NYPF

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

3.2 **Governance documents to be included in the Annual Report**

3.2.1 The **Investment Strategy Statement (ISS)** sets out the Fund's approach to investing. The document was last approved in July 2021 following a review of the investment strategy earlier that year. The document has been updated to reflect the changes that have been made to the investment management arrangements since then, and the outcome of the 2023 investment strategy review, and is attached as **Appendix 1**. ***Members are asked to approve this document.***

3.2.2 The **Governance Compliance Statement** describes the governance arrangements of the Fund. The latest version of this document is attached as **Appendix 2.** Changes have been made to reflect recent amendments to the Council's constitution. ***Members are asked to approve this document.***

3.2.3 The **Funding Strategy Statement** describes how employers' pension liabilities are to be met going forward, how employer contributions will be kept as stable as possible, and a prudent long-term view of those liabilities. The document approved in September 2022 is attached as **Appendix 3.** Minor tracked wording changes have been made to the document following employer consultation. ***Members are asked to approve this document***.

3.2.4 The **Communications Policy**, attached as **Appendix 4**, details the policy for communicating with all the Fund's stakeholders. Minor tracked wording changes have been made to the document. ***Members are asked to approve this document***.

3.3 **Other Governance Documents**

3.3.1 The **Admissions and Terminations Funding Policy** outlines the Fund's policy on admissions into the Fund and the methodology for assessing an exit payment when an employer leaves the Fund. This document is attached as **Appendix 5.** Minor tracked wording changes have been made to the document. ***Members are asked to approve this document***.

3.3.2 The **Risk Register** has recently been updated and is attached for approval. **Appendix 6a** is a summary of the Risk Register and **Appendix 6b** is the Risk Register itself. The register describes the key risks faced by the Fund. There are three risks ranked as medium high, six as medium and two as low.

The Resources and Key Personnel risks have both been increased in the short term to reflect the ongoing issues with post Local Government reorganisation workloads and restructures and the fact these may impact business as usual. We are also awaiting the appointment of an investment accountant. It is anticipated that the risk rating increases will be short term.

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

The risk for the LGPS Pooling Transition has reduced due to the fact we are well into the transitional process and our approach and process are working well.

Both the LGPS Regulations and Fraud risks have reduced as there are no major regulatory changes anticipated and the current Fraud controls are deemed to be working effectively.

Members are asked to approve the Risk Register (Appendix 6b).

3.3.3 The **Risk Management Policy** for the Fund was last approved in 2020. The Council's Risk Management team has recommended that this document is reviewed every three years or more frequently if significant changes are required. The updated Policy is attached as **Appendix 7**. The table in paragraph 5.3 has been updated to reflect the new approach to impact and likelihood categories. Previously there were four categories for each. ***Members are asked to approve this document.***

3.3.4 The **Pensions Administration Strategy,** attached as **Appendix 8**, sets out the administration protocols between employers and the Fund. Minor tracked wording changes have been made. ***Members are asked to approve this document***.

3.3.5 The **Administering Authority Discretions Policy**, attached as **Appendix 9**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. The administering authority name and both the logos have been changed. ***Members are asked to approve this document***.

3.3.6 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 10**, sets out how scheme members can resolve problems or complaints they may have about their pension benefits. Minor tracked wording changes have been made. ***Members are asked to approve this document.***

3.3.7 The **Governance Roles and Responsibilities**, attached at **Appendix 11**, sets out the governance arrangements for the Fund. It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS. Minor tracked wording changes have been made. ***Members are asked to approve this document.***

3.3.8 The **Charging Policy**, attached at **Appendix 12** and should be read in conjunction with the Pensions Administration Strategy. It sets out the Fund's policy on charging employers for poor quality data, late submissions of information required to calculate member benefits and late payments of contributions or submission of accompanying paperwork. Changes have been made to clarify the approach, including when charges may commence from, and the discretion available on whether charges will always be imposed in practice. ***Members are asked to approve this document.***

3.3.9 The **Breaches Policy**, attached at **Appendix 13**, sets out the Fund's policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice". Minor tracked wording changes have been made. ***Members are asked to approve this document.***

3.3.10 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 14**, sets out how and why NYC processes personal data in relation to the Fund. This Notice follows that of the administering authority in order to ensure compliance. Minor tracked wording changes have been made and the auditor has been updated to Mazars. ***Members are asked to approve this document.***

3.3.11 The **GDPR Memorandum of Understanding**, attached at **Appendix 15**, sets out for employers the statutory basis on which data will be shared between the parties and NYPF's expectations of employers during their participation in the Fund. This again follows the approach taken by the administering authority. Minor tracked wording changes have been made. ***Members are asked to approve this document.***

3.3.12 The **NYPF Training Policy** attached as **Appendix 16**, sets out the training arrangements of the Pension Fund Committee and the Pension Board. Minor tracked wording changes have been made. ***Members are asked to approve this document.***

3.3.13 The **Cashflow Policy** attached as **Appendix 17**, describes how the Fund will manage its cashflow requirements. This is an area of increasing importance as the Fund approaches cashflow negative territory. ***Members are asked to approve this document***.

3.3.14 The **Responsible Investment (RI) Policy** attached as **Appendix 18a**. It has been updated to reflect the climate change scenario analysis work undertaken as part of the investment strategy review in 2022/23 and expected developments on carbon reporting. ***Members are asked to approve this document***.

3.3.15 Attached at **Appendix 18b** is the **Climate Change Statement**. This document expands on the Fund's approach in this area. ***Members are asked to approve this document***.

3.4 NEXT STEPS

3.4.1 It has been the Committee's practice to have the governance documents of the Fund reviewed by an independent party every few years. The last review was carried out in 2020. A review was due in 2022 but was deferred on the expectation that the DLUHC (Department for Levelling up, Housing and Communities) would be introducing guidance on good governance. The intention was to have a review after this guidance was available and after changes had been made to the Fund's arrangements.

3.4.2 There have been several occasions over the last few years when it has appeared that guidance was imminent. It is possible that it will emerge before the summer recess but there is a significant likelihood that it will not. DLUHC has decided to stop giving indicative timescales.

3.4.3 The regulations and guidance relating to governance arrangements have not changed materially since the last review was carried out, but the approaches taken by some LGPS funds will have changed to some extent. For example, regulations and guidance on TCFD (Taskforce for Climate Related Financial Disclosures) reporting are expected in the near future, but a small proportion of funds have been reporting based on their assessment of what the requirements will be.

3.4.4 Members are therefore asked for their views on whether a review should be undertaken later this year, or whether they would prefer to wait until DLUHC's guidance has been published and the Fund has responded to it. Following the retirement of the Fund's Independent Professional Observer a suitable person is being sought to undertake a review, whenever it is needed.

4.0 NYPF DRAFT STATEMENT OF ACCOUNTS

4.1 The statutory deadline for the Council to publish its unaudited accounts, which includes NYPF's accounts is 31 May each year. The deadline to publish its final (audited) accounts is 30 September. The responsibility to approve the Council's draft accounts resides with its S151 Officer, and its Audit Committee has the responsibility to approve its final accounts.

4.2 Due to phasing of work and internal priorities, the Council's draft accounts including the NYPF's accounts was published on 12 June 2023. The extract of the NYPF accounts is attached as **Appendix 19**.

4.3 The deadline for the publication of the NYPF Annual Report, which includes the Fund's accounts is 1 December 2022. It is the PFC's responsibility to approve this document. It will therefore be brought to the PFC for approval at its meeting on 24 November 2023.

5.0 RECOMMENDATIONS

Members are asked to:

5.1 Approve the changes made to the following governance documents:

- Investment Strategy Statement (Appendix 1)
- Governance Compliance Statement (Appendix 2)
- Funding Strategy Statement (Appendix 3)
- Communications Policy (Appendix 4)
- Admissions and Terminations Funding Policy (Appendix 5)
- Risk Register (Appendix 6)
- Risk Management Policy (Appendix 7)
- Pension Administration Strategy (Appendix 8)
- Administering Authority Discretions Policy (Appendix 9)
- IDRP Guide (Appendix 10)
- Governance Roles and Responsibilities (Appendix 11)
- Charging Policy (Appendix 12)
- Breaches Policy (Appendix 13)
- GDPR Privacy Notice (Appendix 14)
- GDPR Memorandum of Understanding (Appendix 15)
- Training Policy (Appendix 16)
- Cashflow Policy (Appendix 17)
- Responsible Investment Policy (Appendix 18A)
- Climate Change Statement (Appendix 18B)

5.2 Note the draft 2022/23 NYPF Statement of Accounts (Appendix 19).

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

14 June 2023

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Appendix 1

North Yorkshire Pension Fund

INVESTMENT STRATEGY STATEMENT

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1.0 INTRODUCTION

1.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS). This document is the ISS of the North Yorkshire Pension Fund (NYPF, or the Fund) for which North Yorkshire Council (the Council) is the administering authority.

1.2 The Council has delegated all its functions as the administering authority of NYPF to the Pension Fund Committee (PFC, or the Committee). The Corporate Director Resources, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities.

1.3 The Committee determines the investment policy of the Fund and has ultimate responsibility for the investment strategy. The Committee undertakes its responsibilities after taking appropriate advice from external advisers.

1.4 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed ~~immediately~~ to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

1.5 The Fund has consulted on the contents of the Investment Strategy Statement with such persons it considers appropriate. This document is reviewed annually as part of the Fund's annual governance review.

2.0 OBJECTIVES OF THE FUND

2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The funding position will be reviewed at each Triennial Valuation with adjustments to the investment strategy, asset allocation and to investments with investment managers as required.

2.2 The investment objective of the Fund is to provide for sufficient income and capital growth of the Fund's assets in a range of market conditions, supplemented by employee and employer contribution income, to meet the cost of benefits as they fall due. It is translated into a suitable strategic asset allocation benchmark designed to address the nature of the Fund's liabilities, and deliver a return over the long term including through periods of volatility in financial markets.

3.0 INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS

3.1 It is the PFC's policy to invest the assets of the Fund to spread risk by ensuring a reasonable balance between different categories of investments. The PFC takes a long term approach and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Fund and meet the cost of its liabilities.

3.2 The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled funds. The Fund may also make use of derivatives, either directly or in pooled funds, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

3.3 The Committee reviews the investments of the Fund on a regular basis, with particular regard to suitability and diversification. On each occasion, the Committee receives advice from its Investment Consultant and Independent Adviser.

3.4 Changes to the Fund's asset allocation strategy include the addition of Alternatives, being Property (2012), Private Debt (2016) and Infrastructure (2019). Multi Asset Credit was added in 2020, Listed Alternatives in 2021, and Climate Opportunities in 2022. These asset classes have served to further diversify the Fund's investments, spreading risk and reducing short term volatility while maintaining sufficient investment returns.

3.5 A review of the investment strategy took place in the first quarter of 2021, when a number of changes were made. Illiquid credit other than Private Credit, and Absolute Return were dropped from the strategy, and Property was reduced. There were corresponding increases to the allocations to Equities, Infrastructure, Corporate Bonds and Government Bonds. Overall, the changes were intended to improve the efficiency of the strategy, through reducing risk but maintain return expectations. The investment strategy was again reviewed in 2023, including an assessment under a range of climate change scenarios. The conclusion was that no further changes were required.

3.6 ~~Most of the changes are in the Fund's liquid asset classes and can be made relatively quickly.~~ The changes to the private markets allocations of Infrastructure and private credit will be implemented over several years~~the longer term, as will achieving the allocation to Private Credit, which is still in the process of being built up following its addition to the strategy in 2019~~. To help align the current asset allocation closer to the strategy while these illiquid allocations grow over time, Listed Alternatives is being used on a temporary basis.

3.7 The Fund's current long-term strategic asset allocation is set out in the table below.

	Benchmark %
Equities	50
Infrastructure	10
Property	7.5
Private Credit	5
Multi Asset Credit	5
Corporate Bonds	7.5
Government Bonds	15

3.8 Actual allocations are considered with reference to the benchmark allocations by the Committee each quarter. Based on tactical views, rebalancing activity is carried out as required. ~~Consideration is being given to applying t~~3% thresholds below and above the allocations to the global equity managers~~each of the benchmark allocations around each asset class to~~ assist with the approach to rebalancing.

3.9 Historically and where possible, investments at the asset class level have been sub-divided into two or more mandates with different investment managers operating to different benchmarks, further increasing the diversification of the Fund's investments. As assets are gradually being transferred to Border to Coast (see section 6) this is being replaced by a different approach. Investments are typically in funds which employ two or more external investment managers. Therefore although the approach is changing, diversification is maintained and in some cases increased.

3.10 Each investment manager operates to a specific benchmark and to specific mandate restrictions appropriate to their process and style, so that in aggregate, their activities are aligned to the overall performance requirements and risk appetite of the Fund. Each manager holds a range of underlying investments which reflects their views relative to their respective benchmarks, as permitted by their mandates.

3.11 The investment management arrangements of the Fund are as follows.

Manager	Mandate	Objective
Border to Coast	UK Equities	To outperform the FTSE All Share Index by 2% pa over the long term
Border to Coast	Global Equities	To outperform the MSCI All Countries World Index by 2% pa over the long term
Baillie Gifford	Global Equities (Long Term Global Growth)	To outperform the FTSE All World Index by 3% over the long term
~~Dodge & Cox~~	~~Global Equities~~	~~To outperform the MSCI All Country World Index over a market cycle~~
~~Veritas~~	~~Global Equities~~	~~To outperform CPI + 6% to 10% over the medium term~~
Border to Coast	Listed Alternatives	MSCI All Country World Index (Net) over the medium term
Border to Coast	Infrastructure	IRR of 8% (net)
Border to Coast	Climate Opportunities	IRR of 8% (net)
Hermes	UK Property	To outperform the IPD Other Balanced Property Funds Index by 0.5% over the medium term
Legal & General	UK Property	To outperform the IPD All Balanced Property Funds Index over the medium term
Threadneedle	UK Property	To outperform the IPD All Balanced Property Funds Index by 1% to 1.5% over the medium term
~~BlueBay~~Arcmont	Private Debt	IRR of 9% gross (7% net) including 4.5% cash yield
Permira	Private Debt	IRR of 9% gross (8% net) including 5% cash yield
Border to Coast	Private Debt	IRR of 6% (net)
Border to Coast	UK Corporate Bonds	To outperform the iboxx Sterling Non-Gilts Index by 0.6% over the long term

Manager	Mandate	Objective
~~M&G~~	~~UK Government Bonds~~	~~To outperform the gilt based benchmark by 0.5%~~
Border to Coast	UK Government Bonds	To outperform the FTSE UK Index Linked Gilts over 15 Years Index by 0.2% over the long term
~~Newton~~	~~Diversified Growth Fund~~	~~To outperform LIBOR by 4% over the medium term~~
~~Leadenhall~~	~~Insurance Linked Securities (Diversified)~~	~~To outperform Money Market Fund (MMF) returns by 4% to 5.5%~~
~~Leadenhall~~	~~Insurance Linked Securities (Nat Cat Focus)~~	~~To outperform Money Market Fund (MMF) returns by 6.5% to 7.5%~~
~~Leadenhall~~	~~Insurance Linked Securities (Remote)~~	~~To outperform Money Market Fund (MMF) returns by 3% to 4%~~
NYC~~C~~ Treasury Management	Cash	To outperform the Bank of England base rate~~.~~
Northern Trust	Cash	To outperform the Bank of England base rate

3.12 ~~The allocations to diversified growth and insurance linked securities were removed from the strategy in 2021. These assets will be redeployed over time.~~ Although there is not an allocation to cash in the strategy, there will inevitably be a small allocation in practice, to satisfy the Fund's cash flow management requirements.

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

4.0 THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENTS

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

UK Equities	provide a share in the assets and profitability of public companies floated on UK stock exchanges. Capital gains and losses arise as share prices change to reflect investor expectations at the market, sector and stock levels. Income is derived from dividends.

Overseas Equities	are similar to UK Equities but allow greater diversification amongst markets, sectors and stocks. Valuations are affected by exposure to movements in the relative value of the foreign currencies in which investments are made against sterling. Exchange rates are likely to reflect differentials in inflation so should not affect returns materially over the long term, but over the short term currency movements may significantly add to or subtract from returns. Equities are expected to provide high returns compared to other asset classes (the "equity-risk premium").
UK Bonds	are debt instruments issued by the UK Government and other borrowers. Bonds provide a fixed rate of interest and are usually redeemed at a fixed price on a known future date. Valuations primarily reflect the fixed level of interest, the period to redemption and the overall return demanded by investors. They are vulnerable to rising inflation and correspondingly benefit from falling inflation.
Index Linked Bonds	are bonds that provide interest and a redemption value directly linked to a measure of inflation, usually the Retail Price Index or a similar index. The returns from this asset class act as a useful proxy for movements in liability values.
Multi-Asset Credit	Multi-Asset Credit strategies offer investors exposure to a diverse range of credit premia, by investing across a range of geographies, asset classes and credit instruments, in order to protect against rising interest rates and changes in the credit cycle. These funds are well positioned to complement a traditional fixed income allocation, and provide portfolio diversification whilst de-risking from equities.
~~**Diversified Growth Funds**~~	~~are an alternative way of investing in shares, bonds, property and other asset classes. These funds are managed by specialist multi-asset managers and target returns slightly below that of equities but with significantly reduced volatility due to the diversification of their constituent parts.~~
UK Property	is an investment in buildings, indirectly through pooled vehicles. Capital gains and losses occur as prices fluctuate in line with rental levels and investor demand. Income is generated from rents collected from tenants. The nature of rental agreements gives property some of the characteristics of bonds, whilst growth and inflation provide some of the characteristics of equities. It is, therefore, a useful diversifying asset class.

Infrastructure	is a term for real assets which provide essential services to a community for example transport facilities, telecommunications networks and water supplies. These are long term, illiquid investments that should provide stable returns that in some cases are inflation linked and largely uncorrelated to equities, making it a diversifying asset class.
Private Debt	is loan arrangements provided directly to companies over the medium term for a return, significantly above rates charged by commercial banks. Typically they are provided through pooled fund arrangements and require that investors commit funds for a period of 5 to 7 years, with income and capital being returned throughout that time.
Listed Alternatives	is an approach to investing in infrastructure, private debt and other alternatives through UK and overseas stock exchanges. The risk and return characteristics are therefore a blend of equities and alternatives. Temporarily investing in this asset class enables exposure to alternatives to be quickly established in lieu of an allocation to private markets, which will be built up over a number of years.
~~Insurance Linked Securities~~Climate Opportunities	~~is a term used to cover an array of financial instruments whose values are driven by insurance loss events - catastrophes. These instruments are linked to property losses caused by natural and man-made catastrophes and represent a unique asset class given that returns are both uncorrelated and independent from the general financial market. ILS themselves are bond like instruments which are securitised on the underlying catastrophe risks. Typically they are provided through pooled fund arrangements.~~is an investment which aims to have a positive impact on climate change and supporting long-term net zero carbon emissions goals. It is comprised of investments in private equity, infrastructure and private credit. The themes are clean energy, transport, agriculture, technology, industry and sequestration.
Derivative Instruments	such as options and futures are mechanisms through which the Fund can be protected from sudden changes in share prices or exchange rates. Although not income producing they can result in capital gains and losses. They may be used to hedge the Fund's exposure to particular markets.
Cash	is invested in authorised institutions in accordance with the treasury management policy of the Council under the terms of a Service Level Agreement and attracts interest at market rates.

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

4.3 The 2023~~2021~~ investment strategy review was concluded on the basis of an expected return on assets of 7.2~~5.6~~% per annum over the long term. This is higher than the expected return assumed by the 2022 Valuation of 6.2%, due to the negative returns experienced by most asset classes in 2022/23. 6.2% was 2%~~This return is 1.6%~~ above the discount rate used to calculate the Fund's liabilities and reflects a "probability of funding success" as described in the Funding Strategy Statement of 80%. This is based on the Fund's current asset mix and assumes no outperformance from active management.

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

5.1 The Fund aims to achieve its funding objective by taking an appropriate level of risk, through investing a proportion of funds in growth assets. Ongoing monitoring of the risk profile takes place, including reassessing its appropriateness, through investment strategy reviews and at the quarterly meetings of the PFC when appropriate. Close regard is paid to the ongoing risks which may arise through a developing mismatch, over time, between the assets of the Fund and its liabilities, together with the risks which may arise from any lack of balance or diversification of the investment of those assets.

5.2 The risk of financial mismatch is that the Fund's assets fail to grow in line with the liabilities. It is managed by the Committee through a review of the assumptions used to calculate the Fund's liabilities at each Triennial Valuation, and an assessment by the Actuary of the Fund's asset allocation strategy of the probability of achieving funding success. This assessment forms the basis for subsequent asset allocation reviews aimed at controlling risk and further improving the funding position.

5.3 Longevity risk and other demographic factors are assessed at each Triennial Valuation. The Committee reviews national and Fund specific trends as part of this process.

5.4 Systemic risk, being the possibility that an event akin to the financial crisis occurs, is mitigated through the diversified nature of the Fund's asset allocation strategy. The Committee has taken steps since the global financial crisis in 2008 to spread investments across a larger number of asset classes which behave differently in different market conditions. The risks associated with individual asset classes, the combined nature of risks at Fund level are reassessed at each strategy review and changes made as appropriate.

5.5 This diversification across asset classes and across investment managers within each asset class significantly mitigates concentration risk, so that the effect of underperformance of any one asset class or investment manager is minimised. Rebalancing activity prevents material departure from the strategic asset allocation benchmark.

5.6 The significant majority of the Fund's assets are invested in liquid investments, so that the risk of illiquidity, being an inability to meet liabilities as a result of a lack of liquid assets, is minimal. The risk is further managed by cashflow forecasting.

5.7 Currency risk is that the Fund's assets, the majority of which are overseas, underperform relative to Sterling. This risk is managed through a periodic assessment of currency exchange rates including receiving advice on the suitability of hedging the major currencies the Fund's assets are denominated in.

5.8 Agreements with the Fund's custodian and investment managers provide protection against fraudulent losses. In addition, regular checks are undertaken by independent auditors of the custodian's and investment managers' systems. These organisations have internal compliance teams which also monitor and report on risk.

5.9 The Fund has its own Risk Management Policy and maintains a Risk Register which identifies the key risks, an assessment of the potential impact of each risk should it occur, and the controls and contingency plans in place to mitigate the likelihood and severity of each risk. The Risk Register is reviewed by the PFC annually and by the Pension Board semi-annually.

5.10 Environmental, Social and Governance (ESG) factors present financial and non-financial risks to the Fund which could impact on the ability to achieve the long term return target. The Fund's approach to managing these risks is detailed in the Responsible Investment Policy. The Climate Change Statement expands on the approach in relation to this area.

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

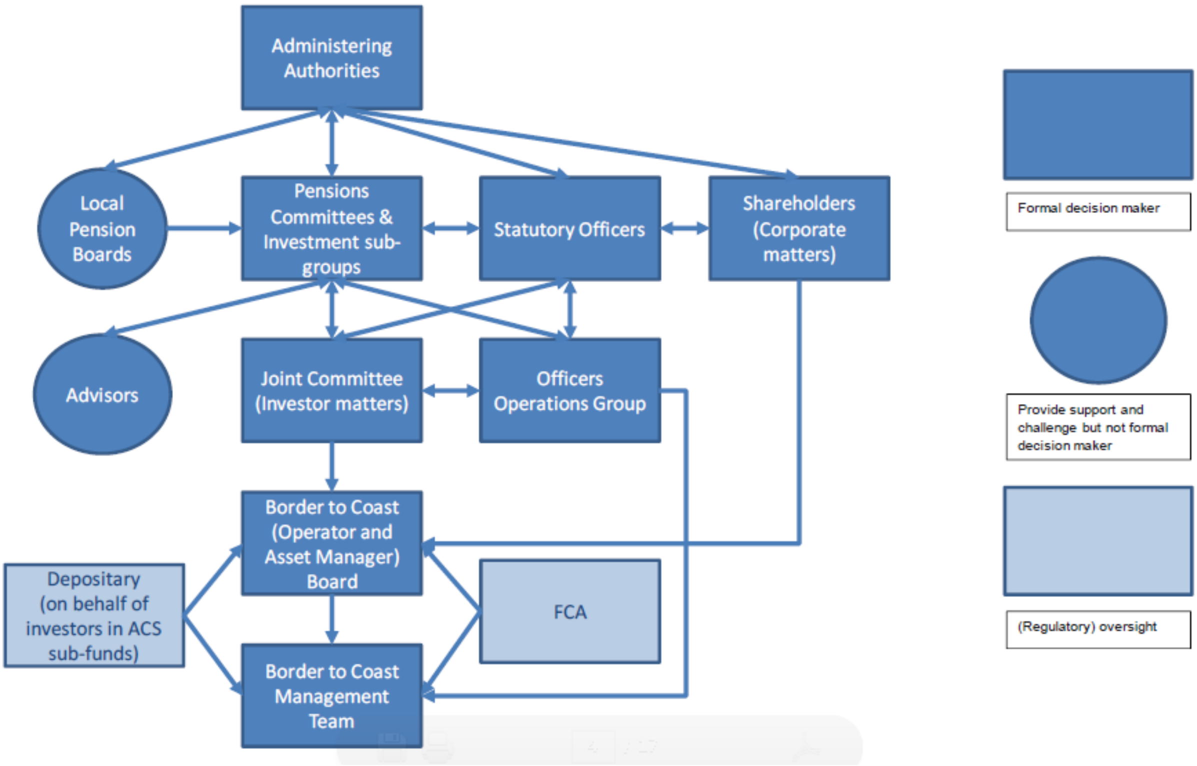
6.1 In order to satisfy the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund has become a shareholder of the Border to Coast Pensions Partnership ("Border to Coast", or "the Pool"). Border to Coast is an FCA regulated Operator and Alternative Investment Fund Manager (AIFM), that became operational in July 2018.

6.2 Border to Coast is a partnership of the administering authorities of the following LGPS Funds:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pensions Authority
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne & Wear Pension Fund
- Warwickshire Pension Fund

6.3 The Fund retains responsibility for determining the investment strategy and asset allocation, and delegates manager selection to the Pool. This ensures that the fiduciary duty for and democratic accountability of the Fund can be maintained, whilst facilitating the delivery of cost benefits through scale.

6.4 The governance structure of the Pool is as follows:



6.5 The Fund will hold the Pool to account through the following mechanisms:

- A shareholding in Border to Coast with voting rights of equal weight to the other ten partner funds, enabling oversight and control of the corporate operations of Border to Coast
- A representative on the Joint Committee which, as an investor, will monitor and oversee the investment operations of Border to Coast

- Officer support to the representatives above from the Officer Operations Group and the Statutory Officer Group. Day to day oversight will be provided by these officer groups.

6.6 It is expected that all of NYPF's assets will be transitioned into the Pool, once suitable sub-funds are in place. This process is expected to take a number of years. The key criteria for the assessment of the sub-funds offered by the Pool are that they provide suitable solutions that meet the investment objectives and asset allocation strategy of the Fund and that there are significant financial benefits in investing. The Fund undertakes due diligence prior to investment to ensure that the interests of NYPF are met. Certain illiquid investments will be retained by NYPF until they are fully realised. The legal structures of these illiquid assets are such that it may not be practical to transfer ownership without a substantial loss in value. The Fund will continually monitor assets that are held outside of the Pool to ensure that this continues to be appropriate and that value for money is being demonstrated.

6.7 An annual report will be submitted to the Scheme Advisory Board providing details of assets transferred into the Pool.

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

7.1 The PFC takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. Investment advice received by the Fund implicitly includes consideration of these factors. Therefore, as a responsible investor, the Committee and the Fund's managers wish to promote corporate social responsibility, good practice and improved performance amongst all companies in which it invests.

7.2 The consideration of ESG factors are incorporated into the investment managers' investment processes. This includes acting as a responsible investor, through the considered voting of shares and engaging with investee companies in relation to corporate governance standards and best practice.

7.3 The Fund's approach to ESG is set out in its Responsible Investment Policy. This document details the consideration of financial and non-financial factors, the approach to stewardship and engagement and a number of other associated issues. There is a section on climate change, which is expanded on in the Fund's Climate Change Statement.

7.4 The Committee further considers the financial impact of ESG factors on its investments through regular reporting by the Fund's investment managers. This includes reporting on engagement with company management and voting activity.

7.5 The Fund is closely involved with Border to Coast in the development of company policies in relation to ESG issues. This includes annual updates to Border to Coast's Responsible Investment Policy, Corporate Governance and Voting Guidelines, and ~~from 2021~~ their Climate Change Policy. NYPF also works with Border to Coast on the evolving approach to investing, such as the weight given to ESG issues in investment processes and the depth of reporting.

7.6 NYPF is a member of the Local Authority Pension Fund Forum (LAPFF) which is the UK's leading collaborative shareholder engagement group. This organisation promotes ESG good practice on behalf of over 80~~70~~ LGPS funds. Its activity acts as a complement to that undertaken by the Fund's investment managers. Any differences in approach are discussed with the Fund's investment managers so that the reasons are fully understood.

7.7 The Fund's managers are also involved in collaborations. For example, Border to Coast is a member of the Institutional Investor Group on climate Change (IIGCC) and Climate Action 100+, and the 30% Club Investor Group which aims to improve diversity on company boards.

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

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

8.1 The Committee has delegated the exercise of voting rights to its external investment managers. Voting should be undertaken where it is believed to be in the best interests of the Fund. The Fund's investment managers are required to report quarterly on their voting activities. As part of the Annual Report there will be a disclosure of voting activity.

8.2 A new Stewardship Code has been published. The Fund intends to report against this code in the near future. The Fund adhered to the earlier Stewardship Code as published by the Financial Reporting Council and was a Tier 1 signatory. A Statement of Compliance with the earlier code will continue to be published on the Fund's website until the new report is available. As funds transfer to the Pool, the Committee will expect both Border to Coast and any investment managers appointed by it to also comply with the new Stewardship Code.

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

June 2023~~July 2021~~

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Appendix 2

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AAAPPENDIX 2

North Yorkshire Pension Fund

Governance Compliance Statement

June~~April~~ 20233~~2~~

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6 Compliance with Best Practice Principles

1.0 Introduction

1.1 This Statement has been prepared by North Yorkshire Council (NYC, or "the Council") as administering authority of the North Yorkshire Pension Fund (NYPF, or "the Fund") in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013.

1.2 These regulations describe the governance arrangements of the Fund and assess them against a set of best practice principles, either confirming compliance or providing an explanation of the reasons for non-compliance as appropriate.

2.0 Governance Arrangements

Pension Fund Committee

2.1 Overall responsibility for the governance of the LGPS, as it is organised and operated in North Yorkshire resides with the Pension Fund Committee (PFC), a committee of the Council, which has been delegated the following powers:

2.1.1 To exercise the powers of the Council to invest monies forming part of the Fund, including:

- to determine and periodically review the Investment Strategy, the Funding Strategy and other governance documents of the Fund
- to appoint investment managers to manage and invest Pension Fund monies on the Council's behalf;
- to determine what the Pension Fund requires its investment pooling provider Border to Coast Pensions Partnership to provide, in order to implement its investment strategy;
- to receive reports from the appointed investment managers setting out the action they have taken under their appointment
- to receive reports from the Investment Advisor and the Investment Consultant regarding the investment performance of the appointed investment managers and the Pension Fund overall
- to receive regular budget reports regarding the administration of the Fund
- from time to time consider the desirability of continuing or terminating the appointments of any organisations involved in the investment of the monies of the Pension Fund
- to receive regular reports on the budget and cash flow of the Pension Fund;
- to receive regular reports on the administration of benefits of the Pension Fund covering member and employer issues;
- to approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee;
- to approve the Annual Report of the Pension Fund; and
- from time to time reporting to the Executive

2.1.2 To exercise all the Council's powers as administering authority for the North Yorkshire Pension Fund, subject to any specific instructions that might be given from time to time by the Council.

2.1.3 To carry out the Council's functions relating to the Local Government Pension Scheme under

- The Local Government Pension Scheme Regulations 2013;
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

and any other Regulations that relate specifically to the Council's responsibility to administer the Local Government Pension Scheme

Pension Board

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

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

2.4 The key points from the terms of reference are:

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

Independent Professional Observer

2.5 In order to provide an independent assessment of the Fund's governance arrangements the PFC has appointed an Independent Professional Observer (IPO). The IPO offers advice on governance related matters and reports periodically to the PFC on the level of compliance of the Fund against the Department for Levelling Up, Housing and Communities (DLUHC) and Local Government's best practice principles.

Functions Delegated to Officers

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

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

The North Yorkshire Pension Fund Officer Group (NYPFOG)

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

3.0 Representations and Meetings

Representation

3.1 The current membership of the PFC is as follows:

- ten elected Members representing the administering authority who each hold one vote on the PFC
- one elected Members representing the Fund's other largest employing body, the City of York Council, holding one vote.

- a number of substitute Members have been nominated to attend in the absence of each of the main Members
- three union representatives are invited to attend every meeting, in a non-voting capacity
- the Chairman of the Pension Board is invited to attend every meeting, in a non-voting capacity
- the quorum required for meetings is three

Meetings

3.2 The PFC is governed by the decision making procedures defined in the Constitution of the Council, being a full committee of the Council. These are fully compliant with the terms of the Local Government Act 2000. In addition, the PFC complies with the procedural requirements defined in LGPS regulations.

3.3 Papers for all meetings of the PFC are provided to all the Members identified in **paragraph 3.1** above, including substitute members and union representatives. In addition, the Investment Adviser and Investment Consultant (who also attend every meeting), Fund Managers and the Fund Actuary are given the opportunity to view all items on the public agenda of each meeting.

3.4 PFC papers are also publicly available on the Council's website. The Communications Policy explains in more detail the arrangements for engagement with all stakeholders.

3.5 The PFC convenes once each quarter. The Fund's investment managers are scheduled to attend additional meetings where the PFC specifically considers fund manager performance and related matters. Four supplementary meetings a year are normally held for this purpose. In attendance at each meeting are the Investment Adviser, the Investment Consultant, the Treasurer and representative members of his staff involved with the NYPF (e.g. Head of Pensions Administration, Head of Investments), and a Committee Clerk.

3.6 The PFC has also included a specific meeting in July in its programme. This is in order to consider the draft Statement of Final Accounts and undertake the annual review of the governance documents, in addition to any other business requiring attention at that time.

4.0 Operational Procedures

Training

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

4.2 Both the PFC and Pension Board complete the CIPFA skills matrix questionnaire in order to identify skills gaps and training needs.

4.3 The Fund arranges a programme of internal and external training events and access to other resources designed to meet these requirements, recommendations and best practice guidance principles for Members of the PFC. A register of all training events is maintained and reported at each PFC meeting.

4.4 The costs incurred by Members of the PFC in attending training sessions are met by the Fund in accordance with the policies of the administering authority.

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

Reporting and Monitoring

4.6 The Fund has a Business Plan that is agreed at the start of each financial year which is reviewed as appropriate.

4.7 In relation to investment matters, the Investment Consultant and each Investment Manager for the Fund is required to submit a quarterly report to the PFC summarising the investment activities within the Fund's portfolios during the preceding quarter and reporting the value and performance of the investments at the end of each such quarter.

4.8 In addition the Treasurer will present reports to every PFC meeting detailing performance in relation to the administration activities of the Fund and other significant matters for Members' attention as determined by the work plan; topics will include reports on the budget position, updates on the regulations, communications with stakeholders, training events and admission agreements, etc.

4.9 Outside of this periodic reporting to the PFC;

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

- the performance of the investment managers is monitored on an ongoing basis by the Investment Consultant and the Treasurer. Meetings are held with the investment managers on a routine basis and/or when particular issues arise (e.g. staff changes) that may affect the performance of that manager on behalf of the Fund.

5.0 Key Policy and Strategy Documents

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

- Administering Authority Discretions
- Administration Strategy
- Admissions and Terminations Policy
- Communications Policy
- Annual Report
- Breaches Policy
- Cashflow Policy
- Charging Policy
- Funding Strategy Statement (FSS)
- GDPR Privacy Notice
- GDPR Memorandum of Understanding
- Governance Compliance Statement
- Governance Roles and Responsibilities
- Internal Dispute Resolution Procedure
- Investment Strategy Statement
- Responsible Investment Policy
- Risk Management Policy
- Risk Register
- Training Policy

6.0 Compliance with Best Practice Principles

Structure

a	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	Fully compliant
b	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee or panel established to underpin the work of the main committee	Fully compliant. It is assumed that the Pension Board fulfils the role of a secondary panel and these stakeholder groups are all eligible to be represented
c	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Fully compliant. It is assumed that the Pension Board fulfils the role of a secondary panel (as the Board is not a committee in legal terms)

d	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Fully compliant. Chair of Pension Board attends the PFC in a non-voting capacity

Representation

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

Selection and Role of Lay Members

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

Voting

a	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	Fully compliant

Voting rights on the PFC are limited to representatives of the administering authority which is responsible for the effective and prudent management of the Scheme, and to representatives of the Fund's major employers. This arrangement provides an optimal number in terms of decision making effectiveness, therefore voting rights have not been extended to other stakeholders.

Training, Facility Time and Expenses

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

Meetings (Frequency and Quorum)

a	That an administering authority's main committee or committees meet at least quarterly	Fully compliant
b	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Fully compliant

c	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant

Access

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

Scope

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

Publicity

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

North Yorkshire Pension Fund

2022 Funding Strategy Statement (FSS)

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

OFFICIAL - SENSITIVE

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 an 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 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 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 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 the 2022 valuation, the Administering Authority's default approach is to step any contribution 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 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 years will apply. Employers will have the freedom to adopt a recovery plan based on 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 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 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 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 2022 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 2023/26 in respect of the past service deficit subject to the review from April 2026 based on the results of the 2025 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 2023/2026. 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 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 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 a 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 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. Please see the Fund's Admissions and Terminations Funding Policy, (4.29 to 4.40) for further details.

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:

- The timing and detail of any regulations in relation to the remedy to compensate members for illegal age discrimination 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.

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 2020.
- 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 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 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
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 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 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 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 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 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 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 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 valuation is as follows:

- 4.2% p.a. for employers where the Scheduled and subsumption body funding target applies
- 3.85% p.a. for employers where the Intermediate funding target (strong covenant approach) applies
- 3.6% p.a. for employers where the Intermediate funding target (standard approach) applies
- 3.6% in service and 0.8% left service, 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, past service liabilities for the Scheduled and subsumption body funding target will be increased by 10% to allow for short-term 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 S3N tables, year of birth base rates, adjusted by a scaling factor.
Ill-health: Standard SAPS S3 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)	115%
Active and Deferred Females (normal health)	115%
Pensioner Males (normal health)	105%
Pensioner Females (normal health)	105%
Active and Deferred Males (ill-health)	115%
Active Females (ill-health)	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, for men or women as appropriate, with a long-term rate of improvement of 1.50% p.a., s_k of 7.0 and parameter A of 0.5.

Pre-retirement mortality

Males: As for normal health retirements but with a 55% scaling factor
Females: As for normal health retirements but with a 55% 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)	Greater of Ro85 age and 60

Group 3 members (Ro85 age = 60)	64
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 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)	85%
Tier 2 (middle tier)	10%
Tier 3 (lower tier)	5%

Family details

A widower is assumed to be 1 year older than his spouse, civil partner or cohabitee. A widow is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

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

0.6% 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 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% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.6% p.a.
Left service	0.8% p.a.
CPI price inflation	2.3% p.a.*
Long Term Salary increases	3.55% p.a.
Pension increases/indexation of CARE benefits	2.3% p.a.

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

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Appendix 4

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North Yorkshire Pension Fund

Communications Policy

April 2023~~2~~

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

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1. Introduction

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

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

We will review this policy annually.

2. Stakeholders

The key stakeholders for the Fund are:

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

Other stakeholders who support the Fund include:

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

3. Objectives

Our key objectives are:

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

4. What we communicate

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

Stakeholder	Communication	When	How
Pension Fund Committee	Committee papers	Quarterly	Website, email, paper
	Retired members newsletter	Annually	Website, email, paper
	Workshops	As required	Webinar, video, face to face
	3rd party training	As required	Webinar, video, face to face
Local Pension Board	Board reports	Quarterly	Website, email, paper
	Retired members newsletter	Annually	Website, email, paper
	3rd party training	As required	Webinar, video, face to face
Scheme Employers	Periodic updates	As required	Email, website
	Technical material	Permanently available	Email, website
	Dedicated area on website	Permanently available	Website
	Bespoke training	As required	Webinar, video, face to face
	Employer~~s~~ guide	Permanently available	Website
	Employer forums	Annually	Webinar, video, face to face
	Pensions Administration Strategy	Permanently available	Website, email
	Charging Policy	Permanently available	Website, email
	Admission Agreements guide	Permanently available	Website, email
	Academies guide	Permanently available	Website, email
Scheme Members	Scheme guides	Permanently available	Website
	Membership certificate	On joining	Paper, online
	Estimate of benefits	When requested	Email, online, paper
	Annual benefit statement	Annually	Online, paper
	Retired members newsletter	Annually	Website, paper, email
	Membership data online	Permanently available	Online
	Electronic satisfaction surveys	At retirement	Online
	Pensioner pay advice	Monthly	Online, paper
	Telephone helpline	Available during working hours	Telephone
	Website	Permanently available	Website

Stakeholder	Communication	When	How
Prospective Scheme Members	Scheme guides	Permanently available	Website
	Telephone helpline	Available during working hours	Telephone
	Website	Permanently available	Website

5. Strategy

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

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

To ensure continuous development we plan to:

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

6. Key Documents

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

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

7. Further Information

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

Email
pensions@northyorks.gov.uk

Website
www.nypf.org.uk

Telephone
01609 536335

Post
North Yorkshire Pension Fund
County Hall
Northallerton
DL7 8AL

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Appendix 5

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North Yorkshire Pension Fund

Admissions and Terminations Funding Policy

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

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1 Introduction

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

2 Admissions to the Fund

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

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

2.3 In general, (paragraph (1)(d) of Part 3 of Schedule 2 to the Regulations) admission bodies will be admitted on a 'fully funded' basis i.e. a funding shortfall or surplus will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall or surplus is passed to the admission body.

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

3 Subsumption, guarantor or bond requirements for entry

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

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

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

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

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

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

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

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

- the Fund's actuary will be asked to use the low risk funding target or the ongoing orphan funding target to assess contribution requirements; and/or
- the admission body must have a bond or indemnity from an appropriate third party in place. Any bond amount will be subject to review on a regular basis in line with the Regulations; and
- the admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide.

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

- uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- if the admission body has an expected limited lifespan of participation in the Fund;
- the general trading risk of the proposed admission body and their financial record;
- the average age of employees to be admitted and whether the admission is closed to new joiners.

Admission bodies formerly known as Transferee Admission Bodies (TABs)

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

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

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

Admission bodies formerly known as Community Admission Bodies (CABs)

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

Town and Parish Councils

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

- If there is a subsumption commitment from a suitable Scheme employer, then the participation will be approved with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements.
- If there is no subsumption commitment from a suitable Scheme employer, then the town or parish council must pre-fund for termination with contribution requirements assessed using the low risk funding target or ongoing orphan funding target.

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

Grouped bodies

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

- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 1 April 2008, Drainage and Burial Boards).
- Local Management of Schools (LMS) Pools (NYC~~C~~ LMS pool and the City of York Council (CoYC) LMS pool) admitted prior to 1 April 2019.

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

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

3.18 The standard approach to setting employer contributions is to not group employers together other than in the cases set out above. However, at the absolute discretion of the Administering Authority, an employer (either an existing employer in the Fund or a new employer joining the Fund) may be grouped with an appropriate council or other employer in the Fund for the purpose of setting contribution rates, subject to the agreement of all relevant parties. All relevant parties should also be aware that grouping gives rise to cross subsidies from one employer to another over time. This arises from different membership profiles of the different employers and from different experience. In general, we would not expect grouping to be permitted for employers whose participation in the Fund is for a fixed period of time.

Other scheduled bodies

3.19 New academies will be treated as indefinite participants in the Fund with full taxpayer backing, as they have a guarantee from the Department for Education. The funding target used to assess contributions will therefore generally be the Scheduled and subsumption body funding target. However, as the Department for Education guarantee is subject to review, 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 the Funding Target for new 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.

3.20 For any other new scheduled bodies joining the Fund, 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;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund; and
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

4 Employer contributions, initial notional asset transfer and funding targets

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

4.2 These will consist of the future service rate (FSR) or primary contribution rate, additional (secondary) contributions required to remove any funding shortfall, and an allowance for the possible cost of the McCloud judgement / Cost Management process as set out in paragraphs 4.25 to 4.28. Where the employer transfers on a fully funded basis (i.e. the level of notional assets is set to be equal to the full value of the transferring liabilities using the appropriate funding target described below) then the initial contribution rate will be equal to the FSR plus the McCloud judgement / Cost Management process allowance. This would generally be the case in an outsourcing of a service or function from a Scheme employer.

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

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

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

4.6 Unless specific instruction to adopt a different approach is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority will determine the notional asset transfer from the ceding Council to the new academy using a 'Share of Shortfall' approach. Under this approach any shortfall in respect of the transferring members transfers to the new academy in the same proportion as the payroll of the transferring members compared with the payroll of the ceding Council. If the ceding Council is estimated to have no shortfall at the commencement date of the new academy, the assets transferring to the new academy will be capped at 100% of the transferring liabilities.

4.7 Where a new academy is set up as a multi-academy trust (MAT), the new MAT may elect to join the Fund under two different approaches which are set out below. When a new academy joins an existing MAT, the approach will be the same as the existing MAT.

i) Each academy within the MAT is treated as a separate employer in the Fund. Each academy within the MAT has a separate contribution rate and shortfall amount calculated at the commencement date of the new academy.

ii) The MAT is treated as a single employer in the Fund. At the commencement date of the MAT, the MAT will be treated as a single employer and contributions will be calculated at that date consisting of a future service (primary) rate and shortfall contributions. For any new academies joining in an inter-valuation period, the contributions for the new academy would generally be set in line with the employer contributions of the MAT calculated at the preceding triennial valuation of the Fund (or commencement date of the MAT if later).

4.8 Historically, the Administering Authority have also allowed MATs to adopt an alternative approach to the two approaches set out above, which is for academies within the MAT to be pooled together for the purpose of setting their future service (primary) contribution rate but then any shortfall contribution amounts are based on the position of each individual academy within the MAT. This approach is no longer available for any new MATs joining the Fund.

4.9 For new standalone academies the future service (primary) rate on commencement of participation will be expressed as a percentage of pay and any shortfall contributions are generally expressed as monetary amounts. The recovery period used to set any shortfall contributions on commencement will generally be set equal to that used for the ceding Council at the preceding triennial valuation of the Fund.

Scheduled and subsumption body funding target

4.10 This approach can be used for new long term secure scheduled bodies and academies, where the participation is assumed to be of indefinite duration, and for admission bodies that have a 'subsumption commitment' from a suitable secure Scheme employer (usually the transferring employer). It is used to calculate the initial assets allocated to the employer and its contributions as well as for the exit valuation (updated to allow for financial market conditions at the exit date). This approach results in the same assumptions being used to set contributions for the employer as apply to the Scheme employer letting the contract in the case of an admission body (although the assumptions are updated to allow for financial market conditions at the calculation date, whether that is the date of commencement or exit).

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

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

4.13 This funding target gives a lower contribution rate but less certainty that the liabilities are being fully covered compared with a new employer on the low risk funding target (see below) with assumed notional investment in government bonds, and can therefore lead to volatility in the FSR over the life of the employer's participation in the Fund and increases the risk of a shortfall or surplus emerging over the period of participation of the employer in the Fund.

Intermediate funding target

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

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

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

Ongoing orphan funding target

4.17 This approach is used where the transferring employer or another secure long-term employer in the Fund is not prepared to offer a subsumption commitment in relation to the employer. This means that no other employer exists in the Fund that would be prepared to take on future responsibility of the liabilities of the employer once the employer has exited the Fund.

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

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

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

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

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

Low risk funding target

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

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

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

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

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

The McCloud consultations for the LGPS (in England and Wales) were published on 16 July 2020, which set out the following key proposals:

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

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

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

4.27 When determining the notional level of assets to be allocated to a new employer commencing participation in the Fund on or after 23 March 2021, the Fund actuary will allow for full inflationary increases on GMPs for those reaching State Pension Age on or after 6 April 2016.

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

Review of Employer Contribution Rates

4.29 The Regulations require a triennial actuarial valuation of the Fund. As part of each actuarial valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A.

4.30 The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
- it appears likely to the Administering Authority the Scheme employer will become an exiting employer; or
- the Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

4.31 For the avoidance of doubt, the Administering Authority will not consider a review of contributions under Regulation 64A purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.

4.32 In determining whether a review should take place under Regulation 64A, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example due to the restructuring of an employer, a significant outsourcing or transfer of staff, the loss of a significant contract, closure to new entrants, material redundancies, significant pay awards, or other significant changes to the membership due to ill-health retirements or voluntary withdrawals

- the materiality of any change in the employer's membership or liabilities, taking account of the Fund actuary's view of how this might affect its funding position, primary or secondary contribution rate;

- whether, having taken advice from the Fund actuary, the Administering Authority believes a change in funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, risk-sharing arrangement, or other form of indemnity in relation to the employer's liabilities in the Fund;

- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund actuary or other covenant adviser to the Fund;

- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time.

4.33 For an employer where contributions may be reviewed under Regulation 64(4), the following circumstances may trigger a review, which may be informal as well as a full interim valuation (this is not intended to be a comprehensive list):

- a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies the relevant scheme employer;

- a material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light;

4.34 For an employer whose participation is due to cease within the next 3 years, the Administering Authority will monitor developments and may see fit to request an interim valuation at any time.

4.35 Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) or 64A applies which may lead to a revised contribution schedule for the employer.

4.36 Where contributions are being reviewed for an employer with links to another employer in the Fund, particularly where this is a formal organisational or contractual link, e.g. a formal guarantee, subsumption commitment or risk sharing arrangement is in place, the Administering Authority will consider the potential risk and impact of the contribution review on those other employer(s), taking advice from the Fund actuary as required.

In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases, the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related employer in the Fund and the proximity to the next formal valuation.

Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related employers with a view to seeking their agreement to this approach.

4.37 It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

4.38 The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also consider the timing of contribution changes following the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate as part of the valuation.

4.39 Where the request for a review comes from the employer, before submitting their request, the employer should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact the Administering Authority and complete the necessary information requirements for submission to the Administering Authority in support of their application.

4.40 The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. In addition, employers should adhere to the notifiable events framework as set out in the Pensions Administration Strategy. Employers should be aware that all advisory fees, including actuarial, legal and any other costs incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

5 Termination of an employer

Exit events

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

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

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

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

Basis of exit valuations

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

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

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

5.7 Where the active members transfer to a new employer in the Fund on a fully funded basis, any shortfall between the value of the liabilities assessed on the funding target of the exiting employer and the funding target for the receiving employer will be met by the appropriate letting body. Any changes to the default position must be agreed, prior to transfer, by all relevant parties including the Administering Authority.

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

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

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

Grouped Bodies - LMS Pools admitted prior to 1 April 2019

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

Academies

5.11 In some cases, different academies within a multi-academy trust (MAT) will be (at the request of the MAT) treated by the Fund as if they were separate employers for the purposes of assessing contribution rates in respect of employees at those academies. However, even where this is the case, in the event that a single academy ceases to participate in the Fund in circumstances where other academies within the same MAT continue to participate, this will not be treated as an exit or partial exit by the MAT and no exit valuation will be commissioned. Rather, any liabilities attributed to an academy as a notionally separate employer will fall to be funded by the MAT as a whole. The impact of this on the MAT's employer contributions will generally be allowed for at the subsequent triennial valuation of the Fund. However, the Administering Authority may direct the Fund actuary to take the cessation into account straight away and adjust the contributions payable by the MAT if the event is considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see paragraphs 4.29 to 4.40 above for details of the Administering Authority's policy in this area.

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

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

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

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

Notification of termination

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

5.15 Where termination is disclosed in advance or in the opinion of the Administering Authority there are circumstances which make it likely that an employer will become an exiting employer, the Fund may request a revised certificate from the Actuary that specifies the amount that the rates should be adjusted by prior to exit in line with Regulation 64(4) of the Regulations.

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

- a deficit, in that the liabilities have a higher value than the assets. In this situation paragraphs 5.19 to 5.39 below will apply; or
- a surplus, in that the assets have a higher value than the liabilities. In this situation paragraphs 5.40 to 5.50 below will apply.

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

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

Payment of exit debt

5.19 If the Fund actuary has calculated a deficit at the exit date the exiting employer is liable for payment of that deficit under the Regulations. The Administering Authority will usually require a lump sum payment from the exiting employer in the first instance, although the Administering Authority may allow phased payments as permitted under Regulation 64B. Where an exit payment cannot be met in full or in part by the exiting employer the Administering Authority will attempt to recover any outstanding payment from a bond or alternative indemnity that may be in place.

5.20 Following the use of any bonds or indemnities (if any), any remaining debt will be recovered in a lump sum payment from the guarantor (if there is one). However, where the terms of the guarantee allow it, the Administering Authority reserves the right to demand payment of any exit debt from the guarantor as a primary liability (i.e. without first seeking payment from the exiting employer)

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

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

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

Suspending payment of exit amounts

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

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

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

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

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

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

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

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

Spreading of exit payments

5.30 The starting position of the Administering Authority is that an exiting employer will be required to meet any exit liability owed as a single lump sum payment. However, the Administering Authority may allow phased exit payments as permitted under Regulation 64B.

5.31 It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage with the employer to consider the application and determine whether spreading the exit payment is appropriate, and the terms which should apply.

5.32 In determining whether to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

5.33 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment, this will normally weigh against the Administering Authority allowing the payment to be spread.

5.34 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

5.35 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be up to 3 years but longer periods may be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

5.36 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that the request may not be able to be made until the results of the exit valuation are known. Where there is a guarantor or subsuming employer, the guarantor/subsuming employer will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee (or where there is one in place prior to exit, a bond) continuing in force during the spreading period.

5.37 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as equal annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Alternatively, monthly payments may be required, or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

5.38 Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period, the annual payments due, any other costs payable including actuarial and legal costs and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.

5.39 The Administering Authority will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

Surplus on Exit

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

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

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

When requesting the representations of the parties, the Authority will set a time period for responses that it considers reasonable in the circumstances, but which shall not be less than 14 days in duration. Except in cases where the amount of the surplus in question would make the process disproportionate, the Authority would usually offer each party consulted a separate opportunity to respond in writing to the representations of the other party (if any have been made).

5.41 The representations of the parties mentioned in paragraph 5.40 above may (but need not) detail any risk sharing arrangement agreed between the parties as regards the participation of the exiting employer in the Fund.

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

a) the extent to which there is a surplus;

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

c) the representations received by the parties under paragraph 5.40 above;

d) the date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements;

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

f) where part or all of the surplus relates to an increase in the value of the assets of the Fund as at the exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;

g) any other relevant factors.

5.43 No single factor will be conclusive and the Administering Authority will consider all the circumstances in the round in coming to its decision on the correct level of an exit payment. In order to help the parties in formulating their representations, the Administering Authority sets out below the factors it may consider, and some guidance as to the usual implication of those factors:

Factor	The Administering Authority's view on how this may influence the determination
The extent to which there is a surplus	Will not itself influence the determination in favour or against the exit credit, but the Administering Authority may decide to truncate the determination process where the surplus is so small as to make the full process administratively disproportionate;
The proportion of the excess of assets which has arisen because of the value of the exiting employer's contributions	In general, the Administering Authority considers that where the surplus exceeds the total employer contributions received over the course of the admission (plus a reasonable allowance for interest where this might be appropriate), this would weigh against the payment of the full surplus as an exit credit;
The representations received from the parties	Dependent on their content;
The date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements	In general, the Authority considers that where the arrangements pre-date the introduction into the Regulations of the concept of exit credits, and therefore the parties did not anticipate the existence of an exit credit in their negotiations or contractual arrangements, this will weigh against the payment of an exit credit (either in full or in part dependent on the circumstances), and where the arrangements post-date the concept of exit credits, this will weigh in favour of the payment of an exit credit (either in full or in part dependent on the circumstances);
Whether or not the exiting employer has been exposed to the full financial risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties	In general, the Administering Authority considers that where the exiting employer has not been exposed to the usual financial risks associated with admission by reason of its commercial arrangements with third parties (for example the scheme employer), this would weigh against the payment of an exit credit (either in full or in part dependent on the circumstances of the arrangement in question). Such a risk sharing arrangement might include for example: • an agreement whereby the exiting employer will be protected from, or reimbursed in respect of, any deficit which arises under Regulation 64 of the Regulations, either in whole or to a material extent; and/or

	• an agreement which protects the exiting employer from variation in respect of the level of its ongoing employer contributions to the Fund, either in absolute terms, or within a defined range (often referred to as a "cap and collar" arrangement). The Authority also considers that where a scheme employer has given a subsumption commitment in respect of an exiting employer, this would qualify as a risk sharing arrangement, as the practical effect would be to transfer contingent risks that would usually rest with the exiting employer to the subsuming employer, thus reducing the risk to which the exiting employer is exposed. Where the Administering Authority is aware that a subsumption commitment has been given, it will prepare and will submit to the parties exit valuations prepared on both the subsumption basis and discounting the subsumption commitment, in order to more clearly demonstrate the impact of the subsumption and to enable the parties to make informed representations on the impact of the subsumption commitment on the exit surplus;
Where part or all of the surplus relates to an increase in the value of the assets of the Fund as at exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;	In general, the Administering Authority considers that where the exit took place at a time when the value of assets held by the Fund were unexpectedly high, and subsequently declined, or appear to the Administering Authority reasonably likely to decline in the short or medium term, then this will weigh against the payment of an exit credit (either in full or in part dependent on the circumstances). Where the Authority relies on this factor in making a determination, it will provide the parties with details of why it considers that is the case; and
Any other relevant factors.	Dependent on the factor in question.

5.44 In making a determination under paragraph 5.42, the Administering Authority will take such legal, actuarial and investment advice as it considers appropriate.

5.45 The Administering Authority will notify each of the parties identified in paragraph 5.40 of the amount of any surplus which it has determined should be returned to the exiting employer, if any (the "**exit credit**").

5.46 Where the Administering Authority has determined that an exit credit will be paid, the Administering Authority will make the payment to the exiting employer by the later of:

- six months after the date of the exit event; or

- such later date as the Administering Authority and the exiting employer may agree.

5.47 The Administering Authority's ability to meet the payment deadlines mandated by the Regulations is dependent on the parties providing the information needed as part of the exit process in a timely manner.

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

5.49 If the scheme employer and admission body wish to change the default position on the payment of an exit credit then they should include suitable provisions in any service agreement between themselves. Where the Administering Authority determines that an exit credit is to be paid, this will in all circumstances be paid to the exiting employer and not to any other party (even where, for example, the exiting employer requests it or the exiting employer has already agreed to pass that payment to a third party).

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

Deferred Debt Agreements (DDAs)

5.51 Under Regulation 64(7A) of the Regulations, an administering authority may enter into a written agreement with an exiting employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate.

5.52 The Administering Authority's current policy is that Deferred Debt Agreements will generally not be permitted.

North Yorkshire Pension Fund

Appendix 6(a)

Risk Register: **May 2023 Review – summary**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Risk Trend	Risk	Description	Risk Owner	Risk Manager	Curr Prob	Curr Imp	Current Risk Score	Current Category	Targ Prob	Targ Imp	Target Risk Score	Target Category	FB Plan?
↑	**RPF6 Resources**	Insufficient staffing and system resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints	CD RES	RES Head of Investments; RES Head of Pensions Administration	H	M	**12**	Medium High	M	M	**9**	Medium	✓
↑	**RPF9 Key Personnel**	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.	CD RES	RES Head of Investments; RES Head of Pensions Administration	H	M	**12**	Medium High	M	M	**9**	Medium	✓
–	**RPF2 Pension Fund Solvency**	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, adverse market conditions or legislative changes requiring a review of employer contributions, additional payments or extended recovery period	CD RES	RES Head of Investments	M	H	**12**	Medium High	L	H	**8**	Medium	✓
–	**RPF8 Employer Contributions**	Failure to maintain sustainability and affordability of employer contributions and ensure those contributions are efficiently collected at the required times	CD RES	RES Head of Pensions Administration	M	M	**9**	Medium	M	M	**9**	Medium	✓
–	**RPF10 Benefit Payments**	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD RES	RES Head of Pensions Administration	M	M	**9**	Medium	L	M	**6**	Medium	✓
↓	**RPF3 LGPS Pooling Transition**	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD RES	RES Head of Investments	M	M	**9**	Medium	L	L	**4**	Low	✓
–	**RPF4 Investment Strategy (including Responsible Investment)**	Failure of the investment strategy to achieve sufficient returns from investments whilst responding to cash flows needs and maintaining assurances that investments are made in an environmentally and socially responsible manner	CD RES	RES Head of Investments	L	H	**8**	Medium	L	H	**8**	Medium	✓

North Yorkshire Pension Fund

Appendix 6(a)

Risk Register: **May 2023 Review – summary**
Next Review Due: **November 2023**
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Risk Trend	Risk	Description	Risk Owner	Risk Manager	Curr Prob	Curr Imp	Current Risk Score	Current Category	Targ Prob	Targ Imp	Target Risk Score	Target Category	FB Plan?
–	**RPF12 Investment Manager**	Failure of a pension fund investment manager (incl BCPP) to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise	CD RES	RES Head of Investments	L	M	6	Medium	L	M	6	Medium	✔
–	**RPF14 IT Systems**	Failure of the physical or digital security of the Pension IT system leaving it vulnerable to downtime or cyber crime attack (includes other IT systems on which pensions rely if affected for more than 2 days or at a critical time) resulting in financial loss, backlog, incorrect payments, increased overtime, criticism	CD RES	RES Head of Pensions Administration	L	M	6	Medium	L	M	6	Medium	✔
↓	**RPF11 Regulations and Legislation**	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge	CD RES	RES Head of Pensions Administration	L	L	4	Low	L	L	4	Low	✔
↓	**RPF5 Fraud**	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation	CD RES	RES Head of Investments; RES Head of Pensions Administration	VL	H	4	Low	VL	H	4	Low	✔

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

Abbreviations		**Classifications**	
CD RES	Corporate Director Resources	Curr Prob	Probability
RES	Resources Directorate	Curr Imp	Impact on Objectives
FB Plan	Fallback Plan	Targ Prob	Financial Impact
LGPS	Local Government Pension Scheme	Targ Imp	Impact on Services
IT	Information Technology	Rep	Reputational Impact

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Probability	Description
Very High	Over 80% chance; Almost certain; regular occurrence.
High	60-80% chance; Probable; has happened within the last 12 months.
Medium	40-60% chance; Possible; likely to happen at some point in the next one to three years.
Low	10-40% chance; Unlikely; only likely to happen once every three or more years
Very Low	Less than 10% chance; Highly unlikely; has happened rarely or never

Impact	Financial	Objectives	Service Delivery	Reputation
Very High	Major / Over 3.0% increase in contribution rate or loss of major opportunity.	All four of the Fund's key objectives adversely impacted.	Widespread impact multiple services affected. Requires Corp Director involvement.	External enquiry; Major legislative breach; Significant, prolonged national media coverage.
High	Significant / 2.0% - 3.0 % increase in contribution rate or loss of significant opportunity	Three of the Fund's key objectives adversely impacted.	Notable impact on service delivery, significant project slippage. Requires Assistant Director involvement.	Some national media coverage; Minor legislative breach; Significant Member / Employer complaints.
Medium	Notable / 1.0% - 2.0 % increase in contribution rate or loss of notable opportunity	Two of the Fund's key objectives adversely impacted.	Moderate impact on service delivery, declining performance. Requires Head of Service involvement.	Notable Member / Employer complaints; Regional media.
Low	Some / 0.5% - 1.0 % increase in contribution rate or loss of some opportunity	One of the Fund's key objectives adversely impacted.	Some impact on service delivery. Resolved by local manager.	Minor local media coverage; some Member / Employer complaints.
Very Low	Minor / Up to 0.5% increase in contribution rate or loss of minor opportunity.	None of the Fund's key objectives adversely impacted.	Little or no impact on service delivery.	Sporadic complaints, little impact outside the Council

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
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Phase 1 - Identification

Ref.	RPF6	**Title**	**Resources**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments; RES Head of Pensions Administration
Risk Description	Insufficient staffing and system resources to adequately service the needs of the Fund resulting in delays, reduced performance and complaints			**Risk Group**	Staffing	**Linked Risk(s)**	

Phase 2 - Current Assessment

Current Control Measures

Pension Investment Manager in place; some extra resource agreed and appointed to (Oct 22);

Current Probability	H	**Current Impact**	M	**Current Risk Score**	12	**Current Risk Category**	Medium High

Phase 3 - Risk Mitigation Plan

Reduction Action		**Action Manager**	**Due Date and status**	%	**Date Completed**
RRRPF26	Continue to develop plan to deal with identified resource gaps	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF27	Continue to ensure adequate finance capacity is available to support the Pension Fund; some progress made; agency accountant being used prior to permanent appointment of investment accountant position; Business Support have appointed new member of staff	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Sep-2023	0%	
RRRPF28	Continue to monitor workload demands to ensure effective resource allocation	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF29	Commission third party to undertake the data gathering required for the McCloud Remedy work; supplier commissioned and data gathering is in progress; data gathering finished, data validation exercise completed, test data load complete, work to complete to correct errors	RES Head of Pensions Administration	31-Oct-2023	30%	
RRRPF30	Ensure we provide reassurance and robust comms around impact of LGR to mitigate against possible loss of experienced staff	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	31-May-2023	100%	31-Mar-2023
RRRPF31	Understand the continued impact of LGR on BAU;	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment

Target Probability	M	**Target Impact**	M	**Target Risk Score**	9	**Target Risk Category**	Medium

Phase 5 - Fallback Plan

Fallback Plan

Obtain assistance from 3rd party administration provider.

North Yorkshire Council

North Yorkshire Pension Fund

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
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Phase 1 - Identification							
Ref.	RPF9	**Title**	**Key Personnel**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments; RES Head of Pensions Administration
Risk Description	Loss and unavailability of key personnel, leading to potential knowledge gaps and delays to provision of advice as new personnel take on key roles resulting in reduced performance and complaints.			**Risk Group**	Staffing	**Linked Risk(s)**	
Phase 2 - Current Assessment							
Current Control Measures							
Procedure notes; knowledge sharing; file management; deputies; co-operation between departments; pensions management meetings; comprehensive training matrix; PFC action notes; professional advisors; increase resources agreed in finance team; Joint Head of Pension Fund Investments appointed; carried out introduction to LGPS for PFC and Board members 2022;							
Current Probability	H	**Current Impact**	M	**Current Risk Score**	12	**Current Risk Category**	Medium High

Phase 3 - Risk Mitigation Plan						
Reduction Action		**Action Manager**	**Due Date and status**		**%**	**Date Completed**
RRRPF36	Continue to ensure adequate finance capacity is available to support the Pension Fund; some progress made	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	▶	0%	
RRRPF37	Maintain resilience, particularly at Senior Accountant level, to meet current and anticipated future demands and complexity, looking to appoint to investment accountant	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	▶	0%	
RRRPF38	Carry out appropriate induction and ongoing training for new PFC and Pension Board members; put together a structured induction programme for replacement PFC members in light of expected LGR led changes	RES Head of Investments; RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2022	✔	100%	30-Nov-2022
RRRPF39	Ensure inclusion of key personnel with relevant external advisers or feedback from such meetings/telephone calls (on going)	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	▶	0%	
RRRPF60	Ongoing review and update of procedure notes	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	▶	0%	
RRRPF61	Consider succession planning for key roles	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	▶	0%	

Phase 4 - Target Risk Assessment							
Target Probability	M	**Target Impact**	M	**Target Risk Score**	9	**Target Risk Category**	Medium
Phase 5 - Fallback Plan							
Fallback Plan							
Identify temporary cover arrangements plus additional resources where required							

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North Yorkshire Pension Fund

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Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
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Phase 1 - Identification							
Ref.	RPF2	**Title**	**Pension Fund Solvency**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments
Risk Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, inappropriate actuarial assumptions, adverse market conditions or legislative changes requiring a review of employer contributions, additional payments or extended recovery period			**Risk Group**	Financial	**Linked Risk(s)**	

Phase 2 - Current Assessment							
Current Control Measures							
Deficit recovery period; adopt prudent actuarial assumptions; all assumptions reviewed every 3 years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; high priority data quality actions have been completed; employer covenants completed as part of each triennial valuation and as required; DfE as guarantor of academies; continual programme of investment strategy reviews							
Current Probability	M	**Current Impact**	H	**Current Risk Score**	**12**	**Current Risk Category**	Medium High

Phase 3 - Risk Mitigation Plan					
Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RRRPF1	Carry out the 2022 Valuation to reassess liability values against assets, determine employer pension fund contributions required for the three years from 2023/24, PFC to determine the new Funding Strategy.	RES Head of Pensions Administration	31-Mar-2023	100%	31-Mar-2023
RRRPF2	Regular review of investment strategy to maximise investments also reviewed as part of the triennial valuation (next review to take place Q4 2022 to Q1 2023)	RES Head of Investments	31-Mar-2023	100%	31-Mar-2023
RRRPF3	Continue to monitor risk around unguaranteed funds	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF4	Monitor the legislative environment for any impact on solvency and respond to consultations as and when appropriate	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF5	Continue with implementation of changes to investments to bring them in line with the new investment strategy; no new actions identified from latest review	RES Head of Investments	30-Nov-2023	0%	
RRRPF6	Work through transition plan and new operational model for the new pensions pool; developing the sub funds to allow further transfers; still progressing through the timetable	RES Head of Investments	30-Nov-2023	0%	
RRRPF7	Ensure post pooling go live reporting and information is as required; as and when we move funds the reporting will be checked and monitored	RES Senior Accountant (Pensions)	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment							
Target Probability	L	**Target Impact**	H	**Target Risk Score**	**8**	**Target Risk Category**	Medium

Phase 5 - Fallback Plan
Fallback Plan
Increased contribution rate from employers and/or extend recovery period

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification							
Ref.	RPF8	**Title**	**Employer Contributions**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Pensions Administration
Risk Description	Failure to maintain sustainability and affordability of employer contributions and ensure those contributions are efficiently collected at the required times			**Risk Group**	Financial	**Linked Risk(s)**	

Phase 2 - Current Assessment							
Current Control Measures							
Ongoing consultation with Employers; manage the employer contributions through investment strategy; assumptions used in triennial valuation, cost sharing mechanism, funding strategy statement; Contribution Deferral Policy							
Current Probability	M	**Current Impact**	M	**Current Risk Score**	**9**	**Current Risk Category**	Medium

Phase 3 - Risk Mitigation Plan					
Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RRRPF32	Continue to review the employer contributions spreadsheet to seek to improve the chasing of late payments; new late fee spreadsheet being developed	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF33	Continue investigating the use of iConnect for monthly contribution collection	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF34	Maximise investments / returns by implementation of the investment strategy	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF35	Enforce the penalty charging regime for late payment and late submissions; need to progress the late fee spreadsheet to enable this to be fully effective	RES Senior Accountant (Pensions)	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment							
Target Probability	M	**Target Impact**	M	**Target Risk Score**	**9**	**Target Risk Category**	Medium

Phase 5 - Fallback Plan
Fallback Plan
Increased contribution rate from employers and/or extend recovery period

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification									
Ref.	RPF10	**Title**	**Benefit Payments**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Pensions Administration		
Risk Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments			**Risk Group**	Performance	**Linked Risk(s)**			
Phase 2 - Current Assessment									
Current Control Measures									
Current Control Measures Up to date procedures and procedural checking; pension software up to date; workflow system; authorisation procedures; pro formas; staff training; audit trail; internal and external audits; Pensions Administration Strategy; Manuals available for calculation procedure; action plan for clean data requirements; use of task checklists; ESS; payment timetable flowchart; new system process mapping completed									
Current Probability	M	**Current Impact**	M	**Current Risk Score**	9	**Current Risk Category**	Medium		
Phase 3 - Risk Mitigation Plan									
Reduction Action					**Action Manager**	**Due Date and status**		**%**	**Date Completed**
RRRPF40	Roll out the monthly online returns				RES Head of Pensions Administration	30-Nov-2023		80%	
RRRPF41	Ensure completion of LGR work package to enable correct benefit payments to be made				RES Head of Pensions Administration	30-Nov-2023		60%	
RRRPF42	Maintain an open dialogue with employers, with particular regard to customer expectations; supported by the employer relationship role created in the team				RES Head of Pensions Administration	30-Nov-2023		0%	
RRRPF43	Regular liaison with ESS regarding operational arrangements; ongoing via employer relationship role				RES Head of Pensions Administration	30-Nov-2023		0%	
RRRPF44	Continue to manage the level of outstanding work; targeting a 3 mth backlog				RES Head of Pensions Administration	30-Nov-2023		0%	
Phase 4 - Target Risk Assessment									
Target Probability	L	**Target Impact**	M	**Target Risk Score**	6	**Target Risk Category**	Medium		
Phase 5 - Fallback Plan									
Fallback Plan									
Correct errors and review and amend existing procedures									

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Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
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Phase 1 - Identification							
Ref.	RPF3	**Title**	**LGPS Pooling Transition**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments
Risk Description	Failure to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.			**Risk Group**	Change Mgt	**Linked Risk(s)**	

Phase 2 - Current Assessment							
Current Control Measures							
Pension Fund Committee involvement in key pooling decisions; NYPF officer involvement in pooling working groups; Periodic reporting of updates to the Pension Fund Committee; further detail behind the plans received; providing updates to the pension board on a quarterly basis around governance; legal advice on behalf on partner funds; pooling briefing provided to members;							
Current Probability	M	**Current Impact**	M	**Current Risk Score**	**9**	**Current Risk Category**	Medium

Phase 3 - Risk Mitigation Plan					
Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RRRPF10	Ensure that as the sub-funds are set up that we can invest into and the process of transition is developed, NYPF have as much involvement as possible to shape this and ensure that it is suitable for our needs; continue to establish due diligence prior to fund transfer for each asset class	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF11	Continue to ensure that pooling transitions are made at optimum time to reduce exposure to market volatility and costs impact	RES Head of Investments	30-Nov-2023	0%	
RRRPF12	Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF59	Consider response to the pooling consultation (currently awaiting details from DLUHC)	RES Head of Investments	30-Nov-2023	0%	
RRRPF7	Ensure post pooling go live reporting and information is as required; as and when we move funds the reporting will be checked and monitored	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF8	Consultation with advisors on the implication of pooling and advice on setting up arrangements including sub funds; ongoing fund advice being sought	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF9	Ensure PFC, Pension Board and employers are kept up to date on pooling progress; pooling update on PFC agenda each quarter;	RES Senior Accountant (Pensions)	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment							
Target Probability	L	**Target Impact**	L	**Target Risk Score**	**4**	**Target Risk Category**	Low

Phase 5 - Fallback Plan
Fallback Plan
No current alternative to pooling

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification

Ref.	RPF4	**Title**	**Investment Strategy (including Responsible Investment)**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments
Risk Description	Failure of the investment strategy to achieve sufficient returns from investments whilst responding to cash flows needs and maintaining assurances that investments are made in an environmentally and socially responsible manner			**Risk Group**	Strategic	**Linked Risk(s)**	

Phase 2 - Current Assessment

Current Control Measures

Strategy reviewed through asset/liability modelling; risk budgeting; experience and knowledge of the market and suitable forms of investment; Member training; Independent Investment Adviser and Consultant reports; PFC workshops and sign off of strategy; regular monitoring of investment performance; impact of MiFID monitored; full review as part of the triennial review; Pool has a Responsible Investment Policy; NYPF strategy statement includes ethical investment policy; Cash Flow Policy; Responsible Investment Policy for NYPF

Current Probability	L	**Current Impact**	H	**Current Risk Score**	8	**Current Risk Category**	Medium

Phase 3 - Risk Mitigation Plan

Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RRRPF13	Work to the new UK stewardship code (Tier 1 signatory to the original code) to improve visibility of responsible investment arrangements; requires approval by the Financial Reporting Council (QB to confirm with Tom)	RES Head of Investments	30-Nov-2023	0%	
RRRPF14	Ongoing monitoring of cash flow position and three year forward projection reports provided to PFC quarterly	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF15	Continue to work to understand impact of alternative investment payment schedules and ensure these are considered in cash flow projections	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF16	Continual review of the investment strategy and implement the recommendations, including consideration of pooling arrangements	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF17	Quarterly monitoring of appropriateness of strategy against prevailing market conditions	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF18	Monitor the advisor and consultants reports and act on professional advice – ongoing given national and global issues	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF19	Increased focus on climate change: Climate Change Statement published on the website; historical carbon footprint reported to PFC in Nov 2022, with periodic updates also being reported	RES Head of Investments	30-Nov-2023	0%	
RRRPF5	Continue with implementation of changes to investments to bring them in line with the new investment strategy; no new actions identified from latest review	RES Head of Investments	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment

Target Probability	L	Target Impact	H	Target Risk Score	8	Target Risk Category	Medium
Phase 5 - Fallback Plan							
Fallback Plan							
Review the strategy and implement changes as necessary based on the forward assessment of financial markets; media management through NYC press office for any reputational incidents							

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification									
Ref.	RPF12	**Title**	**Investment Manager**		**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments	
Risk Description	Failure of a pension fund investment manager (incl BCPP) to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise				**Risk Group**	Performance	**Linked Risk(s)**		
Phase 2 - Current Assessment									
Current Control Measures									
Qrtly review of investment mgr targets; std terms and conds re termination of contract; ext advisers monitor mgrs perf; qrtly repts to Pension Fund Comm; benchmarking against other approp comparators; investment strategy review; risk budgeting exercise via Aon; reporting by Custodian; fund mgr attend at PFC; Member training; best practice procurement process; diversified portfolio of investments;									
Current Probability	L	**Current Impact**	M	**Current Risk Score**	6	**Current Risk Category**		Medium	
Phase 3 - Risk Mitigation Plan									
Reduction Action					**Action Manager**	**Due Date and status**		**%**	**Date Completed**
RRRPF48	Closer monitoring of the managers where NYPF only funds are being reduced / removed.				RES Senior Accountant (Pensions)	30-Nov-2023		0%	
RRRPF49	Continue to monitor and report on investment returns on a regular basis				RES Senior Accountant (Pensions)	30-Nov-2023		0%	
RRRPF50	Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers				RES Senior Accountant (Pensions)	30-Nov-2023		0%	
RRRPF51	When pool options are unavailable, carry out a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)				RES Senior Accountant (Pensions)	30-Nov-2023		0%	
RRRPF7	Ensure post pooling go live reporting and information is as required; as and when we move funds the reporting will be checked and monitored				RES Senior Accountant (Pensions)	30-Nov-2023		0%	
Phase 4 - Target Risk Assessment									
Target Probability	L	**Target Impact**	M	**Target Risk Score**	6	**Target Risk Category**		Medium	
Phase 5 - Fallback Plan									
Fallback Plan									
Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager									

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification							
Ref.	RPF14	**Title**	**IT Systems**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Pensions Administration
Risk Description	Failure of the physical or digital security of the Pension IT system leaving it vulnerable to downtime or cyber crime attack (includes other IT systems on which pensions rely if affected for more than 2 days or at a critical time) resulting in financial loss, backlog, incorrect payments, increased overtime, criticism			**Risk Group**	Technological	**Linked Risk(s)**	
Phase 2 - Current Assessment							
Current Control Measures							
Manual payments; DR plan and tested; contracts for server maintenance; backups off site; major external providers have DR plans; manual calculation procedures, administration manuals, annual financial check, contingency plan in place, modern council; modern council working to aid resilience, mandatory training, tech and change security policies in place.							
Current Probability	L	**Current Impact**	M	**Current Risk Score**	6	**Current Risk Category**	Medium

Phase 3 - Risk Mitigation Plan						
Reduction Action		**Action Manager**	**Due Date and status**		**%**	**Date Completed**
RRRPF53	Ensure is up to date and that key messages on threats etc are distributed and discussed	RES Head of Pensions Administration	30-Nov-2023	▶	0%	
RRRPF54	Ensure that contingency planning arrangements are regularly reviewed and updates logged on the corporate system;	RES Head of Pensions Administration	30-Nov-2023	▶	0%	
RRRPF55	Sense check any IT recovery assumptions with Technology	RES Head of Pensions Administration	30-Nov-2023	▶	0%	

Phase 4 - Target Risk Assessment							
Target Probability	L	**Target Impact**	M	**Target Risk Score**	6	**Target Risk Category**	Medium
Phase 5 - Fallback Plan							
Fallback Plan							
Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier							

North Yorkshire Pension Fund

Appendix 6(b)

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification									
Ref.	RPF11	**Title**	**Regulations and Legislation**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Pensions Administration		
Risk Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge			**Risk Group**	Legislative	**Linked Risk(s)**			
Phase 2 - Current Assessment									
Current Control Measures									
Specialist knowledge; designated members of staff; regular updates & comms with CLG; LGPC; Actuarial advice; Employers Forums; NEPOF; section training by specialist staff; specialist software; advice on calculations interpretations; investment mgt agreement; awareness of overriding legislation; broadening of knowledge across MT; LGE advice; nat. technical pension group provide advice; Trustees knowledge and understanding toolkit; training feedback received in order to continually strengthen understanding; GDPR advice and training sessions; mandatory GDPR training for asset owners; impact of MiFID monitored									
Current Probability	L	**Current Impact**	L	**Current Risk Score**	4	**Current Risk Category**	Low		
Phase 3 - Risk Mitigation Plan									
Reduction Action					**Action Manager**	**Due Date and status**		**%**	**Date Completed**
RRRPF36	Continue to ensure adequate finance capacity is available to support the Pension Fund; some progress made				RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023		0%	
RRRPF45	Implementation of staff training programme training schedule created				RES Head of Pensions Administration	30-Nov-2023		0%	
RRRPF46	Complete preparation for participation in the Pensions Dashboard; currently on hold with DWP				RES Head of Pensions Administration	30-Nov-2023		0%	
RRRPF47	Continue to promote cross skilling within the section to improve resilience;				RES Head of Pensions Administration	30-Nov-2023		0%	
RRRPF59	Consider response to the pooling consultation (currently awaiting details from DLUHC)				RES Head of Investments	30-Nov-2023		0%	
Phase 4 - Target Risk Assessment									
Target Probability	L	**Target Impact**	L	**Target Risk Score**	4	**Target Risk Category**	Low		
Phase 5 - Fallback Plan									
Fallback Plan									
Review existing interpretations, take legal advice and amend procedures as required									

Risk Register: **May 2023 Review – detailed**
Next Review Due: **November 2023**
Report Date: **12th June 2023 (cpc)**

Phase 1 - Identification							
Ref.	RPF5	**Title**	**Fraud**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments; RES Head of Pensions Administration
Risk Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation			**Risk Group**	Financial	**Linked Risk(s)**	

Phase 2 - Current Assessment							
Current Control Measures							
Internal and external Audit; internal checking and authorisation procedures and levels in both pension section and finance; split between administration and finance; all third parties have regular audits and regulated by FCA; legally binding contracts in place; governance arrangements for the delegation of duties; use of BACS payments; monthly mortality monitoring; participate in National Fraud Initiative							
Current Probability	VL	**Current Impact**	H	**Current Risk Score**	4	**Current Risk Category**	Low

Phase 3 - Risk Mitigation Plan					
Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RRRPF20	Veritau get the output from National Fraud Initiative and pursue any cases of concern for fraud	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF21	Increase awareness within the teams of potential for pension scams including cash equivalent transfers,	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF22	Continually review processes and procedures including authorisation levels;	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF23	Ongoing internal audit assessment	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF24	Annual independent external audit of pension fund (separate from NYC) and carry out appropriate recommendations; initial report produced	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF25	Continue to review external manager audit and risk reports	RES Senior Accountant (Pensions)	30-Nov-2023	0%	
RRRPF62	Continue to carry out a mortality screen across pensioner population	RES Head of Pensions Administration	30-Nov-2023	0%	

Phase 4 - Target Risk Assessment							
Target Probability	VL	**Target Impact**	H	**Target Risk Score**	4	**Target Risk Category**	Low

Phase 5 - Fallback Plan
Fallback Plan
Review incident and update procedures/processes accordingly

APPENDIX 7

NORTH YORKSHIRE PENSION FUND

RISK MANAGEMENT POLICY

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1.0 INTRODUCTION

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

1.2 The primary objective of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. Investments of the Fund are selected with the aim of fully funding these benefit requirements over an extended number of years.

1.3 The day to day running of the Fund is delegated to the Treasurer, who is also the Corporate Director ~~– Strategic~~ Resources of the Council. The Treasurer is responsible for implementing the decisions of the PFC and is supported by specific teams within the Council. All aspects of the day-to-day management of investment funds are undertaken by external fund managers.

1.4 Risk, uncertainty and change create challenges to the Fund meeting its objectives. Risks, whether recognised or unforeseen, create a threat to achieving performance targets and change. Uncertainty and change, when considered thoroughly however, can also provide the opportunity to introduce new, innovative and effective ways to manage the Fund.

1.5 This Risk Management Policy has been developed by officers of the Fund and sets out the Fund's strategic approach to effective risk management. The Policy is to be approved at least every 3 years by the PFC, as responsibility for the Fund's risk management rests with them.

2.0 RISK MANAGEMENT DEFINITION

2.1 A 'risk' is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

2.2 'Risk Management' is the approach to managing all of the Pension Fund's key service risks and opportunities with the aim of maximising service delivery effectiveness and efficiency. Risk management is critical to the overall management of the Pension Fund, including the management of staff, physical assets and financial resources.

2.3 Risk management is not about being 'risk averse', it is about being 'risk aware'. The Fund recognises that it is not necessary to eliminate risk entirely, risks are necessary to achieve the objectives of the Fund, for example, investment return targets. It is important to weigh up the risk against the opportunities that can be gained.

3.0 RISK OBJECTIVES OF THE FUND

3.1 The Fund's risk management objectives are:

- to continue to embed risk management into the culture of the Fund and all of its day-to-day activities
- to manage risk in accordance with best practice and support well considered risk taking
- to aim to reduce the overall cost of risk to the Fund
- to continue to raise awareness of the need for risk management with all those involved in the management of the Fund
- to maintain a robust framework and processes for identifying risks and their likely impact to inform the decision making of the Fund

4.0 BENEFITS OF RISK MANAGEMENT

4.1 It is expected that if the Fund objectives above are being met that the following benefits will be realised:

- an established and reliable basis for decision making that can be justified
- improved governance of the Fund
- enhanced financial control of the Fund
- strengthened ability to meet the key objectives and targets of the Fund
- improved service for the members of the Fund
- supports innovation and allows the flexibility to be responsive to change
- avoids surprises and minimises loss and waste
- improved reputation of the Fund

5.0 APPROACH TO RISK MANAGEMENT

5.1 Risk management is integral to all aspects of the management of the Fund. The Fund is committed to embedding risk management in all decision making. As such risk management is reflected in all of the Fund's policies, including the following key policies:

- Investment Strategy Statement
- Funding Strategy Statement
- NYPF Annual Report and Accounts

5.2 The Fund operates within the risk framework of the Administering Authority. A Pension Fund Risk Register has been established that feeds into the Council's~~NYCC~~ Risk Register. This Risk Register identifies and analyses the risks faced by Fund. It covers a broad range of risks including both strategic, investment related risks and operational risks.

5.3 The Council's~~NYCC~~ standard risk evaluation approach has been adopted by the Fund to allow risk prioritisation and effective allocation of resources. Once risks have been identified and included on the risk register they are assigned a risk ranking, which will be red, amber or green. The ranking matrix is shown in the table below:

		Risk Score				
Likelihood	Very High	5	10	15	20	25
	High	4	8	12	16	20
	Medium	3	6	9	12	15
	Low	2	4	6	8	10
	Very Low	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
		Impact				

Colour	Score	Assessment
	20 - 25	Very High
	15 - 16	High
	10 - 12	Medium High
	5 - 9	Medium
	3 - 4	Low
	1 - 2	Very Low

5.4 Each risk is ranked based on the following:

- existing risk controls in place
- probability of the risk occurring (based on existing controls)
- impact of the risk occurring (based on existing controls)
- further risk controls which may reduce current probability or impact

5.5 The probability and impact/severity of each risk is measured using Very High, High, Medium, Low and Very Low categories based on thresholds set for each category. These thresholds are reviewed periodically to ensure they remain appropriate. The impact of risks occurring is split into the following 4 distinct areas:

1. failure to meet key objectives
2. financial impact
3. service delivery
4. loss of image or reputation

5.6 **Review**

5.6.1 The risk register is reviewed twice yearly in a risk workshop, attended by Pension Fund officers and officers from the Council's ~~NYCC~~ Risk Management Section, to reflect changes in activity and in market conditions. An overarching risk, considering key Pension Fund risks, is also included on the NYC~~C~~ ~~Strategic~~ Resources risk register which is reviewed twice yearly by the Corporate Director- ~~Strategic~~ Resources.

5.6.2 The Risk Register is also taken to the Pension Board every 6 months for review and is approved annually by the PFC. As with all of the Fund's governance documents; the risk register may~~is~~ also reviewed ~~annually~~ by the Fund's Independent Professional Observer.

5.7 **Risk Appetite**

5.7.1 The Fund accepts that it will face risks in order to achieve its objectives. However, it will not tolerate those risks which are assessed as having a high likelihood of causing a substantial impact on its financial position or services and/or lead to widespread member or employer complaints (category 1 risks in the table above). Any such risk identified will need to have a risk reduction plan developed and monitored by the PFC and implemented by the risk manager in order to ensure that the risk returns to a tolerable level within an acceptable timescale.

5.8 **Responsibilities**

5.8.1 The responsibility and accountability for managing the risks within the Pension Fund lies with the PFC.

5.8.2 Officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles.

5.8.3 Advisers and suppliers to the Fund are also expected to be aware of this Policy.

June 2023~~2020~~

Appendix 8

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North Yorkshire Pension Fund

Pensions Administration Strategy

April ~~2022~~2023

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

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5	Responsibilities and Duties of the Employer
6	Responsibilities and Duties of NYPF
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8	Communications
9	Notifying Employers of a Change in Policy

Pensions Administration Strategy

1.0 Purpose of Strategy

This Strategy sets out the administration protocols between employers and the North Yorkshire Pension Fund (NYPF). The protocols aim to ensure the cost effective running of the Local Government Pension Scheme (LGPS) and the best service possible for LGPS members. The protocols ensure that the statutory requirements and timescales imposed upon both employers and the NYPF can be met and therefore must be followed at all times.

For the purpose of this Strategy no practical distinction is drawn between the statutory role of North Yorkshire ~~County~~ Council (NYC~~C~~) as the Administering Authority for the NYPF, its Pension Fund Committee, the Pension Administration Section or other sections of the Central Services Directorate all of whom play a role in the administration of the NYPF. The term NYPF is used collectively to reflect all of the above roles within NYC~~C~~. The Pension Board also exists to assist the Administering Authority in ensuring that the NYPF is managed and administered effectively and efficiently and complies with pensions' legislation and requirements imposed by the Pensions Regulator.

2.0 Regulatory Background

The protocols cannot override any provision or requirement in the regulations outlined below or in any other relevant legislation.

This Strategy is made under regulation 59 of the Local Government Pension Scheme Regulations 2013. The principal regulations underpinning this document are:

- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- the Local Government Pension Scheme Regulations 2013
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
- the Local Government Pension Scheme (Administration) Regulations 2007
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2007
- the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
- the Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and any amendments thereto)
- the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (and any amendments thereto)
- the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
- the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ("the
- Disclosure Regulations")
- the Pensions Act 1995
- the Pensions Act 2004
- the Pensions Act 2008
- the General Data Protection Regulation 2018
- the Finance Act 2004
- the Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 including amendments to any of these Regulations

3.0 Review of the Strategy

This Strategy will be kept under review by the NYPF.

Employers may make suggestions to improve any aspect of this Strategy at any time.

The Pension Fund Committee and the Pension Board will be asked by the NYPF to formally review and approve the Strategy on an annual basis.

4.0 Performance Levels

Performance level agreements are set out in this document for both employers and the NYPF. These will be reviewed ~~annually~~annually, and employers will be consulted regarding any material changes.

This Strategy is the agreement between the NYPF and employers about the levels of performance and associated matters to ensure that the statutory requirements and timescales can be met at all times.

Performance is monitored and reported quarterly to the Pension Fund Committee. Performance of both employers and the NYPF will also be reported in the pension fund annual report and accounts.

5.0 Responsibilities and Duties of the Employer

5.1 **Contact Person**

The employer will provide a primary contact and will notify the NYPF management team who that person is. The employer will promptly notify the NYPF of any changes to the nominated person.

5.2 **Authorised Signatories**

Each employer must provide a list of nominated officers to act as authorised signatories whose names and specimen signatures are held by the NYPF. In signing a document an authorised officer is certifying that the form comes from their organisation and the information being provided has been checked and is correct. Consequently, if an authorised officer is certifying information that someone else has completed, they should be satisfied that the ~~correct validation process has been followed and the~~ information is correct.

It is the employer's responsibility to ensure that details of the nominated contact and authorised signatories are correct. Any changes must be notified to the NYPF immediately. Failure to update authorised signatories will delay payment of pension benefits.

5.3 **Disclosure and The Pensions Regulator's Requirements**

The Pensions Regulator details specific requirements for public sector pension schemes set out in the 'Code of Practice No.14'. Paragraphs 128 – 130 refer to the need for employers to understand and comply with the scheme manager's processes to ensure that the statutory requirements and timescales can be met at all times.

From time to time, the NYPF's auditors may request member data. They may also request an employer site visit to carry out audits such as ensuring that correct and accurate pay calculations have been carried out. Employers are asked to co-operate with these requests.

Any fines imposed by the Pensions Regulator will be passed on to the employer where that employer's actions caused the fine. Examples of this would be, failure to provide leaver details on time or failure to provide sufficient and accurate year end information leading to delays in issuing Annual Benefit Statements and Pensions Saving Statements.

5.4 **Employee's Guide**

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

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

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

5.5 **Member details – Employer performance levels**

The NYPF expects all employers to fully utilise i-Connect for the provision of member information on a monthly basis. Failure to do so will result in charges being applied as detailed in the NYPF Employer Charging Policy.

The employer **must** submit notifications to the NYPF as follows:

Event	Timescale for employer notifying the NYPF
New starters	**Within one month of starting employment**
Change in member's details	**Within six weeks of the event**
Leavers	**Within six weeks of the date of leaving**
Advanced Notification of Retirement (ADNOT form)	**As early as possible but at least 30 days before the last day of employment**
Retirements	**No later than one month following retirement** Disclosure regulations require that when a retirement takes place before Normal Pension Age (NPA) the NYPF must receive the leaver information no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the NYPF must receive the leaver information no more than 20 days after the date of retirement.
Death in Service	**Within three working days of the employer being notified of the death of the member**

5.6 **Year end information**

The employer (or their payroll contractor/agency for which the employer is responsible) shall provide the NYPF with final salary (where applicable) and Career Average Revalued Earnings (CARE) year end information as at 31 March each year in a notified format (provided by the NYPF) no later than 30 April or the next working day. The employer will certify that the appropriate checks for accuracy and completeness have been carried out before submitting to the NYPF.

NYC~~C~~'s Integrated Finance team also requires separate information. After completion of the March contribution sheets, employers are required to review their full year contribution summary (contained within the same Excel document). All contributions for the year should be reconciled back to the organisational payroll and the relevant declaration is to be signed and dated before being returned to pension.contributions@northyorks.gov.uk.

5.7 **Contribution deductions**

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

5.8 **Payment of contributions to the NYPF**

Contributions (but not Prudential Additional Voluntary Contributions) should be paid by BACS each month to the NYPF.

The deadline for all pension contributions to be cleared in the NYPF bank account is the 19th of the month (or the last working day before, where the 19th is not a working day) following the month the contributions relate to. This is in line with the requirements of the Pensions Act 1995. Any employers who currently pay by cheque must therefore ensure the cheque is received by the NYPF by the 14th of the month (or the last working day before, where the 14th is not a working day).

The employer must email a monthly return to pension.contributions@northyorks.gov.uk in advance of their payment. This includes employers who provide monthly administration data via i-Connect.
The monthly contributions return is in a prescribed format and is provided by the Integrated Finance team. The return must include the following information:

- employer's name and reference number
- pay period
- total pensionable pay
- total amount of employee contributions
- total amount of employer future service contributions
- total amount of employer past service deficit contributions (if applicable)
- added years contributions, additional regular contributions, additional pension contributions (if applicable)
- any other payroll related adjustments

The following charges will apply for any employer who fails to meet the deadlines above.

Late payment of contributions	Late submission of monthly return
£100 will be charged for each full month a payment is delayed beyond its due date Plus A **daily** interest charge of 1% above the bank base rate for each day the payment is overdue. This charge will only be triggered when payment is overdue by one month or more	£100 will be charged for each full month a monthly return is delayed beyond its due date

For persistent breaches the employer will, as a matter of last resort, be reported to the Pensions Regulator. Any fines imposed by the Pensions Regulator will be passed on to the employer where that employer's actions caused the fine.

5.9 **Additional Voluntary Contributions (AVCs)**

The employer will pay additional voluntary contributions to the AVC Provider, Prudential, within one week of them being deducted. Under the Pensions Act 2004, we can notify the Pensions Regulator if contributions are not received by the 19th of the month following the month the contributions relate to. The employer will submit the schedule of AVCs in an agreed format directly to Prudential ahead of the actual remittance.

Any fines imposed by the Pensions Regulator will be passed on to the employer where that employer's actions caused the fine.

5.10 **Discretionary Powers**

It is a mandatory requirement that each employer has a published discretions policy to enable them to exercise the discretionary powers given to them by the regulations. The regulations also require that a copy of the policy is lodged with the NYPF. Any subsequent changes to the policy must be published and copied to the NYPF within one month of the change.

Employers will be responsible for responding to member complaints where a failure to maintain relevant employer policies results in a dispute case. This will include complying with the Internal Dispute Resolution procedure, where appropriate, and paying the associated fees for appointing a specified person.

5.11 **Employer Decisions**

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

5.12 **Independent Registered Medical Practitioner**

The employer is responsible for determining and employing their own appropriately qualified independent registered medical practitioner (IRMP) and providing details of those practitioners to the NYPF (see also **paragraph 6.4**). See the Pensions Ombudsman Service newsletter for useful information on the role of the IRMP.

5.13 **Employer responsibility for information provided to the NYPF**

The NYPF is not responsible for verifying the accuracy of any information provided by the employer (including year end data) for the purpose of calculating benefits under the provisions of the LGPS and the Discretionary Payments Regulations. The employer is solely responsible for ensuring that information has been checked and is correct. Failure to provide accurate and up to date information will delay payment of pension benefits.

Any over payment made by the NYPF resulting from inaccurate information supplied by the employer will be recovered by the NYPF from the employer.

The employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by them (~~e.g.~~e.g., payroll provider or HR team).

5.14 **General Data Protection Regulation**

Under the General Data Protection Regulation (GDPR), the employer will protect from improper disclosure any information about a member included (where applicable) on any item sent from the NYPF. It will also only use information supplied or made available by the NYPF for the operation of the LGPS. Any data the employer shares with the NYPF must be adequately protected in line with the requirements of the GDPR.

5.15 **Internal Dispute Resolution Procedure**

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

5.16 **Fines imposed on the NYPF**

Any fines imposed by the Pensions Regulator, the Pensions Ombudsman, HMRC or other organisation, will be passed on to the relevant employer where that employer's action or inaction (~~e.g.~~e.g., the failure to notify a retirement within the time limits described above), caused the fine.

5.17 **Charges to the employer**

The NYPF, under certain circumstances, will consider giving written notice to employers under regulation 70 because of the employer's unsatisfactory performance in carrying out its scheme functions when measured against levels of performance established under **paragraph 5.5** above. The written notice may include charges imposed by the NYPF for chasing employers for outstanding information as detailed in the NYPF Employer Charging Policy.

5.18 Notifiable Events

The fund monitors employer covenant to ensure the Fund and its employers are not exposed to unnecessary risk. Employers must therefore notify the Fund of any events that could materially affect their liabilities or their ability to meet those liabilities. These include, but are not limited to, the following:

- A decision which will restrict the employer's active membership in the Fund in the future
- A material change in membership of the Fund which would significantly reduce the LGPS pensionable pay
- A change in the employer's legal status or constitution which may change the qualification as a Scheme employer under the LGPS Regulations
- Any restructuring or other event that could materially affect the employer's membership
- Confirmation of involvement in wrongful trading
- Conviction of senior personnel, particularly where the conviction is in relation to the employer's business
- A decision to cease business
- Breach of banking covenant
- Details of any improvement notice (or equivalent) served by an appropriate body or regulator

Employers should provide this information in advance of the event occurring (where possible) or as soon as possible after.

6.0 Responsibilities and Duties of the NYPF

6.1 **Regulatory Issues**

The NYPF will administer the pension fund in accordance with the LGPS regulations and any overriding legislation including employer discretions.

The NYPF will issue a membership certificate to new members; this provides notification to members that they have joined the NYPF.

The NYPF is responsible for exercising the discretionary powers given to it by the regulations. The NYPF is also responsible for publishing its policy in respect of the key discretions as required by the regulations.

6.2 **NYPF Performance Levels**

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

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

6.3 **Support to Employers**

The NYPF will support employers in running the LGPS by:

- providing a dedicated employer relationship manager
- providing information, advice and assistance on the scheme and its administration
- distributing regular technical information
- arranging North Yorkshire Pension Fund Officers Group (NYPFOG) meetings/training sessions as required
- delivering adhoc training sessions
- maintaining an up to date and comprehensive website

See the Communications Policy for full details.

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6.4 **Independent Registered Medical Practitioner**

The NYPF will verify that the individuals nominated by the employer (in accordance with **paragraph 5.12**) as independent registered medical practitioners are appropriately qualified to deal with ill health retirement cases.

6.5 **Services to Members**

The NYPF will produce benefit statements for members each year where the employer has submitted useable and accurate year end financial data.

The NYPF will provide a service to members that meets the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013.

In addition, the NYPF will communicate with members through appropriate media and ~~encourage at all times~~always encourage the use of member self-service facilities. Full details are provided in the Communications Policy.

6.6 **Multiple Language Literature**

The process for providing multiple language literature has been established and all documents have been amended to include reference on how to obtain an alternative version.

6.7 **Data Protection Act 2018**

Under the Data Protection Act 2018, the NYPF will protect from improper disclosure any information held about a member. Information held will only be used by the NYPF for the operation of the LGPS. Any data shared by the NYPF will be adequately protected in line with the requirements of the act.

6.8 **Internal Dispute Resolution**

The NYPF has identified a 'specified person' for any Internal Dispute Resolution (IDRP) application that is submitted against the Administering Authority.

7.0 Contribution Rates and Administration Costs

The members' contribution rates are fixed within bands by the regulations. The NYPF will notify employers of these rates each year.

Employers' contribution rates are determined by a triennial valuation process. Employers are required to pay contributions to secure the solvency of their part of the Fund and meet their liabilities over an agreed term.

The NYPF is valued every three years by the Fund actuary. The actuary balances the assets and liabilities in respect of each employer and assesses the contribution rate and, where applicable, the deficit amount for each employer. Employer contribution rates and, where applicable, the deficit amounts apply for three years. Some admission agreements may determine that reassessment should take place on a more frequent basis.

The administrative costs of running the NYPF are charged by NYC~~C~~ directly to the Fund and the actuary considers these costs when assessing the employer contribution rate.

If the NYPF undertakes work specifically on behalf of an employer, the employer will be charged directly for the cost of that work as detailed in the NYPF Employer Charging Policy.

8.0 Communications

In accordance with the Fund's Communications Policy, the NYPF will work with employers to communicate relevant information to members.

9.0 Notifying Employers of a Change in Policy

The NYPF maintains a list of key contacts at each employer. The Pensions Administration Strategy will be shared with the key contacts when any material changes are made.

North Yorkshire Pension Fund

Administering Authority Discretions
for
North Yorkshire Council
April 2023

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

Discretions from 1 April 2014 in relation to post 31 March 2014 active members (excluding councillor members) and post 31 March 2014 leavers (excluding councillor members), under:

R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
A = LGPS (Administration) Regulations 2008 (SI 2008/239
B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to agree to an admission agreement with a body applying to be an admission body	**R**3(1A) **R**3(5) & **R**Sch 2, Part 3, para 1	Admin. Authority	The administering authority will enter into admission agreements to allow certain non-local government employers to participate in the fund with the agreement of the Pension Fund Committee providing all criteria of the administering authority can be met. The criteria include supplying financial protection to the Pension Fund in the form of a guarantor or bond and subsumption commitment. However, if the employer is a 'transferee admission body' and there is an obligation to enter into an admission agreement one will be set up providing the criteria are met.
Whether to agree to an admission agreement with a Care Trust, NHS Scheme or Care Quality Commission	**R**4(2)(b)	Admin. Authority	Applications will be considered by the Pension Fund Committee following the provision of all required information from the relevant body including actuarial advice. The potential admission body must cover the cost of obtaining information and advice.

Whether to agree that an admission agreement may take effect on a date before the date on which it is executed	**R**sch2, Parts 3, para 14	Admin. Authority	An admission agreement will take effect from the date it is executed at the earliest. Requests to backdate an admission agreement will be looked at on a case by case basis.
Whether to terminate an admission agreement in the event of - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	**R**Sch2, Part 3, para 9(d)	Admin. Authority	A decision will be made following receipt of actuarial and legal advice. The principles in the NYPF Admissions and Terminations Policy will be applied when carrying out calculations to assess the funding levels.
Define what is meant by "employed in connection with"	**R**Sch2, Part 3, para 12 (a)		Mainly or wholly employed in connection with the relevant service area relating to the original outsourcing contract or transfer agreement.
Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	**R**16(1)	Admin. Authority	The administering authority will not impose a level but will instead allow individual Scheme employers to determine what is achievable on individual payroll systems. The administering authority reserves the right to impose a single lump sum payment where lost pay is less than 1% of gross annual pay.
Whether to require a satisfactory medical before agreeing to an application to pay an APC/SCAPC	**R**16 (10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee.
Whether to turn down an application to pay an APC/SCAPC if not satisfied that the member is in reasonably good health	**R**16(10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee. If the employee does not pass the medical examination the application will be turned down.
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	**R**17(12)	Admin. Authority	The administering authority will make payment in line with the action to be taken for the payment of the main scheme death grant payable.
Pension account may be kept in such form as is considered appropriate	**R**22(3)©	Admin. Authority	The administering authority will maintain a pension account for each LGPS member using the Fund's software provider's administration module, based on information supplied by the relevant Scheme employer.
Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated	**TP**10(9)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	**R**30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid on flexible retirement.

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Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership)	**R**30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid which a member voluntarily draws before normal pension age
Whether to require any strain on Fund costs to be paid "up front" by employing authority following payment of benefits under **R**30(6) (flexible retirement), **R**30(7) (redundancy/business efficiency), or the waiver (in whole or in part) under **R**30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement	**R**68(2)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).	**TP**Sch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1 April 2014 and post 31 March 2014 membership): a) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006, b) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive, c) on compassionate grounds (pre 1 April 2016 membership) and in whole or in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, d) on compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive	**TP**3(1) **TP**Sch 2, para 2(1), **B**30(5) and **B**30A(5)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to require any strain on Fund costs to be paid "up front" by employing authority if the Scheme employer"switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1)	**TP**Sch 2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.

Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	**R**32(7)	Admin. Authority	The time limit will not be extended unless there is evidence of administrative shortcomings.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pensions credit members where the effective date of the PSO is after 31 March 2014 and the debited member has some post 31 March 2014 membership of the scheme	**R**34(1)(a)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	**R**34(1)(b)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme)	**R**34(1)(c)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Approve medical advisors used by employers (for ill health benefits)	**R3**6(3)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner	**R**38(3)	Employer (or Admin. Authority where Employer has become defunct	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	**R**38(6)	Employer (or Admin. Authority where Employer has become defunct	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).

Decide to whom death grant is paid	**TP**17(5) to (8) & **R**40(2), **R**43(2) & **R**46(2)	Admin. Authority	In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants. The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	**R49**(1)(c)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.
Whether to set up a separate admission agreement fund	**R**54(1)	Admin. Authority	A separate admission agreement fund will not be maintained.
Governance Compliance Statement must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state: - the frequency of any committee or sub- committee meetings - the terms, structure and operational procedures appertaining to the delegation and - whether representatives of employing authorities or members are included and, if so, whether they have voting rights The policy must also state: - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying and - the terms, structure and operational procedures appertaining to the Local Pensions Board	**R**55*	Admin. Authority	A separate Governance Compliance Statement has been formulated and is kept under review by the North Yorkshire Pension Fund. The policy can be found on the NYPF website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Decide on funding strategy for inclusion in Funding Strategy Statement	**R**58*	Admin. Authority	The decision on the funding strategy is made by the Pension Fund Committee and can be found in the Investment Strategy Statement and the Funding Strategy Statement on the NYPF website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml

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Whether to have a written Pensions Administration Strategy and, if so, the matters it should include	**R**59(1) & (2)	Admin. Authority	The NYPF has produced a Pensions Administration Strategy which is kept under review. All employing authorities are asked to agree the Strategy and to submit suggestions to improve any aspect of the Strategy at any time. The Strategy can be found on the NYPF website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers	**R**61*	Admin. Authority	A Communications Policy has been formulated and is kept under review by the NYPF. The policy can be found on the Pension Fund website: https://www.nypf.org.uk/nypf/policiesandstrategies.shtml
Whether to extend the period beyond 6 months from the date an employer ceases to be a Scheme employer, by which to pay an exit credit	**R**64(2ZA)	Admin. Authority	The administering authority will agree to extend the period beyond 6 months on a case by case basis
Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension	**R**64(2A)	Admin. Authority	Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply; • The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice • The employer is not a 'closed' Admitted Body (no new active members are permitted to join the Fund). • Any application for the Administering Authority to grant a suspension notice is made within three months of the exit date. The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the Scheme employer.
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	**R**64(4)	Admin. Authority	The administering authority will be guided by an initial assessment made by the Fund Actuary. A certificate may be obtained following advice from the Fund Actuary and, if appropriate, the Fund Legal Adviser.

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Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	**R**69(1)	Admin. Authority	All funds due to the NYPF in respect of employer and employee pension contributions must be cleared in the NYPF bank account by 19th of each month (or the last working day if the 19th is not a working day) following the month the contributions relate to. The administering authority has determined that all other sums due to the Fund shall be paid within 30 days of invoice or notification. A penalty system will apply for employers failing to meet the deadlines referred to under regulation R69(1), with a one month grace period for a 'first offence'. The penalty is based on the number of days after the 19th of the month that the payment due is received in the NYPF bank account. This will take the form of a fixed penalty (£100 for each month payment is delayed) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.
Decide form and frequency of information to accompany payments to the Fund	**R**69(4)	Admin. Authority	The administering authority has determined that the intervals of the annual/monthly contribution returns must be ahead of the payment dates and that standard forms are used which are completed and sent electronically. Year end information is also required electronically in a standard format to be supplied within a timeframe set each year by the administering authority. A fixed penalty of £100 will apply where the monthly return is delayed or not provided as described above. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	**R**70 **&TP**22(2)	Admin. Authority	The policy for the payment of additional costs is contained the in both the NYPF Pensions Administration Strategy and the Employer Charging Policy. Any over payment made by the NYPF resulting from inaccurate information supplied by the employer shall be recovered by the NYPF from the employer. In the event of the NYPF being fined by the Pensions Regulator, the fine will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above) caused the fine. If NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work. https://www.nypf.org.uk/nypf/policiesandstrategies.shtml

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Whether to charge interest on payments by employers which are overdue	**R**71(1)	Admin. Authority	The administering authority will charge interest at 1% above the base rate on any employer payments unpaid one month after the due date. Details can be found in the NYPF Pensions Administration Strategy and the Employer Charging Policy.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be Administering Authority exercised	**R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision (or lack of a decision)	**R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by a Scheme employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the Scheme employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**R**80(1)(b) & TP22(1)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	**R**83	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes.
Agree to bulk transfer payment	**R**98(1)(b)	Employer / Admin. Authority	A decision will be made based on advice obtained from the Fund Actuary in relation to each case where a bulk transfer is being proposed.
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	**R**100(6)	Employer and Admin. Authority	The time limit will not be extended unless there are exceptional circumstances and/or if there is evidence of administrative shortcomings.
Allow transfer of pension rights into the Fund	**R**100(7)	Admin. Authority	Transfers will be allowed into the Fund but will be subject to the employer-led time limits.
Where a member to whom **B**10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	**TP**3(6), **TP**4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.

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Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008)	**TP**3(6), **TP**4(6)(c), **TP**8(4), **TP**10(2)(a), **TP**17(2)(b**) & T**Sch 1 & **L**23(9)	Admin. Authority	The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.
Decide to treat a child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break	**R**Sch1 & **TP**17(9)(a)	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of nominated of cohabiting partner and scheme member	**R**Sch1 & **TP**17(9)(b)	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.
Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	**TP**3(13) & **A**70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Extend time period for capitalisation of added years contract	**TP**15(1)(c) & **T**Sch 1 & **L**83(5)	Admin. Authority	The administering authority has determined that a member with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Decide whether to delegate any administering authority functions under the Regulations	**R**105(2)	Admin. Authority	A decision will be made by the Pension Fund Committee on whether the delegation of functions is appropriate and the nature of the arrangement for doing so.
Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State)	**R**106(3)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide procedures applicable to the local pension board	**R**106(6)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide appointment procedures, terms of appointment and membership of local pension board	**R**107(1)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.

*These are manadatory and the administering authority must have a written policy

Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1 April 2008 and before 1 April 2014 under:

A = LGPS (Administration) Regulations 2008 (SI 2008/239)
B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

Discretion	Regulation	Exercised by	Agreed Discretion

Extend time period for capitalisation of added years contract where the member leaves his employment by reason of redundancy	**TR**15(1)(c) & **T**Sch 1 & **L**83(5)	Admin. Authority	The administering authority has determined that a member retiring on the grounds of redundancy/ efficiency with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	**A**45(3)	Admin. Authority	Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension)	**A**56(2)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & **R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision (or lack of a decision)	**TP**23 & **R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) & **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Decide policy on abatement of pensions following re-employment	**TP**3(13) & **A**70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Where a member to whom **B**10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	**B**10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	**B**27(5)	Admin. Authority	The administering authority will consider payment of a child's pension to a guardian. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the child.

Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	**A**52(a)	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch2, para 1(2) & 1(1)(c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 (member)	**B**30(5), **TP**Sch2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to "switch on" the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A (pensioner member with deferred benefits)	**B**30A(5), **TP**Sch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to require any strain on Fund costs to be paid "up front" by Scheme employer if the Scheme employer "switches on" the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch2, para 2(1)	**TP**Sch2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	**B**31(4)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	**B**31(7)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).

Decide to whom death grant is paid	**B**23(2) & **B**32(2) & **B**35(2) & **T**Sch 1 & **L**155(4)	Admin. Authority	In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants. The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	**R**Sch 1 & **TP**17(9)(b)	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.

Decide to treat a child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	**R**Sch1 & **TP**17(9)(a)	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004	**B**39(1)(a) & **T**14(3)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	**R**39(1)(b)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members)	**R**39(1)(c)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide, in the absence of an election from the member, which benefit is to be from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	**B**42(1)(c)	Admin. Authority	The administering authority will apply the regulation which will result in the most beneficial outcome for the member.
Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008	**T**Sch 1 & **L**23(9)	Admin. Authority	The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.

*These are manadatory and the administering authority must have a written policy

Discretions in relation to councillor members who ceased active membership on or after 1 April 1998, and any other scheme members who ceased active membership on or after 1 April 1998 and before 1 April 2008 under:

LGPS Regulations 1997 (as amended) (SI 1997/1612)
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)
A = LGPS (Administration) Regulations 2008 (SI 2008/239)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch2, para 1(2), 1(1)(f) & **R**60*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Waive, on compassionate grounds the actuarial reduction applied to deferred benefits paid early	31(5) & **TP**Sch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age
Decide to whom death grant is paid	38(1) & 155(4)	Admin. Authority	In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants. The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	**TP**17(9)(a) & **R**Sch 1	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Apportionment of children's pension amongst eligible children	47(1)	Admin. Authority	Each eligible child will receive the same level of pension.
Pay child's pension to another person for the benefit of the child	47(2)	Admin. Authority	Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.

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Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pre 1 April 2008 leavers or Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	49(1) & **T**14(3)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on the request of the Scheme member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	49(1)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	50 and 157	Admin. Authority	The option to commute benefits will be given in relevant cases.
Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor, or early payment of a deferred benefit on health grounds or from age 50 and prior to age 55 with employer consent	80(5)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment in not made as a single sum at the time of retirement.
Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch2, para 2(1)	**TP**Sch2, para 2(3)	Admin. Authority	Any cost will be paid by the employing authority over a period agreed between the administering authority and the employing authority. Payment can be made in full as a one off sum at retirement or in instalments over 3 or 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	89(3)	Admin. Authority	Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Timing of pension increase payments by employers to fund	91(6)	Admin. Authority	Payments should usually be made one month from the date on which the pension increase becomes due.
Approve medical advisors used by employers	97(10)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & R76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.

Whether administering authority should appeal against employer decision, or lack of a decision	**TP**23 & R79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) & **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Date to which benefits shown on annual deferred statement are calculated.	106(A)(5)	Admin. Authority	Benefits are calculated to the first Monday in April each year after the start of the tax year (the 'Pensions Increase' date)
Abatement of pensions following re-employment	**TP**3(13), **A**70(1) & **A**71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Retention of Contributions Equivalent Premium (CEP) where member transfers out	118	Admin. Authority	The administering authority reserves the right to retain the CEP should this be thought appropriate.
Discharge Pension Credit liability	147	Admin. Authority	Appropriate pension rights will be awarded to the pension credit member under the scheme but a payment of a transfer value can be paid out to an appropriate provider should the pension credit member request this.

*These are manadatory and the administering authority must have a written policy

Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge.

Discretions in relation to scheme members who ceased active membership before 1 April 1998 under:

LGPS Regulations 1995 (SI 1995/1019)
TL = LGPS (Transitional Provisions) Regulations 1997 (SI 1997/1613)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)
A = LGPS (Administration) Regulations 2008 (SI 2008/239)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)
R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)

Discretion	Regulation	Exercised by	Agreed Discretion
Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds.	TP3(5A)(vi), TL4, L106(1) & D11(2)(c)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not grant applications for early payment of deferred benefits between the ages of 50 and 55. Over the age of 55, the administering authority will consider on a case by case basis.
Decide to whom death grant is paid	E8	Admin. Authority	In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants. The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate. Where necessary, cases will be referred to the Pension Fund Committee for a decision.
Whether to pay spouse's pensions for life (rather than ceasing during any period of remarriage or co-habitation)	F7	Admin. Authority	The administering authority will pay a pension for life.
Decide to treat child (who has not yet reached age 23) as being in continuous education or vocational training despite a break	**TP**17(9)(a) &**R**Sch 1	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits
Apportionment of children's pension amongst eligible children	G11(1)	Admin. Authority	The administering authority has determined that it will equally apportion children's pensions amongst all the eligible children.
Pay child's pension to another person for the benefit of the child	G11(2)	Admin. Authority	Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.

Abatement of pensions following re-employment	**TP**3(13), **A**70(1) & **A**71(4)(c))*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**TP**23 & **R**76(4)	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision, or lack of a decision	**TP**23 & **R**79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	**TP**23 & **TP**22(1) **R**80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.

*These are manadatory and the administering authority must have a written policy

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) (SI 2000/1410)

Discretionary policies in relation to former employees of a Scheme employer that is a scheduled body, a designated body, or a body that is deemed to be a scheduled body under the LGPS Regulations 2013 and equivalent predecessor regulations (excluding admitted bodies)

Discretion	Regulation	Exercised by	Agreed Discretion
Agree to pay annual compensation on behalf of employer and recharge payments to employer	31(2)	Admin. Authority	Administering authority will make payments and recharge the employer.

Discretions under the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 (SI 2011/1791)

Discretion	Regulation	Exercised by	Agreed Discretion
To decide whether it is legally able to offer voluntary scheme pays	2	Admin. Authority	Administering authority will not offer voluntary scheme pays

Appendix 10

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North Yorkshire Pension Fund

A guide to the Internal Dispute Resolution Procedure
April ~~2022~~2023

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

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Introduction

This guide tells you the way you can sort out any problems or complaints you may have with your pension benefits.

If you are not sure which benefits you can get, or you have a problem with your benefits please contact the North Yorkshire Pension Fund (NYPF), contact details are given at the end of this guide. The NYPF will try to deal with the problem as quickly and simply as possible.

Informal Enquiry

Many issues are caused by misunderstandings, incorrect information or human error. In most cases, these can be quickly corrected or explained by contacting the person who has made the decision you are disputing. Their contact details will be on the communication you have received.

You don't have to do this but, **an informal enquiry may save you a lot of time and trouble** and, if an error has been made it will be dealt with as quickly as possible. Most problems that members have are resolved in this way.

If you are still unhappy you may be able to use what is known as the **'Internal Dispute Resolution Procedure' (IDRP)** to make a complaint.

The IDRP process is for disputing pension decisions only

For example, whether you are entitled to immediate payment of pension benefits (including ill health).

If your dispute relates to an employment decision, for example, you have been dismissed, you should contact your employer and ask about their employment appeals process.

What type of complaints does IDRP cover?

From the day you join the scheme various decisions are being made about your pension. These include things like:

- The benefits you can have and how much they will be.
- When your benefits can be paid.

When you (this includes dependants) are told of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

Who can use IDRP?

You can use IDRP if you are one of the following or have been in the last 6 months:

- **A member:** this means you are paying into the fund, have a pension being paid, have a deferred pension, or refund entitlement with us.
- **A dependant:** a widow, widower, civil partner, cohabiting partner or an eligible child.
- **A prospective member:** you are not a member yet but could become one if you opt to join.

How does IDRP work?

The IDRP has 2 stages with many complaints sorted out at stage 1.

You can ask somebody else to deal with the complaint for you. This could be a trade union official, welfare officer, spouse, partner or friend.

You will not be charged for using the IDRP. You will however have to meet the cost of any postage/stationery or representative's time.

Stage 1

If you need to make a formal complaint, you should:

- Complete the **Stage 1 Internal Dispute Resolution form** which is available to download at https://www.nypf.org.uk/formsandguides/publications.shtml or from the NYPF. You should add specific details about what you are disputing and include any documentation that supports your case.

- Make the complaint within **6 months** of when you were told of the decision you want to complain about.

Your complaint will be looked at carefully by NYPF's referee who is known as the 'nominated person'.

The nominated person will look at the facts of your complaint along with the Scheme rules and any other relevant information. You should get a reply within **2 months,** giving details of the decision or confirming when you will receive a decision.

What happens next?

The decision letter from the nominated person will tell you what should happen next, there are two likely outcomes:

- The original decision is upheld and therefore it will continue to apply. You can choose to escalate your complaint to the second stage of the IDRP.

Or

- Some or all of the decision is incorrect. The nominated person will write to you giving details of further actions that need to be taken. The actions will be followed up by either your employer or the NYPF (~~depending~~depending on who the complaint is against). If you are still unhappy with the decision, you can escalate your complaint to the second stage of the IDRP.

Stage 2 - Taking your complaint further

You can take your complaint to stage 2 if:

- You have had a decision from the stage 1 nominated person but you disagree with it.
- You have not had a reply under stage 1 within **3 months** of making your complaint.
- You have not had a reply within **1 month** of the date you were given by the nominated person.

You should send your stage 2 complaint in writing to the NYPF along with a copy of the stage 1 decision and full details of why you are unhappy with it.

Your complaint will be looked at again by the appointed person for stage 2 who will not have been involved at stage 1.

What happens next?

You should get a decision letter from the appointed person within **2 months** giving details of the decision or confirming when you will receive a decision.

The letter will tell you that **either:**

- The original decision is upheld and therefore it will continue to apply. You can choose to escalate your complaint to the Pensions Ombudsman.

Or

- Some or all of the decision is incorrect. The appointed person will write to you giving details of further actions that need to be taken. The actions will be followed up by either your employer or the NYPF (~~depending~~depending on who the complaint is against). If you are still unhappy with the decision, you can escalate your complaint to the Pensions Ombudsman.

The Pensions Ombudsman

The Early Resolution Service

If you need help raising your concerns, or just to discuss a potential complaint, you can use the Pensions Ombudsman's Early Resolution service. The Early Resolution Service will try to resolve complaints informally at an early stage.

Using this service will not affect your right to apply to the Ombudsman for formal adjudication if you choose to do so at a later date.

Phone: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Formal Adjudication

If you are not happy with the decision at stage 2 you can take your complaint to the Pensions Ombudsman (TPO) free of charge for a formal adjudication. This must be within **3 years** of when the event you are complaining about happened, or, if later, within **3 years** of when you first knew about it (or ought to have known about it).

TPO is an independent person who settles disputes between pension scheme members and pension schemes. There is no financial limit on the amount of money that TPO can make a party award you. Its determinations are legally binding on all the parties and are enforceable in court. You can write to TPO with your complaint but you must first have been through stages 1 and 2 of the IDRP.

You can contact TPO at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk (where you can submit an online complaint form)

If you have general requests for information or guidance concerning your pension arrangements contact the free government MoneyHelper service which is provided by the Money and Pensions Service.~~:~~

~~The Money and Pensions Service~~MoneyHelper
Holborn Centre
120 Holborn
London
EC1N 2TD

Telephone: ~~01159 659570~~0800 011 3797
Website: https://~~moneyandpensionsservice~~moneyhelper.org.uk

Contact NYPF

More detailed information about the scheme is available on the NYPF website at www.nypf.org.uk or you can contact the NYPF in the following ways:

Email: pensions@northyorks.gov.uk
Telephone: 01609 536335

In writing:
North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL

Appendix 11

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North Yorkshire Pension Fund

Governance Roles and Responsibilities

April 2023~~2~~

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

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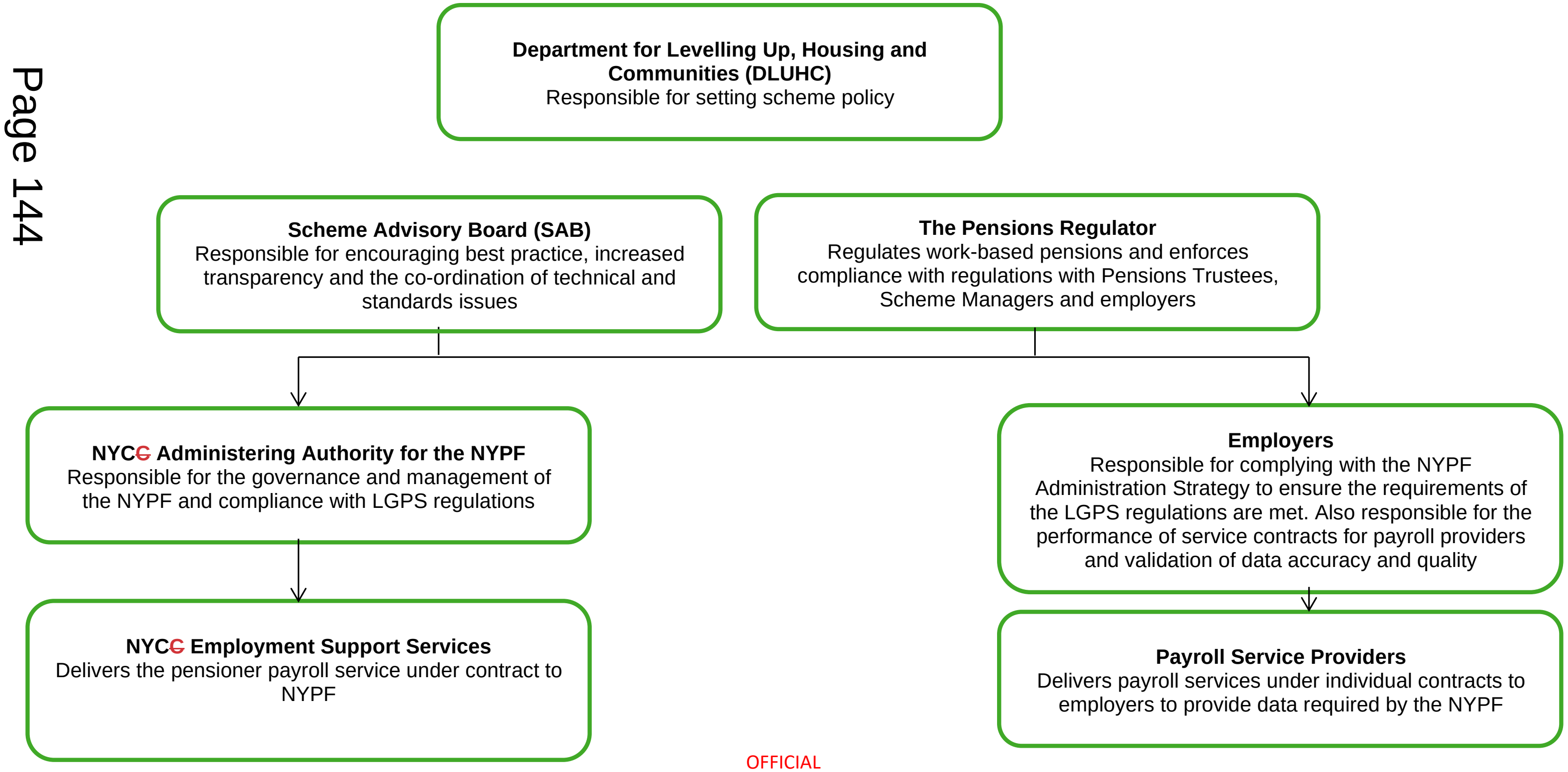
As recommended by the Pensions Regulator, this document clarifies the roles, responsibilities, decision-making, governance structures and processes for the Local Government Pension Scheme (LGPS) administered by the North Yorkshire Pension Fund (NYPF). It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS and relates to:

- North Yorkshire ~~County~~ Council (NYC~~C~~) as the Administering Authority for the NYPF
- Employers who participate in the NYPF as a statutory requirement or are admitted in certain circumstances
- Contractors who have service contracts with the Administering Authority or Scheme employers.

Roles and Responsibilities

The following chart sets out the relationships between the parties and the commentary below provides further details.



Body	Responsibility	Delivered by
Department for Levelling Up, Housing and Communities (DLUHC)	Setting out scheme policy	• Set out scheme policy in regulations, including the role of the scheme manager, Pension Board and Scheme Advisory Board
Scheme Advisory Board (SAB)	Responsible for encouraging best practice, increased transparency and the co-ordination of technical and standards issues.	• Considers items passed from DLUHC, the SAB's sub committees and other stakeholders as well as items formulated within the SAB • Liaison role with the Pensions Regulator • Creation of guidance and standards for local scheme managers and Pension Boards
The Pensions Regulator	Regulates the governance and administration of work-based pensions and enforces compliance with regulations with Pensions Trustees and employers. The Pensions Regulator's objectives are to: • improve confidence in work-based ~~pensions;~~pensions. • promote good ~~administration;~~administration. • maximise employer compliance with regulations and employer duties	• Providing regulatory guidance and codes of practice setting out requirements • Working with central government to embed regulatory changes for pension reforms • Supporting the development of policy initiatives • Monitoring performance • Enforcing compliance • Applying sanctions and or penalties on Trustees and employers for non-compliance
North Yorkshire ~~County~~ Council (Administering Authority for the North Yorkshire Pension Fund)	Responsible for the governance and management of the NYPF and compliance with LGPS regulations. Responsible for investment decision making including managing Pooling arrangements. Also responsible for the performance of the pensioner payroll service contract with NYC~~C~~'s Employment Support Services.	• Managing and governing the Pension Fund through NYC~~C~~'s Pension Fund Committee and Pension Board • Providing a framework of policies and procedures for compliance with the LGPS regulations • Reporting on compliance and performance to the Pensions Regulator • Monitoring performance of NYC~~C~~'s Employment Support Services contract • Monitoring performance of employers • Applying sanctions and or penalties on employers for non-compliance • Reporting breaches of regulations to the Pensions Regulator
North Yorkshire ~~County~~ Council Employment Support Services	Responsible for delivering pensioner payroll services to the NYPF under a service contract.	• Delivering the pensioner payroll service under contract to the NYPF

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		• Providing pensioner payroll guidance and support to the NYPF and Scheme members

Body	Responsibility	Delivered by
Scheme Employers	Responsible for working within the NYPF's policies and procedures to ensure compliance with LGPS regulations. Also responsible for the performance of service contracts for payroll services and validation of data quality.	• Complying with the policies and procedures for the administration of the LGPS scheme for employees • Monitoring performance of outsourced service contracts providing data to the NYPF • Validating the quality of data submitted to the NYPF • Ensuring outsourced service contractors meet the quality standards and submission deadlines
Payroll Service Providers	Deliver payroll services under individual service contracts to employers	• Provide payroll services in compliance with the service contract with the employer • Ensure that employer instructions are actioned for the provision of data to the NYPF • Ensure that data provided meets quality standards and is submitted within deadlines • Ensure that the employer validates the data before submission to the NYPF

Escalation Procedures

To ensure that the NYPF meets its statutory responsibilities and obligations, it is important that all parties involved in pension administration carry out their responsibilities efficiently. The following sets out escalation procedures for non-compliance with pension administration requirements.

North Yorkshire ~~County~~ Council (Administering Authority for the North Yorkshire Pension Fund)	• The Administration Strategy sets out performance standards for the Administering Authority and employers including chargeable penalties • The NYPF will support employers to meet performance standards • In the event that employers do not engage proactively to meet performance standards and deadlines then penalties will be imposed on employers for non-compliance • For significant performance issues and breaches of the law, the NYPF will report events to the Pensions Regulator

APPENDIX 12

North Yorkshire Pension Fund

Employer Charging Policy

April 2023~~2~~

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

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1.0 Introduction

The Local Government Pension Scheme (LGPS) regulations provide pension funds with the ability to recover from an employer, any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employer.

This document sets out the North Yorkshire Pension Fund's ('the Fund') policy for charging employers and should be read in conjunction with the Pensions Administration Strategy (PAS).

2.0 Approach to Managing Performance

Ensuring compliance with the LGPS and Disclosure of Information regulations is the responsibility of the Fund and employers even where the payroll service is outsourced.

The Fund and employers will ensure that all functions and tasks are carried out to agreed standards.

The Fund will monitor performance against the PAS on an ongoing basis and will liaise with employers in relation to any concerns. The Fund reports its own performance to the Pension Fund Committee (PFC) on a quarterly basis against internal key performance indicators. ~~Employers~~Employers' performance measured against the standards set out in the PAS will also be reported to the PFC. The Fund also monitors and reports on data quality in line with the Pension Regulator's Code of Practice 14.

The table below details the regulatory timescales for providing information and notifications to the Fund.

Event	Timescale for employer notifying the Fund
New starters **(Employer Pen11 form)**	**Within one month of starting employment**
Change in member's details **(Change of Members Personal Details form)**	**Within six weeks of the event**
Leavers **(SU5 form)**	**Within six weeks of the date of leaving**
Advanced Notification of Retirement **(ADNOT form)**	**As early as possible but at least 30 days before the last day of employment**
Retirements **(SU5 form)**	**No later than one month following retirement** Disclosure Regulations require that when a retirement takes place before Normal Pension Age (NPA) the NYPF must receive the SU5 no later than one month after the date of retirement. Where a retirement takes place on or after NPA, the NYPF must receive the SU5 no more than 20 days after the date of retirement.
Death in Service	**Within three working days of the employer being notified of the death of the member**

In addition, employers must make both employee and employer contributions to the Fund, in accordance with the rates and adjustment certificate. All monies due to the Fund in respect of employees and ~~employers~~employers' contributions must be cleared in the Fund's bank account by the 19th of the month (or the last working day before where the 19th is not a working day) following the month the contributions relate to.

Under the regulations, all payments made to the Fund must be accompanied by a statement. The employer must email a monthly return to pension.contributions@northyorks.gov.uk, in advance of their payment. This includes employers who provide monthly administration data via i-Connect.

Where persistent and ongoing issues occur and no improvement is demonstrated by the employer, and/or no willingness is shown by the employer to resolve the identified issues further action will be taken as detailed in this policy.

3.0 Charging Policy

The LGPS regulations enable pension funds to recover any additional costs associated with the administration of the scheme incurred because of poor performance by an employer (including the administering authority). It is the Fund’s policy to do this to ensure that other employers do not incur higher administration costs or loss of investment return because of a small number of~~n individual~~ employer~~’~~s’ poor performance.

The Fund’s policy is to chase outstanding information on a regular basis, typically as follows:

- Original request issued (no charge).
- The first chaser will be issued 10 working days after the date of the original request.~~ and this will trigger the first charge.~~
- A further two chasers will be issued 10 working days apart. ~~and will incur a charge for each chaser (so one original request and three chasers in total).~~
- The c~~C~~ase will then be escalated to the Pensions Management Team who will issue a final chaser which will clarify the regulatory requirements including potentially reporting the employer to the Pensions Regulator. This will also incur a charge.
- If no response is received within 10 working days the Pensions Employer Relationship Manager will make contact to discuss an improvement plan.

The Fund will issue employers with contribution spreadsheets at the start of each financial year which sets out when the payments and accompanying information is due, in line with the PAS. The Fund’s policy is to chase any late payments or accompanying documentation ~~one month after the due date at which point the first charge will be triggered. For each subsequent month that the payment or information is still outstanding additional charges will be applied as per the charging scale detailed below in 4.0.~~once overdue.

Where employers fail to fulfil their obligations, charges may be levied as detailed in section 4. Whether or not charges are levied in practice is at the discretion of the Fund. Charges are more likely to be levied on larger employers which repeatedly fail to meet their obligations.

An~~ quarterly~~ invoice will be issued to ~~the~~ employers detailing any additional costs, including interest, ~~taking account of time and~~reflecting the time and resources used in resolving the issues, in accordance with the charging scale set out in this policy. ~~A report will be presented to the quarterly PFC meeting detailing charges levied against employers and outstanding payments.~~ Should there be sufficient concerns over one or more employers failing to meet their obligations, the PFC will be informed of this and any associated charges

The frequency of employers failing to meet their obligations~~charging~~ will be monitored and where significant ~~volumes~~ issues are identified, the Fund will contact the employer concerned and offer support and guidance. Working collaboratively with the Fund the employer will be expected to identify and agree the following:

- Training requirements
- A robust and measurable improvement plan
- Regular contact with the Pensions Employer Relationship Manager to provide progress updates against the data improvement plan
- Clear milestones
- Accountabilities
- Appropriate internal monitoring is put in place
- Timescales

If poor performance continues which affects the Fund’s ability to perform its statutory functions, or the employer is not taking steps to improve its performance, the Fund will be required to report the employer to the Pensions Regulator.

If an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged at 1% above the bank base rate.

The Fund reserves the right to suspend charging for all or specific employers, if deemed appropriate, e.g. during a pandemic or where the application of charges would cause undue financial hardship.

4.0 Charging Scales

Item	Charge	NYPF Charge Code
Starter information		
Chase for missing information where one request has already been made	£5.00 per record, per chase	C1
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C2
Employer estimate (Estform1)		
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C13
ADNOT (Advanced Notification of Retirement)		
Chase for missing form where one request has already been made	£5.00 per record, per chase	C5
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C6
Death in service		
Chase for missing SU5 leaver form where one request has already been made	£10.00 per record, per chase	C7
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C8
SU5 leaver form		
Chase for missing form where one request has already been made	£10.00 per record, per chase	C3
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C4
Employer Authorisation (ill health and redundancy/efficiency)		

Request for missing employer authorisation	£10.00 per record, per chase	C9
Request for missing cost codes (NYC~~C~~ only)	£10.00 per record, per chase	C10

Item	Charge	NYPF Charge Code
Data Post information: chase for missing or incorrect information where one request has already been made e.g. hours, service etc. Pay information: chase for missing or incorrect information where one request has already been made	 £5.00 per record, per chase £5.00 per record, per chase	 C11 C12
i-Connect Failure to use i-Connect to submit monthly data (charged by the number of pensionable members held on the Fund's database) Failure to submit monthly data by the agreed deadline. A charge will apply for each full month the file is delayed beyond its due date **Number of pensionable members** 1 - 99 100 - 999 1,000 - 1,999 2,000 - 4,999 5,000 - 9,999 10,000 +	 £5.00 per record charged at year end £50.00 per file £100.00 per file £200.00 per file £300.00 per file £400.00 per file £500.00 per file	
Year End Failure to submit year end file by 30 April (charged by the number of pensionable members held on the NYPF database) 1 - 99 100 - 999 1,000 - 1,999 2,000 - 4,999 5,000 - 9,999 10,000 + Incorrect file formatting Missing or incorrect data Reason for pay changes outside of tolerances not given Missing starter and leaver information	 *The following charges will apply for each full month the file is delayed beyond 30 April *£50.00 per file *£100.00 per file *£200.00 per file *£300.00 per file *£400.00 per file *£500.00 per file **£5.00 per record **£5.00 per record **£5.00 per record **£5.00 per record **Subsequent chasers will be charged at £2.50 per chase, per record	
If an employer annual return is received by 30 April and the return is accepted, no charge will apply. If the annual return is received by 30 April and the return is rejected but subsequently re-submitted and accepted within two weeks, no charge will apply.		

Item	Charge
Monthly contributions Charge for late payment Charge for late submission of supporting documentation	*The following charges will apply for each full month the file is delayed beyond it's due date *£100 per file plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate *£100 per file
Accounting IAS19/FRS102 valuations	Professional fees recharged where late information is provided by the employer. Cost will be notified prior to work starting
Actuarial & legal advice Actuarial & legal advice for admission bodies and academy conversions	Professional fees recharged. Cost will be notified prior to work starting
Technical Advice Ad hoc technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)	Professional fees recharged. Cost will be notified prior to work starting

Appendix 13

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North Yorkshire Pension Fund

Breaches Policy

April 2023~~2~~

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

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Breaches of the law

Background

The North Yorkshire Pension Fund ("the Fund") has prepared this document to set out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice".

This policy sets out the responsibility of elected Members, officers of the Fund and the Local Pension Board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund.

This policy does not cover the responsibility of other "reporters" (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified both the Fund and the Local Pension Board will take all necessary steps to consider the breach and report it to The Regulator, rather than having the breach reported by any of the other "reporters".

This policy will be reviewed by the Fund at least annually. The Fund will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Administering Authority Monitoring Officer will be responsible for the management and execution of this breaches policy.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred. All staff are required to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Fund will maintain a log of all breaches under the LGPS regulations and wider pension law, statutory guidance or codes of practice under the remit of The Pensions Regulator in accordance with the 2004 Pension Act.

Where a breach has occurred it should be identified as either an area of non-compliance under the LGPS regulations, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or The Pensions Regulator's code of practice 14.

The definition of pension law under the jurisdiction of The Pensions Regulator is any enactment contained in or made by virtue of:

- **a)** The Pension Schemes Act 1993 (c. 48)
- **b)** Part 1 of the Pensions Act 1995 (c. 26), other than sections 62 to 66A of that Act (equal treatment)
- **c)** Part 1 or section 33 of the Welfare Reform and Pensions Act 1999 (c. 30), or
- **d)** This Act
- **e)** Section 5(4) (Pension Board: conflicts of interest and representation), 6 (Pension Board: information), 14 (information about benefits) or 16 (records) of the Public Service Pensions Act 2013
- **f)** Paragraph 2 of Schedule 18 to the Pensions Act 2014 (c 19)
- **g)** The Pension Schemes Act 2015

Therefore, as the LGPS Regulations are made under the Superannuation Act 1972, The Pensions Regulator views the provisions as being similar to a private pension scheme's rules which are the preserve of trustees and not of The Regulator.

As such in the event of non-compliance under the LGPS Regulations the failings should be documented in an internal log specifying the corrective action to be undertaken to strengthen operational procedures and controls in order to prevent or mitigate the impact of any future recurrences.

Alternatively, where the failure is identified by the Fund or Local Pension Board as a breach of pension law under the jurisdiction of The Pensions Regulator, or the code, it should be recorded, assessed and where defined to be of material significance to The Pensions Regulator, must be reported as soon as reasonably practical.

The Fund and the Local Pension Board cannot rely on waiting for other reporters to report a breach.

What is a breach of the law?

A breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* It can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under overriding legislation, applicable statutory guidance or codes of practice
- to maintain accurate records
- to act on any fraudulent act or omission that is identified
- of an employer to pay over employee and employer contributions on time
- to pay member benefits either accurately or in a timely manner
- to issue annual benefit statements on time
- or non-compliance with The Regulator's Code of Practice No 14.

What is non-compliance under the LGPS Regulations?

Non-compliance with the LGPS regulations can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS regulations
- to comply with policies and procedures (e.g. the Fund's Investment Strategy Statement, Funding Strategy Statement, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Members and officers of the Fund, as the Scheme Manager
- Members of the Local Pension Board
- Scheme employers
- Professional advisers (including the Fund's actuary, investment advisers, legal advisers)
- Third party providers (where employed)
- any other person involved in advising the Scheme Manager in relation to the scheme

This policy applies only to elected Members and officers of the Fund and members of the Local Pension Board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Fund and the Local Pension Board will take all necessary steps to consider the breach and report to The Regulator, rather than having the breach reported by any of the other "reporters".

Requirement to report a breach of the law

Breaches of the law which affect pension schemes should be considered for reporting to The Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law
- and if so, is the breach likely to be of material significance to The Regulator?

It is important to understand that not every breach that is identified needs to be reported to The Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to The Regulator. All incidents of breaches identified should be recorded in the Fund's breaches log. This log will be reviewed on an on-going basis to determine any trends that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified, immediate action will be taken to agree a plan of action to rectify the matter and prevent a recurrence in the future.

Examples of potential breaches, including when they should and should not be reported to The Pensions Regulator are included in Appendix A.

When should a breach be reported to The Regulator?

The Code of Practice requires that a breach should be notified to The Regulator as soon as is reasonably practical once there is reasonable cause to believe that a breach has occurred and that it is of material significance to The Regulator. In any event, where a breach is considered to be of material significance it must be reported to The Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that The Regulator is required to intervene as a matter of urgency (for example, serious fraud), the matter should be brought to the attention of The Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to The Regulator, marked as "urgent" in order to draw The Regulator's attention to it.

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, The Regulator will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to The Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion
- fail to notify affected scheme members where it would have been appropriate to do so

Assessing "reasonable cause"

It is important that the Fund and the Local Pension Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by elected Members and officers when acting on any suspicion of a breach having occurred. Where necessary this may involve taking legal advice or contacting other advisers (e.g. auditors, the Fund's actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to The Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should be reported. When determining materiality of any breach or likely breach the Fund and Local Pension Board will in all cases consider the following:

- **cause** – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law
- **effect** – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring
- **reaction** – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- **wider implications** – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future

The decision tree provides a "traffic light" system of categorising an identified breach and is shown at Appendix A:

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to The Regulator, but should be recorded in the Fund's breaches log

- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action

- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Fund or Local Pension Board must report all such breaches to The Regulator in all cases

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board to determine the appropriate course of action.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Fund will use The Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to The Regulator.

Any failure of a scheme employer to pay over employee contributions that are considered to be of material significance must be reported to The Regulator immediately.

In order to determine whether failure to pay over employee contributions is materially significant or not the Fund will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to The Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to The Regulator, the relevant manager in consultation with the Monitoring Officer must review the circumstances of the breach in order to understand why it occurred. The review must also identify the consequences of the breach and agree the corrective measures required to prevent recurrence, including an action plan where necessary. All breaches must be recorded in the Fund's breaches log.

Process for reporting breaches

All relevant officers and elected Members of the Fund, as well as all members of the Local Pension Board have a responsibility to:

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the Monitoring Officer
- in conjunction with relevant officers agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not recur, obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, Local Pension Board and where necessary The Regulator

Responsibilities of the Monitoring Officer

The Fund will appoint one of the administering authority's senior officers to be responsible for the management and execution of this breaches policy. That officer will be the Monitoring Officer and will be the Head of Pensions Administration.

The Monitoring Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Fund's breaches log
- investigate the circumstances of all reported breaches and likely breaches
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not recur
- report to the Pension Fund Committee and Local Pension Board:
    - all materially significant breaches or likely breaches that will require reporting to The Regulator as soon as practical, but no later than one month after becoming aware of the breach or likely breach; and
    - all other breaches at least quarterly as part of the Committee cycle
- report all materially significant breaches to The Regulator as soon as practical but not later than one month after becoming aware of the breach

The Monitoring Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation where considered appropriate with the Pension Fund Committee and Local Pension Board.

Where uncertainty exists as to the materiality of any identified breach, the Fund or Local Pension Board will be required to informally notify The Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to The Regulator?

All materially significant breaches must be reported to The Regulator in writing. The Regulator encourages the use of its standard reporting facility via its online Exchange service.

The Fund will report all material breaches to The Regulator via the online Exchange function.

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How are records of breaches maintained?

All breaches and likely breaches are to be reported to the Monitoring Officer as soon as they are identified. The Monitoring Officer will log all breaches on the Fund's breaches log, including the following information:

- date the breach or likely breach was identified
- the pension scheme's registry number (if available)
- name of the employer (where appropriate)
- any relevant dates
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance
- whether the breach is considered to be red, amber or green
- a description of the actions taken to rectify the breach
- whether the concern has been reported before, and
- a brief description of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified. The Head of Pensions Administration will be responsible for submission of any report to The Regulator. Any documentation supporting the breach will be maintained by the Head of Pensions Administration.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistle blow on the part of an employee of the Fund or a member of the Local Pension Board. The duty to report does not override any other duties a "reporter" may have, such as confidentiality. Any such duty is not breached by reporting to The Regulator. Given the statutory duty that exists, in exercising this breaches policy the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to The Regulator.

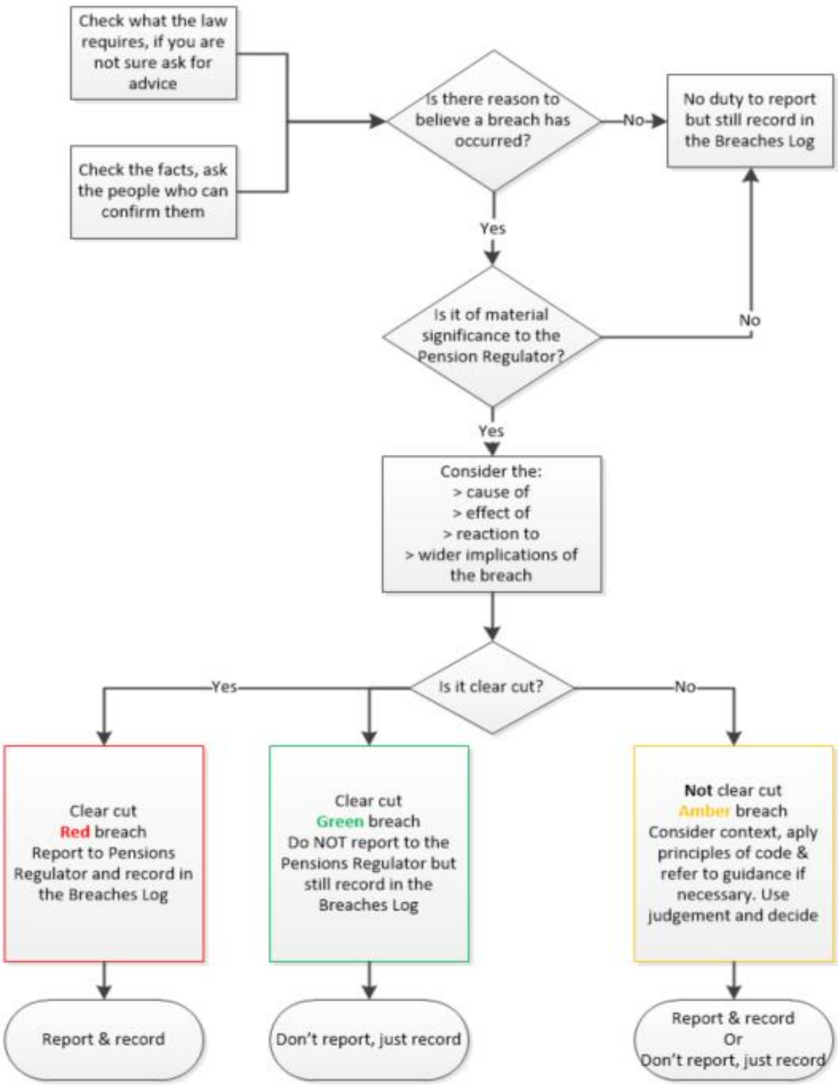
The duty to report, however, does not override 'legal privilege', so oral and written communications between the Fund or Local Pension Board and a professional legal adviser do not have to be disclosed.

Training

The Head of Pensions Administration will ensure that all relevant elected Members and officers, as well as members of the Local Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the Local Pension Board as appropriate and on an ongoing basis.

Appendix A

Deciding if a breach is "materially significant" and should be reported to The Regulator



Appendix B

Examples of breaches

Example 1

An employer is late in paying over employee and employer contributions and is in breach of the statutory period for making such payments. The employer is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to The Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and is in breach of the statutory period for making such payments. It is also late in paying AVCs to the AVC provider. It is contacted by officers from the administering authority, and the employer eventually pays the monies that are overdue, including AVCs to the AVC provider. This has happened before, and there is no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to The Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in investing their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to provide annual benefit statements to the employer's members by 31 August. In this instance there has been a breach which may be relevant to The Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A pension overpayment is discovered. The administering authority has failed to pay the right amounts to the right person at the right time and a breach has therefore occurred. The overpayment is however, for a modest amount and the pensioner could not have known that they were being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Appendix C

Form to report a breach to the Monitoring Officer

Name of Reporter:	
Position:	
Telephone number	
Email address	
Address	
Description of the breach (please include any relevant dates)	
Do you believe that the breach is of material significance to The Pensions Regulator?	
Please give your reasons	
Have you reported the breach to The Pensions Regulator?	
Please give your reasons	

Please send the completed form by email or post to:

Phillippa Cockerill
Monitoring Officer
North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL

Telephone: 01609 535879
Email: Phillippa.cockerill@northyorks.gov.uk

Appendix D

Example Record of Breaches

Date	Category	Description of Breach	Cause of Breach	Effect of Breach & Wider Implications	Response to Breach	Sent to PFC	Sent to PB	Outcome of Referral	Reported to Regulator	Progress Review 1	Progress Review 2
30/9/2015	Contributions	No employer or employee contributions paid by employer for two months (June and July) Queried with employer on 23/8/215	Employer advised Fund on 26/8/2015 that late payment of contribution due to installation of new payroll system and outstanding contribution will be paid without delay	Where contributions remain outstanding for more than 90 days, then likely to be of material significance to The Regulator	No previous breaches by employer. Not reported as outstanding contribution paid within 90 days of the due date and therefore not of material significance.	Y	Y	Position noted. As contributions were received within a reasonable timeframe it was confirmed no requirement to report	N	Contributions for August paid on 19/09/2015	Monitor payments on 19/10/2015 to ensure that late payment was a one off failure
1/12/217	Regulations	Regulation 40 Death Grant payments	Failure to Identify beneficiaries of estate of deceased. Correct procedure not followed.	Member died in service without an expression of wish form. Fund did not identify correct dependents, leading to possible 2nd payment of death grant. Dependent, a long term partner of deceased appealed the decision to pay on strength of letters of administration. Recipient Relative identified by probate office refused to repay death grant.	Investigations showed that the Probate office was limited by their regulations which pre-judged against a partner and Fund had failed to recognise this.	Y	Y	Position noted. As staff training is being provided and policy updated no further action taken. Overpaid death grant written off by Fund.	N	Ensure all staff trained and policy updated.	Procedure documented and incorporated into system

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North Yorkshire Pension Fund

Privacy Notice

April 2023~~2~~

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North Yorkshire Pension Fund – Privacy Notice

This Privacy Notice is designed to help you understand how and why North Yorkshire ~~County~~ Council processes your personal data in relation to the North Yorkshire Pension Fund. This notice should be read in conjunction with the ~~County~~ Council's Corporate Privacy Notice. ~~and Employment Privacy Notice.~~

Who are we?

The North Yorkshire Pension Fund (NYPF) is responsible for the administration of the Local Government Pension Scheme (LGPS). The service is carried out by North Yorkshire ~~County~~ Council (NYC~~C~~) who is a is a 'Data Controller' as defined by Article 4(7) of the UK General Data Protection Regulation (UK GDPR). ~~and for the purposes of the Data Protection Act 2018 NYCC is the Data Controller.~~

The Council has appointed **Veritau** ~~Ltd~~ to be its Data Protection Officer. Their contact details are:

~~Data Protection Officer~~Information Governance Office
Veritau ~~Ltd~~
~~County Hall~~West Offices
~~Racecourse Lane~~Station Rise
~~Northallerton~~York
~~DL7 8AL~~YO1 6GA
infogov@northyorks.gov.uk
01904 552848

What personal information do we collect?

The types of data we hold and process will typically include:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, National Insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, including length of service or membership and salary.
- Financial information in relation to your membership of the Fund to enable the calculation or payment of benefits, for example bank account and tax details.
- Information about your family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases

Why do we collect your personal information?

NYPF collects and processes this data in order to provide you and your beneficiaries with pension benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

We may also process your personal data to assess and, if appropriate, action a request you make to transfer your benefits out of the Fund.

Who do we share this information with?

From time to time we will share your personal data with third parties, including our contractors, advisors, dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to the Fund.

We are also required in certain circumstances to share your information with government organisations such as Her Majesty's Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) so that they can monitor our performance and ensure that public funds are safeguarded.

We will share your data with any persons in connection with any transfer of employment under TUPE (Transfer of Undertakings (Protection of Employment) regulations) that results in a transfer to another pension scheme.

In order to comply with statutory and contractual obligations, the NYPF may share or disclose your information with any of the following recipients as may be necessary to administer the scheme:

Name and type of service/adviser	Reasons for sharing data
Aon ~~Hewitt~~ Scheme actuary* and benefits consultant Aon ~~Hewitt~~'s Privacy Notice	To calculate the value of the scheme's assets and liabilities, to set employer contribution rates, to calculate specific benefits or to advise on scheme administration functions (*An adviser on financial questions involving probabilities relating to mortality and other contingencies)
Heywood Pension Technologies Pension administration system provider	To ~~enable the migration of pensioner payroll into the administration system and to~~ progress the requirements of the McCloud remedy and meet the specifications of the Pensions Dashboard
Ward Hadaway Scheme legal advisers	To prepare legal documentation in relation to new and existing employers
Prudential Scheme AVC provider*	To facilitate the creation and maintenance of individual member's Additional Voluntary Contributions (AVC) accounts (*The NYPF is required by law to have an AVC provider. The NYPF partners with Prudential to provide AVC options to its members. Through that arrangement, Prudential hold and process your data in order to administer your AVC account.)
Citibank Overseas payments provider	To transmit payments to scheme members with non-UK bank accounts
Local Government Association LGPS National Insurance database	To enable the NYPF to identify if its members have benefits in other LGPS schemes to ensure that appropriate benefits are paid
Department for Work and Pensions DWP Tell Us Once service	To enable the NYPF to be notified of the death of a scheme member
Accurate Data Services Life existence checks Address tracing	To enable the NYPF to be notified of the death of a scheme member To enable the NYPF to pay pension benefits to a scheme member
Veritau Ltd and ~~Deloitte~~Mazars Scheme auditors	To enable the audit of processes, calculation of benefits and scheme governance arrangements
Government Actuary's Department National LGPS cost	To facilitate the calculation of the triennial assessment of the cost of the LGPS on a national basis as per the Public Service Pensions Act 2013
Other LGPS administering authorities Scheme managers of other LGPS funds	To determine pension benefit entitlements

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases

How long do we keep your information for?

Personal data will be retained for **the greater of**:

- such period as the member (or any b~~B~~eneficiary who receives benefits after the member's death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid;
- 100 years from the member's date of birth;
- 100 years from the date of birth of any b~~B~~eneficiary who received benefits from the Fund after the member's death.

During any period when we retain personal data, we will keep that personal data up to date and take all reasonable steps to ensure that inaccurate data is either erased or rectified without delay. We will periodically review the personal data that we retain and consider whether it is still required; any personal data that we no longer require will be destroyed.

What is our lawful basis for processing your information?

The legal basis for our use of your personal data will generally be one or more of the following:

1. UK GDPR Article 6(1)(a) The individual has given clear consent for you to process their personal data for a specific purpose. This applies to the pension portal only
2. UK GDPR Article 6(1)(b) The processing of your personal information is necessary for the performance of a contract to which you are party (employment contract). We need to process your personal data to meet our contractual obligations to you in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.
3. UK GDPR Article 6(1)(c) We need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund;
4. UK GDPR Article 6(1)(e) We need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body;
5. UK GDPR Article 6(1)(f) We need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund;
6. UK GDPR Article 9(2)(b) The processing of your special category data is necessary for the carrying out of obligations and exercising specific rights of the data controller or of the data subject in the field of employment.

For more information about how the ~~County~~ Council uses your data, including your privacy rights and the complaints process, please see our Corporate Privacy Notice.

Appendix 15

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North Yorkshire Pension Fund

Memorandum of Understanding Regarding Compliance with Data Protection Law

April 2023~~2~~

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Local Government Pension Scheme

Memorandum of Understanding Regarding Compliance with Data Protection Law

Contents

1. **Introduction**
2. **Data Controllers**
3. **Data Sharing**
4. **Transfer of Members' Personal Data**
5. **Rights of Members**
6. **Data Security Breaches and Reporting Procedures**
7. **Responsibilities of Scheme Employers**
8. **Compliance with the Memorandum of Understanding**
9. **Review and Amendment of the Memorandum of Understanding**

Introduction

1.1 The Local Government Pension Scheme ("**LGPS**") in England and Wales is an occupational pension scheme registered under section 153 of the Finance Act 2004 and its rules are currently set out in The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended ("**LGPS Regulations**").

1.2 The LGPS is administered locally by administering authorities who are defined in Regulation 2 of the LGPS Regulations and listed in Part 1 of Schedule 3 of the LGPS Regulations.

1.3 North Yorkshire ~~County~~ Council (~~NYCC~~NYC) is an administering authority under the LGPS Regulations. ~~NYCC~~NYC manages and administers the North Yorkshire Pension Fund (the **NYPF**) within the LGPS in accordance with its statutory duty under Regulation 53 of the LGPS Regulations. Employers with employees who are eligible to be members of the LGPS will participate in the NYPF as a "**Scheme e~~E~~mployer**" (as defined in schedule 1 of the LGPS Regulations).

~~NYCC~~NYC and the Scheme e~~E~~mployer (together the "**Parties**") are required to share personal data relating to the Scheme e~~E~~mployer's current and former employees who participate in the NYPF (the "**m~~M~~embers**") and their dependants, beneficiaries and/or potential beneficiaries. This is in order for ~~NYCC~~NYC to fulfil its statutory duties to manage and administer the NYPF under Regulation 53 of the LGPS Regulations and provide the m~~M~~embers with benefits upon retirement, pay ill-health benefits, pay death grants, pay survivors' pensions to m~~M~~embers' spouses, civil partners and co-habiting partners, pay children's pensions upon the death of the m~~M~~ember and offer m~~M~~embers the option of paying additional voluntary contributions to one or more providers in accordance with Regulations 1 – 52 of the LGPS Regulations.

1.4 Scheme e~~E~~mployers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations, to provide certain personal data relating to its m~~M~~embers on an annual basis to ~~NYCC~~NYC, including the m~~M~~ember's name, gender, date of birth, N~~n~~ational i~~I~~nsurance number, pensionable pay, employer and employee pension contributions, details of any additional pension contributions and additional voluntary contributions.

1.5 This Memorandum of Understanding sets out:

(a) the basis on which personal data will be shared between the Parties; and

(b) ~~NYCC~~NYC's expectations of the Scheme ~~E~~employer during its participation in the NYPF;

in order to comply with Data Protection Law, including the General Data Protection Regulation (2016/679) ("**GDPR**") as amended and incorporated into UK law under the UK European Union (Withdrawal) Act 2018. For the avoidance of doubt, the commitments set out in this Memorandum of Understanding only apply in respect of personal data shared between the Parties.

1.6 References to "**Data Protection Law**" in this Memorandum of Understanding mean the UK Data Protection Act 2018, the Electronic Communications Data Protection Directive (2002/58/EC) and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2426/2003) (each as amended and incorporated into the laws of England & Wales, Scotland and Northern Ireland), the GDPR and all applicable laws and regulations relating to personal data and privacy which are enacted from time to time, including (where applicable) the guidance and codes of practice issued by the Information Commissioner's Office and any other competent authority. References in this Memorandum of Understanding to the "**GDPR**" are to the General Data Protection Regulation (2016/679) as amended and incorporated into the laws of England & Wales, Scotland and Northern Ireland under the UK European Union (Withdrawal) Act 2018, but also include a reference to the underlying EU regulation itself if and to the extent that it is applicable.

2 Controllers

2.1 The Parties acknowledge that they will:

(a) not hold a pool of joint data;

(b) be separate and independent controllers in relation to the copies of the ~~M~~members' personal data they respectively hold and/or otherwise process;

(c) each act as independent controllers in relation to personal data transferred to them;

(d) each be responsible for complying with the requirements in Data Protection Law that are applicable to them as independent controllers.

2.2 References to m~~M~~embers' personal data includes personal data relating to the m~~M~~embers' dependants (including children) and spouses/civil partners (where applicable), beneficiaries and/or potential beneficiaries.

3 Data Sharing

3.1 The Parties confirm that they understand their respective obligations under Data Protection Law as controllers and agree to only process personal data relating to the m~~M~~embers:

(a) transparently, fairly and lawfully and in accordance with the data protection principles set out in Data Protection Law;

(b) where there are lawful grounds for doing so; and

(c) in accordance with Data Protection Law and best practice guidance (including the Data Sharing Code of Practice issued by the Information Commissioner's Office and updated from time to time).

3.2 Each Party will separately inform the m~~M~~embers (as required under Data Protection Law) of the respective purposes for which they will each process their personal data and provide all required information to ensure that the m~~M~~embers understand how their personal data will be processed in each case by ~~NYCC~~NYC or the Scheme e~~E~~mployer (as applicable). The Scheme e~~E~~mployer's privacy notice to ~~M~~members will inform them that their personal data will be provided to ~~NYCC~~NYC and a copy of that notice will be provided to ~~NYCC~~NYC on request.

3.3 When sharing personal data, including for any onward transfers of personal data, the Parties shall ensure that they have a lawful basis for doing so.

3.4 To the extent any Scheme e~~E~~mployer or Administering Authority makes any transfer of personal data outside of the UK or European Economic Area, it shall ensure compliance with Chapter 5 of the GDPR and the principles set out in the judgment issued by the Court of Justice of the European Union on July 16, 2020 (case C-311/18; "Schrems II").

3.5 In the event that a Scheme e~~E~~mployer or Administering Authority collects, uses or otherwise processes Special Category Personal Data, or Criminal Convictions Data, it shall comply with all of the requirements under Data Protection Law, as applicable. This includes ensuring that a condition for the processing of this data has been satisfied.

3.6 Each Party shall ensure that it:

(a) only collects, uses or otherwise processes personal data for a specific and limited purpose;

(b) has measures in place to ensure that personal data remains accurate and up-to-date; and

(c) ensures that all staff who have access to the personal data are properly trained in the handling of personal data.

3.7 Each Party confirms that it understands its respective obligations under Data Protection Law, to ensure that the m~~M~~embers' personal data of which it is a data controller is kept and used securely at all times and to take such technical and organisational security measures against unauthorised and unlawful processing of, accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to the m~~M~~embers' personal data transmitted, stored or otherwise processed as may be required. Such measures will have due regard to the state of technological development and the cost of implementation of these measures, to ensure a level of security appropriate to the harm that might result from such processing and the nature, scope, context and purposes of processing the m~~M~~embers' personal data and the risk or likelihood and severity for the rights and freedoms of data subjects. Such measures will ensure:

(a) the ongoing confidentiality, integrity, availability and resilience of processing the m~~M~~embers' personal data;

(b) the ability to restore the availability and access to the ~~M~~members' personal data in a timely manner in the event of a physical or technical incident

(c) carrying out of regular testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.

3.8 Each Party undertakes to notify the other as soon as practicable if an error is discovered in the 'm~~M~~embers' personal data of which it is a controller and which was received from or a copy of which has been provided to the other Party, to ensure that such other Party is then able to correct its own records. This will happen whether the error is discovered through existing data quality initiatives or is flagged up through some other route (such as the existence of errors being directly notified to the Administering Authority or Scheme e~~E~~mployer (as appropriate) by the m~~M~~ember (or the m~~M~~ember's dependants, spouse/civil partner) themselves).

4 Transfer of m~~M~~embers' personal data

4.1 The Parties agree that m~~M~~embers' personal data will only be transferred from one Party to the other via an acceptable method specified by ~~NYCC~~NYC which may include any of the following:

(a) secure email

(b) SFTP link

(c) access secure website

4.2 Each Party will, when transferring the m~~M~~embers' personal data of which it is the controller to the other Party, ensure that that data is secure during transit (whether physical or electronic).

4.3 If either ~~NYCC~~NYC or the Scheme e~~E~~mployer appoints professional advisers, third party administrators or another entity which provides other services involving the transfer of m~~M~~embers' personal data, those third parties will be processors or controllers in their own right. ~~NYCC~~NYC or the Scheme e~~E~~mployer (as applicable) will comply with its own obligations in accordance with Data Protection Law (in particular, by requiring any such entity to which it transfers m~~M~~embers' personal data to also comply with Data Protection Law) and shall ensure that nothing in the terms of engagement between ~~NYCC~~NYC or the Scheme ~~E~~employer (as applicable) and such third party would contradict this Memorandum of Understanding.

5 Rights of m~~M~~embers (including the m~~M~~ember's dependants, spouses/civil partners (where applicable))

5.1 Each Party shall, in respect of the personal data of which it is a controller, respond to any requests from m~~M~~embers to have access to or exercise any of their other rights under Data Protection Law in relation to any of their personal data or a complaint or enquiry relating to that Party's processing of the m~~M~~embers' personal data received by that Party in line with its own obligations under the Data Protection Law. Such requests, complaints or enquiries should be directed to pensions@northyorks.gov.uk

5.2 Each Party agrees to provide reasonable assistance to the other as is necessary to enable the other Party to comply with any such requests in respect of ~~M~~members' personal data of which that Party is a controller and to respond to any other queries or complaints from m~~M~~embers.

6 Data Security Breaches and Reporting Procedures

6.1 Each Party confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the m~~M~~embers' personal data, including (where necessary) an obligation to notify the Information Commissioner's Office and/or the m~~M~~ember(s).

7 Additional Responsibilities of Scheme e~~E~~mployers

7.1 Notwithstanding the statutory obligations which apply to Scheme e~~E~~mployers under the LGPS Regulations and as a controller under Data Protection Law, ~~NYCC~~NYC, as Administering Authority for the Fund, expects participating Scheme e~~E~~mployers to comply with the responsibilities set out below in relation to m~~M~~embers' personal data.

7.2 On request, the Scheme e~~E~~mployer will inform the Pensions Employer Relationship Manager at ~~NYCC~~NYC of any qualified person appointed to fulfil the role of data protection officer ("**DPO**") together with their contact details. If the Scheme e~~E~~mployer has not appointed a DPO, they will, on request, inform the Pensions Employer Relationship Manager at ~~NYCC~~NYC of the details of a nominated person for GDPR compliance purposes.

7.3 The Scheme ~~E~~employer will demonstrate to ~~NYCC~~NYC's satisfaction when dealing with ill health early retirement applications for current employees that explicit m~~M~~ember consent has been received which gives consent to processing by both the Scheme e~~E~~mployer and ~~NYCC~~NYC. In the absence of such consent, ~~NYCC~~NYC may not be able to process the m~~M~~ember's application.

7.4 The Scheme e~~E~~mployer acknowledges the financial penalties that can be imposed by the Information Commissioner's Office in relation to breaches of Data Protection Law and will inform ~~NYCC~~NYC immediately it becomes aware it may be liable to pay such a financial penalty. The Scheme e~~E~~mployer further acknowledges that any liability it may have to pay a financial penalty to the Information Commissioner's Office may result in a revision of the rates and adjustments certificate in accordance with Regulation 62(7) of the LGPS Regulations.

8 Compliance with the Memorandum of Understanding

8.1 Failure by the Scheme e~~E~~mployer to comply with the terms set out in this Memorandum of Understanding may result in ~~NYCC~~NYC reporting the Scheme e~~E~~mployer's non-compliance to the Information Commissioner's Office.

9 Review and Amendment of Memorandum of Understanding

9.1 ~~NYCC~~NYC will review the Memorandum of Understanding from time to time. ~~NYCC~~NYC also reserves the right to amend the Memorandum of Understanding at any time and with immediate effect and will provide written notice to the Scheme e~~E~~mployer of such amendment.

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Appendix 16

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North Yorkshire Pension Fund

Training Policy

April ~~2022~~2023

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Introduction

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

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

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

Application of the Policy

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

Training Requirements

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

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

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

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

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Training Delivery

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

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

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

Review

This policy is reviewed and updated annually.

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

Costs

All training costs will be met by the Pension Fund.

Appendix

Appendix A - Pensions Fund Committee: Knowledge and Skills Framework

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

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An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	**1 2 3 4 5**		
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Scheme specific legislation continued			
A regularly updated appreciation of the latest changes to the scheme rules.	**1 2 3 4 5**		
Knowledge of the role of the administering authority in relation to the LGPS.	**1 2 3 4 5**		
Pensions regulators and advisors			
An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	**1 2 3 4 5**		
General constitutional framework			
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	**1 2 3 4 5**		

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	**1 2 3 4 5**		

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Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Pension scheme governance			
An awareness of the LGPS main features.	**1 2 3 4 5**		
A detailed knowledge of the duties and responsibilities of committee members.	**1 2 3 4 5**		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	**1 2 3 4 5**		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	**1 2 3 4 5**		

Pensions accounting and auditing standards			
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	**1 2 3 4 5**		
Awareness of the role of both internal and external audit in the governance and assurance process.	**1 2 3 4 5**		
Financial services procurement and relationship management			
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Understanding public procurement			
Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	**1 2 3 4 5**		
A general understanding of the main public procurement requirements of UK and EU legislation.	**1 2 3 4 5**		

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Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Supplier risk management			
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	**1 2 3 4 5**		
Performance and risk management			
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Total fund			
Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks.	**1 2 3 4 5**		
Performance of advisors			
Awareness of the Myners principles of performance management and the approach adopted by the committee.	**1 2 3 4 5**		
Performance of the committee			
Awareness of the Myners principles and the need to set targets for the committee and to report against them.	**1 2 3 4 5**		

Knowledge Area	Rate my skills 1 – no knowledge 5 – highly skilled	Training Requirements	Training Plan
Performance of support services			
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	**1 2 3 4 5**		
Financial markets and products knowledge			
Knowledge Area	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training Requirements**	**Training Plan**
Investment strategy			
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).	**1 2 3 4 5**		
Understanding of the role of these asset classes in long term pension fund investing.	**1 2 3 4 5**		
Financial markets			
Understanding of the primary importance of the investment strategy decision.	**1 2 3 4 5**		

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

Awareness of the importance of monitoring early and ill health retirement strain costs.	**1 2 3 4 5**		

OFFICIAL

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

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Appendix 17

North Yorkshire Pension Fund

Cashflow Policy

June 2023

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

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2.0 Management of Pension Fund cash 3
3.0 Cashflow management and disinvestment policy 3
4.0 Cashflow Reporting 4

1.0 Introduction

1.1 This Policy sets out how the North Yorkshire Pension Fund (NYPF, or 'the Fund') will manage its cashflow requirements. As Pension Funds mature, the monitoring of the inflows and outflows of the Fund takes on increasing importance. This is because over time benefits payable are expected to overtake the contributions received from employers, putting the Fund into cashflow negative territory. NYPF is now approaching this position. A contributing factor has been the significant improvement in the funding level over recent years, such that employer deficit contributions received are no longer material. In addition, as part of its de-risking strategy, the Fund is building up investments in alternative asset classes. As they require regular capital commitments over a long term investment period, this will increase outflows of cash.

1.2 The Policy will be kept under review by the Fund with regard to applicable legislation and guidance. The Pension Fund Committee (PFC) will be asked to formally review and approve the Policy on an annual basis.

2.0 Management of Pension Fund cash

2.1 The Fund holds working cash balances to manage its cashflow requirements on a day-to-day basis. This cash balance is managed by the Administering Authority, North Yorkshire Council (NYC), within a separate bank account, in line with 'The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016'. This cash balance is kept to a minimum, with any balances not immediately required being invested in an overnight deposit facility. Cash investments are made in accordance with NYC's Treasury Management Policy and are placed with an approved list of counterparties. All counterparties are approved at Full Council.

2.2 The Fund does not have an allocation to cash investments in its long term investment strategy. However, it recognises that in the short term it can be beneficial to hold cash investments for the security of capital values, to aid implementation of the long term strategy and for liquidity purposes. Any cash investments will be placed with NYC in the same way as the working cash balance, or with the Fund's custodian Northern Trust.

3.0 Cashflow management and disinvestment policy

3.1 Cashflow of the Fund is monitored regularly by officers. Each year, or more frequently as required, a detailed cashflow projection is produced to show the value and timing of cash requirements over the coming years. This projection takes into account the main cash inflows and outflows, including benefits payable and contribution income, the costs of running the Fund and also any investment income and known capital calls to fund investment commitments.

3.2 The policy of the Fund will be to enhance income generation and keep disinvestments to a minimum. The following areas will therefore be of focus going forward:

- Maximisation of income generation within the Fund's current investments, where appropriate
- Review of opportunities for new income generating assets as part of the implementation of the current long term investment strategy
- Reviewing income generation requirements as part of future investment strategy reviews

3.3 Where cashflow monitoring determines that after all available investment income is received, disinvestments are still required to meet cashflow requirements, a plan will be produced to determine where funds will be disinvested and the appropriate timing of the disinvestment. This disinvestment plan will be managed by the Treasurer and reviewed by the PFC. Disinvestments will be based on the most advantageous option available under current circumstances and will take the following into consideration:

- Liquidity and yield
- Any transaction costs on disinvestment
- Security of capital value
- Alignment to long term investment strategy

3.4 Whilst a disinvestment plan will cover all known cash requirements, there will inevitably be circumstances where additional cash is required unexpectedly. The Fund will ensure that there is a level of liquidity within its portfolio to ensure that cash can be sourced in a timely manner through disinvestment if required. If in the unlikely circumstances immediate liquidity was an issue, under the 2016 Regulations the authority may borrow by way of a temporary loan or overdraft facility, which is liable to be repaid out of the Fund, for the purposes of paying benefit obligations due under the Scheme or for rebalancing purposes. This must be repaid by the Fund within 90 days. This facility would only be used once all other options have been exhausted and with prior approval from the Treasurer.

4.0 Cashflow Reporting

4.1 The cashflow of the Fund is reported to the PFC as required, usually on a quarterly basis. This includes information on cash movements for rebalancing purposes that have taken place in the previous quarter, and a three year cashflow projection.

APPENDIX 18a

North Yorkshire Pension Fund

Responsible Investment Policy

July 2023~~2021~~

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

1.0 Introduction

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

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

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

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

2.0 Financial and non-financial considerations

2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The Committee therefore takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries.

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

2.3 The Fund believes that there is an opportunity to generate better returns by making decisions with a long term investment outlook. ESG factors tend to be long term in nature and can create both risks and opportunities. Evidence shows that well managed companies tend to have strong governance, take a more robust approach to addressing ESG issues, and are more likely to be successful long term investments.

2.4 ESG issues considered include, but are not limited to:

Environmental	Social	Governance
Climate Change Resource & energy management Water stress	Human rights Child labour Supply chain Human capital Employment standards	Board Independence and diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights Political lobbying Risk management

3.0 Implementation

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

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

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

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

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

4.0 Knowledge and Skills

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

5.0 Climate Change

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

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

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

5.4 The Committee will require its investment managers to regularly report on their exposure to climate risk and describe how it is being managed. This includes disclosure in line with the Task force on Climate related Financial Disclosures (TCFD). The Fund will also report in line with TCFD reporting requirements for LGPS administering authorities once the ongoing consultation has concluded and the requirements are known.

5.5 During 2022/23~~2020/21~~ the Fund ~~will~~ assessed~~assess~~ its investments~~portfolios~~ in relation to a number of climate change scenarios as part of a detailed review of the investment strategy.~~where feasible. This will include using carbon metrics. A means of measuring the climate impact of alternatives and property will also be explored.~~

~~5.6 The Fund will continue to work with Border to Coast on this critical area. Issues to be explored include the development of a Border to Coast stand-alone Climate Change Policy, and the implications of setting targets including a net zero carbon target.~~

6.0 Engagement

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

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

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

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

7.0 Stewardship

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

7.2 The Fund has a responsibility for effective stewardship of the companies that it invests in, whether directly or indirectly, and will practice active ownership through voting, monitoring companies, engagement and litigation. This responsibility is taken very seriously. The approach is described in more detail in the Fund's Statement of Compliance with the UK Stewardship Code, which is available on the Fund's website at https://www.nypf.org.uk/nypf/policiesandstrategies.shtml. The Fund has been designated a Tier 1 signatory, which reflects the highest level of compliance with the Code. However, this Code has since been replaced. The intention is to become a signatory to the new Code in due course.

7.3 As investments transfer to the Border to Coast over time, the Committee will require both Border to Coast, and the underlying investment managers appointed by Border to Coast, to maintain compliance with the UK Stewardship Code, or the international standards applicable to their geographical location. Border to Coast is also a signatory to the UN Principles of Responsible Investment.

7.4 The Fund also participates in collaborative engagement that has been instigated by its investment managers including Border to Coast, and, for example, through its membership of the Local Authority Pension Fund Forum (LAPFF), and with the Cross Pool Group. LAPFF is the UK's leading collaborative shareholder engagement group, promoting ESG good practice on behalf of over 80~~70~~ LGPS funds.

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

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

8.0 Voting rights

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

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

8.3 Robeco advise Border to Coast on voting. They analyse voting and governance issues, implement a set of detailed voting guidelines agreed by the eleven partner funds and ensure vote are cast in accordance with the policy.

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

8.5 Border to Coast has a stock lending programme. Lenders do not generally retain voting rights on lent stock, however there are procedures to recall stock prior to a shareholder vote if required. Lending can also be restricted. Reasons include:

- There is a contentious resolution
- The holding size could have a material effect on the voting outcome
- Border to Coast has co-filed a shareholder resolution

- A company is seeking approval for a merger or acquisition

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

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

9.0 Class actions

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

10.0 Reporting arrangements

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

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

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

10.3 The Fund will report on responsible investment activities in its Annual Report. This will include voting and engagement activity.

June 2023~~July 2021~~

APPENDIX 18B

North Yorkshire Pension Fund

Climate Change Statement

When considering any issue with regard to the Pension Fund it is important to recognise that the Pension Fund Committee members act in the role of trustees and have a fiduciary responsibility to both employers and members, to seek an appropriate financial return for the level of risk that is taken. Purely personal interests, social, moral or political views should not be taken into account.

The Fund recognises that climate change is a significant financial risk and is challenging itself on how this is reflected in the investment strategy. The policy and approach in this area is constantly evolving. Any decisions on the investment of the Fund includes an assessment of the risks faced, including the issue of climate change, and which asset classes, sectors and companies to invest in.

The Fund's Investment Strategy Statement and Responsible Investment Policy cover the extent to which ~~social,~~ environmental, social and governance~~ and ethical~~ considerations including climate change are taken into account in the selection, retention and realisation of investments. These documents are available on the Fund's website https://www.nypf.org.uk/nypf/policiesandstrategies.shtml.

The Fund does not have a policy of divesting from companies and considers active engagement with companies a more productive approach to effecting change. Once the Fund divests, its ability to influence both the short term and long-term direction of individual companies is severely curtailed. If the Fund divested from the oil and gas or other sectors with heavy carbon footprints, then it would not reduce emissions (or climate change) but rather simply shift the emissions onto another investor who may be less engaged and therefore reduce the pressure on such companies to change.

The Fund works in collaboration with other pension funds on climate change issues through organisations such as the Local Authority Pension Fund Forum (LAPFF) and with its investment pooling partner Border to Coast, who is a member of Climate Action 100+. This approach ensures that the collective influence of investors has a bigger impact through engagement.

Border to Coast has a Responsible Investment Policy, Climate Change Policy and Corporate Governance and Voting Guidelines document, published on its website https://www.bordertocoast.org.uk ~~,~~ which describe the collective approach to addressing climate related issues. This includes assessing investments in relation to climate risk, incorporating climate considerations into the investment decision making process and engagement with companies in line with the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD).

The Fund has a range of renewable energy investments in the UK and abroad, such as wind farms and solar power farms, geothermal energy plants and energy from waste facilities. This is a growing area of investment activity, in particular in the infrastructure investment programme where ~~a decision has recently been taken to increase~~ the allocation ~~to 5%~~is 10%. In addition, the Fund has made a substantial investment in Border to Coast's Climate Opportunities fund which aims to have a positive impact on climate change and supporting long-term net zero carbon emissions goals.

The Fund also has investments in property funds where ESG metrics are regularly monitored with a view to improving their credentials. This includes using renewable energy sources and generating energy on site, for example through solar panels, to drive down the carbon footprint of these buildings.

The Pension Fund Committee considers the implications of climate change at every meeting. They recently approved a new set of responsible investment beliefs which included beliefs specific to risks associated with climate change.

In summary, the Fund recognises that climate change is a significant financial risk and is persistently challenging itself on how this is taken into account, and at the same ensuring the Pension Fund Committee is able to meet its fiduciary duty and responsibility to individual employers and members. Opportunities to increase investments in the renewable energy sectors, within the infrastructure allocation of the Fund, are being pursued. This is an ongoing process as the climate change agenda moves forward.

Appendix 19

NORTH YORKSHIRE PENSION FUND

STATEMENT OF ACCOUNTS
2022/23

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NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2023

2021/22 £000			2022/23 £000	2022/23 £000
	CONTRIBUTIONS AND BENEFITS			
	Contributions			
100,316	Employers	- Normal	106,551	
1,314		- Deficit	1,343	
1,228		- Early Retirement Costs Recharged	2,339	
32,477	Employees	- Normal	35,401	
161		- Additional Voluntary	194	
135,496	**Total Contributions Receivable (note 7)**			145,828
11,941	**Transfers in (note 8)**			18,654
	Less			
	Benefits			
(99,282)	Pensions		(106,333)	
(25,949)	Commutation and Lump Sum Retirement Benefits		(25,917)	
(3,570)	Lump Sums Death Benefits		(3,321)	
(128,801)	**Total Benefits Payable (note 9)**			(135,571)
	Leavers			
(405)	Refunds to Members Leaving Service		(780)	
(8,878)	Transfers Out		(14,515)	
(9,283)	**Total Payments on Account of Leavers (note 10)**			(15,295)
(3,681)	**Management Expenses (note 11)**			(4,274)
5,672	**Net additions/(withdrawals) from dealings with Members**			9,342
	RETURNS ON INVESTMENTS			
7,447	Investment income (note 12)			12,744
0	Taxation (note 12a)			0
(26,583)	Investment management costs (note 11)			(34,069)
137,804	Change in market value of investments (note 14a)			(401,746)
118,668	**Net returns on investments**			(423,071)
124,340	**Net increase/ (decrease) in the Fund during the year**			(413,729)
4,510,113	**Opening Net Assets of the Fund**			4,634,453
4,634,453	**Closing Net Assets of the Fund**			4,220,724

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2022 £000		31st March 2023 £000
	INVESTMENT ASSETS	
0	Fixed Interest Securities	0
1,182	Equities	1,182
4,258,476	Pooled Investments	3,545,213
343,740	Pooled Property Investments	266,225
0	Private Equity	392,532
4,603,398		4,205,152
1,501	Cash Deposits	1,902
736	Investment Debtors	787
4,605,635	**TOTAL INVESTMENT ASSETS**	4,207,841
	INVESTMENT LIABILITIES	
0	**TOTAL INVESTMENT LIABILITIES**	0
4,605,635	**NET INVESTMENT ASSETS (note 14a)**	**4,207,841**
0	**LONG-TERM DEBTORS**	0
	CURRENT ASSETS	
11,863	Contributions due from employers	11,708
1,147	Other Non-Investment Debtors	1,588
21,742	Cash	1,776
34,752	**TOTAL CURRENT ASSETS**	15,072
	CURRENT LIABILITIES	
(5,934)	Non-Investment Creditors	(2,189)
(5,934)	**TOTAL CURRENT LIABILITIES**	(2,189)
4,634,453	**TOTAL NET ASSETS (note 14c)**	**4,220,724**

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

OFFICIAL - SENSITIVE

NOTES TO THE NORTH YORKSHIRE PENSION FUND ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2023

1. Description of the Fund

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

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2022/23 and the statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

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

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

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

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

(b) Membership

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

Organisations participating in NYPF include:

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

At 31 March 2023 there were 131 contributing employer organisations within NYPF including the County Council itself, and over 99,000 individual members, as detailed below.

91 Scheduled Bodies including 49 Academy Trusts

Ainsty 2008 Internal Drainage Board
Askham Bryan College
Brimhams Active Limited
Chief Constable (North Yorkshire Police)
City of York Council
Craven College
North Yorkshire Fire & Rescue Service
North Yorkshire Police, Fire and Crime Commissioner
Northallerton & Romanby Joint Burial Board
Northallerton Town Council
Norton on Derwent Town Council
Pickering Town Council

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Craven District Council
Easingwold Town Council
Filey Town Council
Foss 2008 Internal Drainage Board
Fulford Parish Council
Glusburn Parish Council
Great Ayton Parish Council
Hambleton District Council
Harrogate Borough Council
Haxby Town Council
Hunmanby Parish Council
Knaresborough Town Council
Malton Town Council
North York Moors National Park Authority
North Yorkshire County Council

Richmond Town Council
Richmondshire District Council
Ripon City Council
Ryedale District Council
Scarborough Borough Council
Scarborough Sixth Form College
Selby District Council
Selby Town Council
Skipton Town Council
Sutton in Craven Parish Council
Tadcaster Town Council
Vale of Pickering Internal Drainage Board
Whitby Town Council
York College
Yorkshire Dales National Park Authority

Academy Trusts

Areté Learning Trust - Northallerton School & Sixth Form College
Areté Learning Trust - Richmond School & Sixth Form College
Areté Learning Trust - Stokesley Academy
Areté Learning Trust - Mill Hill Primary School
Bishop Konstant Catholic Academy Trust
Bishop Wheeler Catholic Academy Trust
Coast and Vale Learning Trust - Filey School
Coast and Vale Learning Trust - Friarage Community Primary School
Coast and Vale Learning Trust - Lady Lumley's School
Coast and Vale Learning Trust - Newby & Scalby Primary School
Coast and Vale Learning Trust - Scalby School
Coast and Vale Learning Trust - Scarborough University Technical College
Dales Academies Trust
David Ross Education Trust - Thomas Hinderwell Primary Academy
Ebor Academy Trust
Elevate Multi Academy Trust
Enquire Learning Trust - East Whitby Primary Academy
Enquire Learning Trust - Roseberry Primary Academy
Enquire Learning Trust - Stakesby Primary Academy
Enquire Learning Trust - Stokesley Primary Academy
Great Smeaton Academy Primary School
Hope Sentamu Learning Trust
Huntington Primary Academy
Leeds Diocesan Learning Trust
Lingfield Education Trust

Moorlands Learning Trust
Nicholas Postgate Catholic Academy Trust
Northern Star Academies Trust
Norton College
Outwood Academy Easingwold
Outwood Academy Ripon
Outwood Primary Academy Alne
Outwood Primary Academy Greystone
Pathfinder Multi Academy Trust
Red Kite Learning Trust
Rodillian Multi Academy Trust – Brayton Academy
Rossett School Academy
Ryedale Learning Trust
Selby Educational Trust
South Bank Multi Academy Trust
South Craven School
South York Multi Academy Trust
STAR Multi Academy Trust
St Cuthbert's Roman Catholic Academy Trust
The Woodlands Academy
Venn Academy Trust
Wellspring Academy Trust
Yorkshire Causeway Schools Trust
Yorkshire Collaborative Academy Trust
Yorkshire Endeavour Academy Trust

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40 Admitted Bodies

ABM Catering Ltd
Absolutely Catering Ltd
Align Property Partners Ltd
Aramark Ltd
Atlas Facilities Management Ltd
Barnsley Norse Ltd
Beyond Housing Ltd
Bulloughs Cleaning Services Ltd
Cater Link Ltd
CH & Co Catering Group Ltd
Churchill Contract Services Ltd
City of York Trading Ltd
Compass Contract Services (U.K) Ltd
Dolce Ltd
Everyone Active (SLM Scarborough)
Explore York Libraries and Archives
Gough and Kelly Security Ltd
Greenwich Leisure Ltd
Grosvenor Facilities Management
Human Support Group Ltd
Hutchinson Catering Ltd
Independent Cleaning Services Ltd
ISS Mediclean Ltd
Lark T/A Betterclean Services
Make It York
Mellors Catering Services Ltd
NY Highways Ltd
Richmondshire Leisure Trust
Springfield Home Care Services Ltd
Taylor Shaw Ltd
University of Hull (Scarborough)
Urbaser Ltd
Veritau Ltd
Veritau North Yorkshire Ltd
Wigan Leisure and Culture Trust (Inspiring Healthy Lifestyles)
York Archaeological Trust Ltd
Yorkare (Haxby) Ltd
York Mind
York Museums and Galleries Trust
York St John University

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

	31st March 2023 No.	31st March 2022 No.
Number of Employers with Active Members	131	131
Employees in the Fund		
NYCC	12,771	14,009
Other employers	18,177	18,146
Total	30,948	32,155
Pensioners		
NYCC	15,573	15,235
Other employers	13,129	11,971
Total	28,702	27,206
Deferred Pensioners		
NYCC	24,333	23,911
Other employers	15,827	14,761
Total	40,160	38,672

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(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employee contributions are supplemented by employers' contributions which are primarily determined as part of the each triennial valuations. The last such valuation was at 31 March 2022 and that set the contribution rates for 2023/24, 2024/25, 2025/26; details of the rates for individual employers are available on the Fund's website.

(d) Benefits

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

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

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

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the Publications section on the Fund's website at https://www.nypf.org.uk/index.shtml.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its year end position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

(a) Contribution Income

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

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

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

(b) Transfers To and From Other Schemes

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

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

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

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

(c) Investment Income

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

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

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

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

Fund Account – Expense Items

(d) Benefits Payable

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

(e) Taxation

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

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(f) Management expenses

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

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related: • Baillie Gifford & Co - Global Equities • Arcmont (formerly Bluebay) – Private Debt • Permira – Private Debt • BCPP – Infrastructure, Private Debt and Climate Opportunities Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account.

Net Assets Statement

(g) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

(h) Financial Assets

Equity shares in the LGPS asset pool, Border to Coast Pensions Partnership (BCPP), are valued at transaction price, i.e. cost, as an appropriate estimate of fair value. All other assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

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If valuations at the reporting date are not yet available, as may be the case for private debt and infrastructure investments, the latest available valuation is adjusted for cashflows in the intervening period.
The values of investments as shown on the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG / Investment Association, 2016).

(i) Foreign Currency Transactions

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

(j) Derivatives

The Fund does not hold derivatives for speculative purposes (see note 15).

(k) Cash and Cash Equivalents

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

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

(l) Liabilities

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

(m) Actuarial Present Value of Promised Retirement Benefits

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

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

(n) Additional Voluntary Contributions

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

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

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(o) Contingent assets and contingent liabilities

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

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical Judgement in Applying Accounting Policies

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

Equity Shares in Border to Coast Pensions Partnership (BCPP)
The Fund's shareholding in the asset pool BCPP Ltd. has been valued at transaction price i.e. cost, as an appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company carrying full voting rights, dividend and capital distribution rights, whilst the Class B shares are valued at £1,181,818 and represented the Fund's contribution to the company's FCA regulatory capital requirement. Management have made this judgement using the criteria set out in IFRS 9 Financial Instruments:

- fair value cannot be otherwise established for these assets as there is currently no market for the shares and no identical or similar market to compare to;
- After two of the pool's partner funds (Northumberland and Tyne & Wear) merged on 1 April 2020, the obligation to meet the company's capital requirement were re-allocated between the remaining eleven partner funds. This serves as a precedent that in the event of a future exit from the partnership, the Fund's shares could be disposed of at cost back to the pool and re-issued to the remaining partners;
- BCPP is intending to trade at a breakeven position (nominal profit or loss) with any values offset against partner funds future costs. The company's own audited accounts show its shareholder funds to be equal to the regulatory capital invested.

The cost of these shares has therefore been determined as a reasonable and appropriate estimate of their fair value.

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

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

The item in the Net Assets Statement as at 31 March 2023 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits,

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which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 2.1% (£114.5m), a 0.1% increase in inflation would increase liabilities by 2% (£112.7m), and an increase in life expectancy of one year would increase liabilities by 4.2% (£235.1m).

6. Events After the End of the Reporting Period

Global investment markets have been particularly volatile during 2022 impacted by concerns over issues such as inflation and the ongoing conflict in Ukraine. However the estimated funding level as at 31 March 2023 of 110% means the Fund is well positioned to meet its future pensions obligations.

7. Contributions Receivable

By category

	2022/23 £000	2021/22 £000
Employees' Contributions	35,595	32,638
Employers' Contributions		
Normal contributions	106,551	100,316
Deficit recovery contributions	1,343	1,314
Early Retirement Recharges	1,066	974
Compensatory Added Years Recharges	1,273	254
Total Contributions	145,828	135,496

By authority

	2022/23 £000	2021/22 £000
Contributions Receivable		
North Yorkshire County Council	65,242	57,986
Other Scheduled Bodies	72,969	70,209
Admitted Bodies	7,617	7,301
	145,828	135,496

8. Transfers In from Other Pension Funds

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

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9. Benefits Payable

	2022/23 £000	2021/22 £000
Benefits Payable		
North Yorkshire County Council	55,620	52,858
Other Scheduled Bodies	69,636	65,685
Admitted Bodies	10,315	10,258
	135,571	128,801

10. Payments To and On Account of Leavers

	2022/23 £000	2021/22 £000
Leavers		
Refunds to Members Leaving Service	780	405
Individual Transfers	14,515	8,878
Group Transfers	0	0
	15,295	9,283

11. Management Expenses

	2022/23 £000	2021/22 £000
Administrative Costs	2,405	2,294
Investment Management Costs	34,069	26,583
Oversight and Governance Costs	1,869	1,387
	38,343	30,264

Investment Management Costs includes £6,569k (2021/22: £3,984k) in respect of performance related fees payable to the Fund's investment managers and £10,659k in respect of transaction costs (2021/22 £7,805k).

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

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(a) Investment Management Expenses

2022/23

	Total £000	Management Fees £000	Performance Fees £000	Transaction Fees £000
Fixed Interest Securities		0	0	0
Equities		0	0	0
Pooled Investments	28,714	14,426	6,569	7,719
Pooled Property Investments	5,120	2,180		2,940
Cash and FX Contracts				
	33,834	16,606	6,569	10,659
Custody Fees	235			
Total	34,069			

2021/22

	Total £000	Management Fees £000	Performance Fees £000	Transaction Fees £000
Fixed Interest Securities	909	626		283
Equities	2	2		
Pooled Investments	20,993	12,542	3,984	4,387
Pooled Property Investments	4,665	1,610		3,123
Cash and FX Contracts	13	13		13
	26,582	14,793	3,984	7,806
Custody Fees	1			
Total	26,583			

12. Investment Income

	2022/23 £000	2021/22 £000
Income from Bonds	0	215
Income from Equities	49	2
Pooled Property Investments	1,613	1,635
Pooled Investments - Other Managed Funds	9,630	6,223
Interest on Cash Deposits	1,130	0
Other	322	(628)
	12,744	7,447

(a) Taxes on Income

	2022/23 £000	2021/22 £000
Withholding Tax on Dividends	0	0

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13. Other Fund Account Disclosures

	2022/23 £000	2021/22 £000
Payable in respect of external audit	19	19

14. Investments

(a) Reconciliation of Movements in Investments

	Value as at 31st March 2023 £000	Change in market value £000	Sale proceeds receipts £000	Purchases as at cost payments £000	Value as at 1st April 2022 £000
Fixed Interest Securities	0	0	0	0	0
Equities	1,182	0	0	0	1,182
Pooled Investments	3,545,213	(387,752)	(625,238)	545,518	4,012,685
Pooled Property	266,225	(37,117)	(40,399)	0	343,741
Private Equity / Infrastructure	392,532	24,111	(59,646)	182,277	245,790
Total Invested	4,205,152	(400,758)	(725,283)	727,795	4,603,398
Spot FX		(574)			
Cash Deposits	1,902	(414)			1,501
Net Investment Debtors	787				736
Net Investment Assets	4,207,841	(401,746)			4,605,635

	Value as at 31st March 2022 £000	Change in market value £000	Sale proceeds & derivative receipts £000	Purchases as at cost and derivative payments £000	Value as at 1st April 2021 £000
Fixed Interest Securities	0	52,664	(611,498)	221,152	337,682
Equities	1,182	0	0	0	1,182
Pooled Funds	4,012,685	1,002	(1,181,338)	1,539,550	3,653,471
Pooled Property	343,741	68,097	(4,220)	0	279,864
Private Equity / Infrastructure	245,790	15,803	(51,004)	166,643	114,348
Total Invested	4,603,398	137,566	(1,848,060)	1,927,345	4,386,547
Cash Deposits	1,501	237			105,209
Net Investment Debtors	736				2,129
Net Investment Assets	4,605,635	137,803			4,493,885

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(b) Analysis of Investments

	2022/23 £000	2021/22 £000
Fixed Interest Securities		
UK Public Sector Quoted	0	0
Equities		
UK Unquoted	1,182	1,182
	1,182	1,182
Pooled Investments		
UK Cash Funds	25,221	
Overseas Cash Funds	10,022	
UK Equity	415,870	367,839
UK Property	266,225	343,740
UK Government Bonds	496,490	716,917
UK Corporate Bonds	301,144	333,727
Multi Asset Credit	220,369	565,445
Overseas Equity	2,067,679	2,016,767
Private Debt	163,560	105,839
Insurance Linked Securities	8,418	11,990
Infrastructure	228,972	139,952
Equity Protection	0	0
Diversified Growth Funds - UK	0	0
	4,203,970	4,602,216
Total Investments	4,205,152	4,603,398
Cash Deposits	1,902	1,501
Net Investment Debtors	787	736
Net Investment Assets	4,207,841	4,605,635

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(c) Investments analysed by Fund Manager

	31st March 2023 £000	31st March 2023 %	31st March 2022 £000	31st March 2022 %
Investments managed by Border to Coast Pension Partnership:				
BCPP - Global Equity Alpha	1,219,592	29.0	1,299,651	28.0
BCPP - UK Equities	178,386	4.2	178,608	3.9
BCPP - Listed Alternatives	288,091	6.9	336,357	7.3
BCPP - Multi Asset Credit	220,369	5.2	227,926	4.9
BCPP - Index Linked Gilt Fund	496,490	11.8	716,917	15.5
BCPP - Investment Grade Credit	301,144	7.2	333,727	7.2
BCPP - Infrastructure 1	213,575	5.1	139,951	3.0
BCPP - Private Credit	99,344	2.4	43,038	0.9
BCPP - Climate Opportunities Fund	16,973	0.4		
BCPP - Infrastructure 2	6,910	0.2		
BCPP - Private Credit Series 2	5,087	0.1		
	3,045,961	72.5	3,276,175	70.7
Investments managed outside of Border to Coast Pensions Partnership:				
Baillie Gifford & Co. - LTGG	797,479	19.1	657,500	14.3
Dodge & Cox	0	0.0	248,847	5.4
Threadneedle	188,373	4.5	214,685	4.6
Legal & General	44,004	1.0	88,810	1.9
Northern Trust Held Cash	35,243	0.8	0	0.0
Hermes	33,848	0.8	40,246	0.9
Permira	22,948	0.5	33,060	0.7
Arcmont (formerly Bluebay)	27,696	0.7	29,741	0.6
Internally Managed (cash and net debtors)	0	0.0	28,818	0.6
Leadenhall Diversified Fund	2,055	0.0	4,180	0.1
Leadenhall NAT CAT Fund	1,154	0.0	4,079	0.1
Leadenhall Remote Fund	3,059	0.1	3,731	0.1
Cash with Bank of New York Mellon	0	0.0	1,469	0.0
BCPP - UK Unquoted Equities	1,182	0.0	1,182	0.0
PIMCO	0	0.0	1,162	0.0
Fidelity International	0	0.0	766	0.0
UK Equity Transition	0	0.0	2	0.0
	1,157,041	27.5	1,358,278	29.3
Total Net Assets	4,203,002	100.0	4,634,453	100.0

The investments with BCPP Global Equity Alpha, BCPP Listed Alternatives, BCPP Multi Asset Credit, BCPP Index Linked Gilts, BCPP Investment Grade Credit, BCPP Infrastructure and Baillie Gifford & Co each represent more than 5% of net assets. These investments are in pooled funds.

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(d) Stock Lending

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

15. Analysis of Derivatives

The Fund does not hold derivatives.

16. Fair Value – Basis of Valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's

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				own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows, and by any differences between audited and unaudited accounts
Shares in Border to Coast Pensions Partnership asset pool	Level 3	Estimated value of the Fund's share of net assets of the partnership company, based on relative % of shares held and voting rights	Current estimates of future dividend income	Valuations could be affected by future trading income, post-Balance Sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

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	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Assessed valuation range (+/-)			
Pooled investments- Private Debt	163,561	176,482	150,640
Pooled investments- Infrastructure	228,972	246,374	211,570
UK Unquoted Equities	1,182	1,182	1,182
Total	393,715	424,038	363,392

a. Fair Value Hierarchy

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

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

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

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

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

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2023				
Financial assets at fair value through profit and loss	37,932	3,776,195	393,714	4,207,841
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Net investment assets	37,932	3,776,195	393,714	4,207,841

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	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2022				
Financial assets at fair value through profit and loss	36,989	4,356,426	246,972	4,640,387
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(5,934)	0		(5,934)
Net investment assets	31,055	4,356,426	246,972	4,634,453

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b. Reconciliation of Fair Value Measurements Within Level 3

	Market Value at 1 April 2022 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains and Losses £000	Realised Gains and Losses £000	Market Value at 31 March 2023 £000
Private Debt	105,839	0	0	80,063	(23,096)	1,733	(978)	163,560
Infrastructure	139,952	0	0	102,214	(29,956)	15,435	1,327	228,972
UK Unquoted Equities	1,182		0	0	0	0	0	1,182
	246,973	0	0	182,277	(53,052)	17,168	349	393,714

17. Financial Instruments

(a) Classification of Financial Instruments

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

31st March 2022				31st March 2023		
Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000		Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000
			Assets			
0	0	0	Fixed Interest Securities	0	0	0
1,182	0	0	Equities	1,182	0	0
4,012,685	0	0	Pooled Investments	3,545,213	0	0
343,741	0	0	Pooled Property	266,225	0	0
245,790	0	0	Private Equity/Infrastructure	392,532	0	0
0	0	0	Diversified Growth Funds	0	0	0
0	23,243	0	Cash	0	3,678	0
736	0	0	Investment Debtors	787	0	0
0	13,010	0	Non Investment Debtors	0	1,588	0
4,604,134	36,253	0		4,205,939	5,266	0
			Liabilities			
0	0	0	Investment Creditors	0	0	0
0	0	(5,934)	Non Investment Creditors	0	0	(2,189)
0	0	(5,934)		0	0	(2,189)
4,604,134	36,253	(5,934)		4,205,939	5,266	(2,189)

(b) Net Gains and Losses on Financial Instruments

	2022/23 £000	2021/22 £000
Fair Value Through Profit & Loss	(401,746)	137,804
Loans and Receivables	0	0
	(401,746)	137,804

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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(a) Market Risk

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

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

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

The Fund manages these risks in two ways:

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment consultants, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period.

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Asset Type	Potential Market Movements (+/-) %
Equities	7.0
Property	5.9
Infrastructure	7.6
Listed alternatives	6.9
Illiquid credit	7.9
Investment grade credit	5.2
Non-investment grade credit	6.4
Absolute Return	6.0
Gilts	2.9
Cash	3.3

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

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

Asset Type	Value as at 31st March 2023 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Equities	2,483,549	173,848	2,657,397	2,309,701
Gilts	496,490	14,398	510,888	482,092
Investment grade credit	301,144	15,659	316,803	285,485
Non-investment grade credit	220,369	14,104	234,473	206,265
Other Pooled Investments	8,418	505	8,923	7,913
Property	266,225	15,707	281,932	250,518
Infrastructure	228,972	17,402	246,374	211,570
Illiquid credit	163,561	12,921	176,482	150,640
Total Assets	4,168,728		4,433,272	3,904,184

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Asset Type	Value as at 31st March 2022 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	1,501	30	1,531	1,471
UK Unquoted	1,182	0	1,182	1,182
Equities	2,384,606	163,624	2,548,230	2,220,982
Gilts	716,917	17,564	734,481	699,353
Investment grade credit	333,727	3,004	336,731	330,723
Non-investment grade credit	565,445	26,689	592,134	538,756
Other Pooled Investments	11,990	528	12,518	11,462
Property	343,741	18,218	361,959	325,523
Infrastructure	139,952	11,826	151,778	128,126
Illiquid credit	105,839	6,296	112,135	99,543
Non-Investment Debtors / Creditors	7,075	0	7,075	7,075
Total Assets	4,611,975		4,859,754	4,364,196

Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2022/23 £000	2021/22 £000
Cash and Cash Equivalents	1,902	1,501
Pooled Investments	1,018,003	1,050,644
	1,019,905	1,052,145

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. For illustrative purposes if it were to change by +/- 1% the values in the table above would change by £157m for 2022/23 and £226m for 2021/22.

Currency Risk

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

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The Fund’s currency rate risk is monitored in accordance with the Fund’s risk management strategy, including monitoring the range of exposure to currency fluctuations.
After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-8.2%. A fluctuation of this size is considered reasonable based on an analysis of the implied volatility of the 1-year options contracts for the exchange rates in the financial market.

Assuming all other variables, in particular, interest rates remain constant, an 8.24% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31st March 2023 £000	Value on 8.2% Increase £000	Value on 8.2% Decrease £000
Overseas Cash Fund	10,022	10,844	9,200
Overseas Bonds	212,877	230,333	195,421
Overseas Equity	2,067,679	2,237,229	1,898,129
Overseas Pooled Funds	300,026	324,628	275,424
	2,590,604	2,803,034	2,378,174

Asset Type	Value as at 31st March 2022 £000	Value on 8.2% Increase £000	Value on 8.2% Decrease £000
Overseas Equities	2,016,768	2,182,142	1,851,393

(b) Credit Risk

Credit risk is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s assets and liabilities.
In essence the Fund’s entire investment portfolio is exposed to some form of credit risk, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund’s cash holding under its treasury

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management arrangements with NYCC at 31 March 2023 was £1.7m (31 March 2022, £21.7m) and was held with the following institutions:

	Credit Rating	31 March 2023 £000	31 March 2022 £000
Call Accounts			
Barclays Bank Plc (NRFB)	A+ / F1	255	3,370
Handelsbanken	AA / F1+	163	0
Fixed Term Deposit Notice Accounts			
Santander UK	A+ / F1	203	3,168
Bank of Scotland	A+ / F1	0	0
National Westminster Bank PLC	A+ / F1 PN	224	3,695
DBS Bank Ltd	AA- / F1+	102	1,584
Goldman Sachs	A / F1	183	3,168
Standard Chartered	A+ / F1	183	2,640
Helaba	A+ / F1+	102	1,056
Sumitomo Mitsui BCE	A- / F1	122	
Local Authorities	-	239	3,061
		1,776	21,742

The Fund held liquid cash in a UK and an Overseas Short Term Investment Fund during 2022/23, the average investment balances for these funds were £25m and £4m respectively. The Fund received interest of £735k on these funds in 2022/23.

(c) Liquidity Risk

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

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31 March 2023 the value of illiquid assets was £377m (31 March 2022, £247m).

All liabilities at 31 March 2023 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 the Fund's Actuary, Aon, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2022.

The key elements of NYPF's funding policy are:

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

At the 2022 Valuation the aim was to achieve 100% solvency over a period of 18 years from April 2023 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2022 Triennial Valuation the Fund was assessed as 116% funded (114% at the 2019 Valuation). This reflected a surplus of £640m (surplus of £450m at the 2019 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2022/23 the common rate (determined at the 2019 Valuation) is 17.7% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

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

	For Future Service Liabilities	
Investment Return	4.20%	per annum
Inflation	2.30%	per annum
Salary Increases	3.55%	per annum
Pensions Increases	2.30%	per annum

Future life expectancy (from age 65) based on the Actuary's Fund specific mortality review was:

	Male	Female
Future Pensioners (assumed current age 45)	23.4	26.0
Current Pensioners	22.5	24.9

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

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

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20. Actuarial Present Value of Promised Retirement Benefits

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

21. Current Assets

	31st March 2023 £000	31st March 2022 £000
Debtors		
Investment Debtors		
Accrued Dividends	0	0
Withholding Taxes Recoverable	787	736
	787	736
Other Debtors		
Contributions due from Scheduled (Government) Bodies	11,708	11,863
Contributions due from Admitted Bodies	0	0
Pensions Rechargeable	1,031	759
Other	557	388
	13,296	13,010
Cash	1,776	21,742
	15,859	35,488

(a) Long Term Debtors

	31st March 2023 £000	31st March 2022 £000
Long Term Debtors		
Reimbursement of Lifetime Tax Allowances	0	0

22. Current Liabilities

	31st March 2023 £000	31st March 2022 £000
Creditors		
Sundry Other Creditors	2,189	5,934
	2,189	5,934

23. Additional Voluntary Contributions (AVCs)

The AVC provider for the North Yorkshire Pension Fund is Prudential. The market value of the AVCs as at 31 March 2022 was £16.8m, as at 31st March 2023 was £15.9m. Contributions paid directly to Prudential during the year 2022/23 was £2.6m.

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24. Agency Services

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

25. Related Party Transactions

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

The Council incurred costs of £1.9m (£1.8m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £65.2m to the Fund in 2022/23 (£58.0m in 2021/22).

The Fund's cash holdings for cashflow purposes are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2023 the Fund had an average investment balance of £11.2m (£16.7m during 2021/22) and received interest of £181.7k (£31k received in 2021/22) on these funds.

Governance
As at 31 March 2023 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for the Treasurer were accrued on exactly the same basis as for all other members of the Fund.

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

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £508.6m (31 March 2022 £380.1m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt and infrastructure parts of the portfolio.

27. Contingent Assets

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

28. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2021/22).

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Statement of the Actuary

North Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2023

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £4,634.5M) covering 116% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 29 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	17.3	1.495
2024	17.0	1.685
2025	16.7	1.888

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service

Scheduled and subsumption body funding target *	4.20% p.a.
Intermediate (strong covenant approach) funding target	3.85% p.a.
Intermediate (standard approach) funding target	3.60% p.a.
Ongoing orphan funding target	3.60% p.a.

Discount rate for periods after leaving service

Scheduled and subsumption body funding target *	4.20% p.a.
Intermediate (strong covenant approach) funding target	3.85% p.a.
Intermediate (standard approach) funding target	3.60% p.a.
Ongoing orphan funding target	0.80% p.a.

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Rate of pay increases	3.55% p.a.
Rate of increase to pension accounts **	2.30% p.a.
Rate of increases in pensions in payment ** (in excess of Guaranteed Minimum Pension)	2.30% p.a.

** The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*
*** In addition, a 10% uplift has been applied to the past service liabilities on the scheduled body and subsumption funding targets to make allowance for short-term inflation above the long-term assumption.*

In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.5	24.9
Current active members aged 45 at the valuation date	23.4	26.0

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

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 29 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:
https://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202022_29.3.2023.pdf

Aon Solutions UK Limited

May 2023

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IAS 26 Results

Whole of Pension Fund Accounting 2023

Prepared for:	North Yorkshire Council, as Administering Authority to the North Yorkshire Pension Fund
Prepared by:	Scott Campbell FIA
Date:	19 May 2023

Glossary

Accounting Date	31 March 2023
Fund	North Yorkshire Pension Fund
Fund Administering Authority	North Yorkshire Council
2022 Valuation	Actuarial Valuation of the North Yorkshire Pension Fund as at 31 March 2022 as reported in the document titled 'Report on the 31 March 2022 actuarial valuation' dated 29 March 2023

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Introduction

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Why bring you this report?

This report is commissioned by and addressed to North Yorkshire Council (the Addressee).

This report sets out pension cost information required by the Fund Administering Authority in order to meet their disclosure requirements in relation to their pension obligations as specified by the accounting standard, IAS 26.

We have carried out this work in relation to benefits payable from the Fund.

Related documents

The advice provided in this report is supported by advice contained in the following documents:

- IAS 26 Terms of Reference - Whole of Pension Fund accounting 2023 ('Terms of Reference').
- IAS 26 Assumptions Advice - Whole of Pension Fund accounting 2023 ('Assumptions Advice').

In addition, the following documents should be referred to:

- 2022 Valuation report

Background

CIPFA's Code of Practice indicates that the Fund accounts for the year ending 31 March 2023 should disclose the "actuarial present value of the promised retirement benefits" as set out in IAS 26 and that the actuarial present value should be calculated on assumptions set in accordance with IAS 19 rather than on the funding assumptions.

CIPFA put forward three options for disclosing the actuarial present value of promised retirement benefits. Further detail on these can be found in our Terms of Reference.

The Fund Administering Authority has chosen option C which was confirmed to us in an e-mail dated 17 April 2023. Option C requires the actuarial valuation of the liabilities on an IAS 19 basis to be prepared at formal triennial valuations only, the most recent being as at 31 March 2022. Under option C this, together with other related information, should be disclosed in an actuarial report which will accompany the notes to the accounts.

The calculations contained in this document have been carried out on a basis consistent with our understanding of IAS 19.

I confirm that I am an independent qualified actuary.

Methodology

The approach to our calculations was set out in the Terms of Reference and Appendix A of this report.

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IAS 26 disclosures

IAS 26 requires the 'actuarial present value of the promised retirement benefits' to be disclosed, which is the IAS 26 terminology for what IAS 19 refers to as the 'defined benefit obligation'.

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme.

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits covered by these figures are set out in 'The Local Government Pension Scheme Regulations 2013' (as amended) and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014' (as amended).

Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on local authority accounting for 2022/23 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2022, together with the results as at 31 March 2019 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

We do not believe the Fund Administering Authority needs to show the 2019 figures under IAS 26 if it does not wish to do so. The Code of Practice is not clear if the fair value of assets and the surplus / deficit at 31 March 2022 also needs to be disclosed but you may want to include these figures for clarity.

	Value as at 31 March 2022 (£M)	**Value as at 31 March 2019 (£M)**
Fair value of net assets	4,634.5	3,575.2
Actuarial present value of the defined benefit obligation	5,533.1	4,418.3
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(898.6)	(843.1)

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2022. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2022	31 March 2019
Discount rate	2.70%	2.40%
CPI inflation (1) (2)	3.00%	2.20%
Salary increases (3)	4.25%	3.45%

Notes

(1) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.

(2) The assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the Scheme's benefits had been increased by in April 2022.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund.

Demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on an analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

	31 March 2022	31 March 2019
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	22.5	22.0
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	23.4	23.7
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	24.9	24.0
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	26.0	25.9

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 valuation. Assumptions for the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2022 valuation of the Fund, which are detailed in the actuary's valuation report.

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Key risks associated with reporting under IAS 26 and sensitivity

Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund. For example:

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post balance sheet date experience

Since 31 March 2022 the Fund's assets have generally delivered lower than expected returns and inflation has been higher than expected. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Funds' IAS 26 balance sheet position to have improved significantly over the year, with a lower IAS 26 deficit, at 31 March 2023 if the Fund had chosen to update the position annually.

If at any time during the year you want us to provide you with an update of the IAS 26 position, please let us know.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit. As such, the Fund Administering Authority should ensure that it understands the reasoning behind the assumptions adopted and is comfortable that they are appropriate.

Furthermore, the Fund Administering Authority should bear in mind that, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience from the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculations.

Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the balance sheet position and to understand which assumptions are most important in determining the

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size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

IAS 19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions although it is not clear that IAS 26 or the CIPFA Code of Practice requires this information. Nevertheless, we have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Discount rate assumption

Adjustment to discount rate assumption	+0.1% £M	-0.1% £M
£ change to present value of the defined benefit obligation	(114.5)	116.9
% change in present value of defined benefit obligation	-2.1%	2.1%

Rate of general increase in salaries

Adjustment to salary increase rate assumption	+0.1% £M	-0.1% £M
£ change to present value of the defined benefit obligation	4.2	(4.1)
% change in present value of defined benefit obligation	0.1%	-0.1%

Rate of increase to pensions and rate of revaluation of pensions accounts

Adjustment to pension increase rate assumption	+0.1% £M	-0.1% £M
£ change to present value of the defined benefit obligation	112.7	(110.3)
% change in present value of defined benefit obligation	2.0%	-2.0%

Post retirement mortality assumption

Adjustment to members' life expectancy	- 1 year £M	+ 1 year £M
£ change to present value of the defined benefit obligation	(233.6)	235.1
% change in present value of defined benefit obligation	-4.2%	4.2%

Membership data

A summary of the membership data used in these calculations is set out in the 2022 Valuation report.

Appendix A: Explanation of actuarial methods used

Benefits

Our calculations relate to benefits payable from the Fund (as set out in LGPS Regulations at the relevant times – further details can be found in the 2022 valuation report). These benefits include retirement pensions and benefits on members' death and leaving service.

Unfunded defined benefit obligations e.g. discretionary pensions benefits being paid under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (generally referred to as Compensatory Added Years), have not been valued as they do not form part of the Fund. However, they may be required in the IAS 19 figures prepared for individual employers within the Fund.

Data

The valuation of accrued pension benefits for IAS 26 purposes requires detailed information in respect of each member such as date of birth, gender, date of joining the fund, their accrued pension and so forth.

This information was supplied by the Fund Administering Authority for the 2022 formal actuarial valuation of the Fund in the form of a standardised data extract from the Fund Administering Authority's administration systems.

The formal valuation process (which is a precursor to the valuation for IAS 26 purposes) involves a series of structured validation tests on the data items for integrity and reasonableness. These tests, together with any actions taken in respect of specific data issues, are documented as part of the normal valuation process.

Where tests reveal issues with the data, the Fund Administering Authority is contacted with a view to resolving all data queries. Only when the data queries have been resolved to the satisfaction of the Fund Actuary, will the valuation proceed.

We can confirm that no data issues were identified at the 2022 valuation that we believe would have a material effect on the calculations presented in this report. Overall, it is our opinion that the data presented at the valuation is sufficiently accurate, relevant and complete for the Fund Administering Authority to rely on the resulting IAS 19 (IAS 26) figures.

Assumptions

IAS 19 sets out the following general requirements for the setting of assumptions:

Actuarial assumptions shall be unbiased and mutually compatible; and

Financial assumptions shall be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.

Furthermore IAS 19 requires that the assumed discount rate is determined by reference to market yields at the balance sheet date on high quality corporate bonds and in countries where there is no deep market in such bonds, the market yield (at the balance sheet date) on government bonds shall be used.

The assumptions are ultimately the responsibility of the Fund Administering Authority. Any assumptions that are affected by economic conditions (financial assumptions) should reflect market expectations at the balance sheet date.

The key financial assumptions are set out in “Information required for IAS 26” and the derivation of the assumptions is set out in our assumptions letter referred to in the Related Documents section.

Method of calculation

The figures at 31 March 2022 have been based on a full calculation of the liabilities using the data summarised in this report and the assumptions set out in the Assumptions Advice. Further information on the method was set out in the Terms of Reference.

Assets

IAS 19 requires that assets be valued at Fair Value which is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. For the purposes of this exercise we have taken the asset values directly from the Fund's draft annual accounts as at 31 March 2022.

The assets do not include defined contribution Additional Voluntary Contributions.

Treatment of risk benefits

To value the risk benefits paid on death in service and ill health early retirement we have valued service related benefits based on service completed to the date of calculation only.

Expenses

Fund administration expenses are not reserved for in the net present value of actuarial liabilities, consistent with the treatment adopted for individual employers who require IAS 19 disclosures.

IFRIC 14

IFRIC 14 is an interpretation of paragraph 58 of the IAS 19 accounting standard setting out limits to the amount of surplus that can be recognised by employing organisations in their accounts. We do not believe it has any relevance to IAS 26.

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Appendix B: Compliance and disclaimer

This document has been prepared in accordance with the framework below.

Compliance with Professional Standards

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100').

Disclaimer

The calculations contained in this report have been made on a basis consistent with our understanding of IAS 19 and IAS 26. Figures required for other purposes should be calculated in accordance with the specific requirements of those purposes. It must not be assumed that figures produced for the purposes of IAS 26, which we present in this report, have any relevance beyond the scope of IAS 26.

This report is prepared on the instructions of the Fund Administering Authority ("you" or "your") in relation to the preparation of accounting figures for your financial reporting as at the Accounting Date. It has been prepared at this date, for the purpose and on the basis set out in this report.

This report should not be used or relied upon by any person other than the Addressee for any other purpose including, without limitation, other professional advisers, including the auditors and accountants ("third parties" or "third party") to the Addressee. All third parties are hereby notified that this report shall not be used as a substitute for any enquiries, procedures or advice which ought to be undertaken or sought by them. We do not accept any responsibility for any consequences arising from any third party seeking to rely on this report.

We neither warrant nor represent (either expressly or by implication) to any third party who receives this report that the information contained within is fair, accurate or complete, whether at the date of its preparation or at any other time.

Unless we provide express prior written consent, no part of this report should be reproduced, distributed or communicated to any other person other than to meet any statutory requirements and, in providing this report, we do not accept or assume any responsibility for any other purpose or to anyone other than the Fund Administering Authority.

We recognise that the Fund Administering Authority's auditors may request to see a copy of our report, as part of their audit process and under statutory requirements. We agree that you may release our report to your auditors for such purpose however in making such disclosure you shall ensure that this disclaimer remains attached to this report, and you further agree that you shall ensure that your auditors have read this disclaimer. For the avoidance of doubt, if we are approached directly by any third party for copies of this report or requested to answer queries about the report, we will require such third party to accept a third party release non reliance letter agreeing that we did not prepare the report for the third party and we do not accept any legal obligations to them. Please rest assured that this approach does not affect our contractual obligations to you as our client, with whom we continue to hold a duty of care in accordance with our terms of engagement.

This report was based on data available to us at the effective date of our calculations and takes no account of developments after that date except where explicitly stated otherwise.

With respect to data on which we have relied in producing this report, whilst we have taken certain limited steps to satisfy ourselves that the data provided to us is of a quality sufficient for the purposes of our investigation, including carrying out certain basic tests for the purpose of detecting manifest inconsistencies, it is not possible for us to confirm the accuracy or completeness of the detailed information provided. Whilst the Fund Administering Authority may have relied on others for the maintenance of accurate data, it is their responsibility to ensure the adequacy of these arrangements and ultimately the Fund Administering Authority that bears the primary responsibility for the accuracy of such information provided.

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NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

30 JUNE 2023

BORDER TO COAST RESPONSIBLE INVESTMENT POLICIES

Report of the Treasurer

1. PURPOSE OF REPORT

1.1. To present the responsible investment policies of Border to Coast and ask Members for their comments.

2. INTRODUCTION

2.1. Border to Coast first published a Responsible Investment Policy and a Corporate Governance & Voting Guidelines document in 2018, shortly after the company commenced investment operations. A Climate Change Policy was created in 2021.

2.2. These documents were the crystallisation of extensive discussions between Border to Coast and the eleven partner funds. They set out the Border to Coast approach and were closely aligned to the responsible investment policies of each partner fund.

2.3. Every year these documents are reviewed to ensure that they reflect best practice, and capture Border to Coast's current view and the views of partner funds. The review process is led by Border to Coast and is carried out in consultation with partner fund officers. This ensures that Border to Coast can present a strong and unified voice when undertaking responsible investment activities such as company engagement and voting shares. The Joint Committee also reviews the documents.

2.4. The latest review was completed in December 2022. This included an evaluation by Robeco, Border to Coast's adviser on responsible investment issues, using the International Corporate Governance Network Global Governance Principles, the UK Stewardship Code and the UN Principles of Responsible Investment as benchmarks.

2.5. Some partner funds (Bedfordshire, Durham, East Riding and Teesside) have decided to adopt Border to Coast's policies as their own. This is because a high proportion of their assets are now managed by Border to Coast, and through the review process described above their own policies were very closely aligned to Border to Coast's policies. The North Yorkshire Pension Board's view was to recommend the PFC considers this.

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2.6. As this is the first time the majority of Members on the Committee will have reviewed Border to Coast's policies in detail, views are sought on this possible change in approach rather than a specific recommendation being made at this time.

2.7. Although all of the Fund's investment managers have declared a target of becoming carbon neutral by 2050, which is in line with the Government's stated objective, NYPF has not explicitly made a declaration. Adoption of Border to Coast's responsible investment policies would change that.

2.8. There will be the opportunity to discuss the approach to responsible investment with Border to Coast at the workshop on 30 June 2023, shortly before the Committee meeting.

3. RESPONSIBLE INVESTMENT POLICY

3.1. The Responsible Investment Policy is attached as **Appendix A**. There were no major changes to this document as it reflects a gradual evolution of thinking. The main changes, with references to the associated paragraphs are:

- highlighting expectations of companies with regard to human rights; to support the social engagement theme Border to Coast has joined an initiative on human rights led by the UN PRI (United Nations Principles for Responsible Investment) (5.0, integrating RI into investment decisions)

- additional requirements for private markets managers to report on RI policies and data against and key performance indicators (5.2, private markets)

- updated text on the transition to a low carbon economy, and noting just transition issues (5.6, climate change)

- insertion of a new section on exclusions, covering thermal coal, oil sands and cluster munitions (6.2.3 exclusions)

3.2. When considering any exclusions, Border to Coast conducts analysis of the associated material financial risk of a company's business operations and whether they have concerns about its long-term viability. This includes considering key financial risks and the likelihood of success through engagement in influencing company strategy and behaviour.

3.3. As part of this year's annual RI policies review process the approach has been revisited. Revenue thresholds for thermal coal and oil sands have been reviewed with analysis conducted across equity and fixed income funds, associated benchmarks and the MSCI Universe to identify potential companies that managers may also invest in off benchmark.

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3.4. To demonstrate the commitment to Net Zero and provide a clear signal of long-term intentions to reducing exposure to the most carbon intensive fossil fuels in investment portfolios, the revenue threshold has been decreased to >70% (from >90%) for investments in public markets, with a new lower threshold of 25% for private markets to reflect the long-term nature of these investments. This still reflects the risk criteria used to determine the original exclusions in last year's policy.

3.5. Controversial weapons were highlighted as an area to consider for exclusions last year but due to a lack of data and ability to screen portfolios effectively this was deferred. As additional screening tools are now available the analysis of cluster munition companies has been conducted across portfolios, associated benchmarks and the MSCI Universe.

3.6. Following this, the exclusion policy has been extended to cover companies manufacturing cluster munition whole weapons systems and companies that manufacture components that were developed or are significantly modified for exclusive use in cluster munitions.

3.7. As Border to Coast supports a just transition and recognises that not all countries are at the same stage in their decarbonisation journey, they will assess the implications of the thermal coal and oil sand exclusions and may make exceptions if they consider this to be appropriate.

3.8. The engagement themes (section 6.2.1) are areas of focus deemed to be the most material to the investments. They highlight the priority areas for engagement and collaboration. They were established in 2022 and will be reviewed in 2024. They are low carbon transition, waste and water management, social inclusion through labour management and diversity of thought.

3.9. The low carbon transition engagement theme will focus on high emitting sectors where companies will need to adapt or fundamentally change their business models. This will also cover banks identified as key to financing the transition to a low carbon economy.

3.10. The waste and water management theme will focus on companies with packaging waste which is a huge environmental issue and is coming under increasing regulation, and those with high exposure to water intensive operations.

3.11. The social inclusion through labour management theme will target companies with labour intensive operations and with supply chain labour management risk, which have been put under added pressure by the pandemic.

3.12. The diversity of thought theme will focus on companies with boards which could be enhanced by broader perspectives, to improve decision making, resilience and long-term sustainability.

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5. CORPORATE GOVERNANCE & VOTING GUIDELINES

5.1. The Corporate Governance & Voting Guidelines is attached as **Appendix B**. As above, there were no major changes, but the main changes were:

- insertion of a new section on human rights, setting out the expectations of companies and voting intentions in certain circumstances (page 12)

- revision and expansion of the section on climate change, describing the objective of investee companies being carbon neutral by 2050 or sooner, action to be taken if companies are not addressing climate change risk sufficiently robustly, and acknowledging just transition issues (page 12)

6. CLIMATE CHANGE POLICY

6.1. The Climate Change Policy is attached as **Appendix C**. It is based on the internationally recognised Net Zero Investment Framework, which provides a set of recommended actions, metrics and methodologies to help organisations become carbon neutral by 2050 or sooner. As above, there were no major changes, but the main changes were:

- a new paragraph on just transition has been added (2.2, why climate change is important to us)

- the addition of a chart showing the reporting and monitoring timeline for implementing the net zero by 2050 or sooner plan (2.4, roadmap)

- inclusion of information on the Net Zero Framework and Net Zero Asset Manager initiative to demonstrate the commitment to the target (3.1, our ambition – net zero)

- describing the "three lines of defence" model in relation to climate change risk (4.1, how we identify climate-related risks)

- noting the use of scenario analysis to understand the potential risks and opportunities in relation to climate change (4.2, how we assess climate-related risks and opportunities)

- describing the exclusion criteria for certain thermal coal and oil sands companies in the context of a policy of engagement over divestment (5.1, our approach to investing)

- noting the launch of the Climate Opportunities fund, and the development of net zero targets in relation to the other asset classes currently in scope (5.2, acting within different asset classes)

- noting the monitoring of carbon metrics against targets for externally managed investments and the work undertaken to understand changes over time; this will for example include having the managers explain the

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rationale for investing in carbon heavy companies (5.3, working with external managers)

- noting the use of votes in relation to companies in high emitting sectors, where they are considered not to be taking a sufficiently robust approach to addressing climate change risk (6.1, our approach to engagement)

6.2. Border to Coast has published a Net Zero Implementation Plan to support their goal of becoming carbon neutral by 2050 or sooner, which is available on their website.

7. RECOMMENDATIONS

7.1. Members are asked to comment on Border to Coast's Responsible Investment Policy, Corporate Governance & Voting Guidelines document and Climate Change Policy.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
NYCC
County Hall
14 June 2023

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Responsible Investment Policy

Border to Coast Pensions Partnership

Live from: January 2023

Responsible Investment Policy

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

1. Introduction

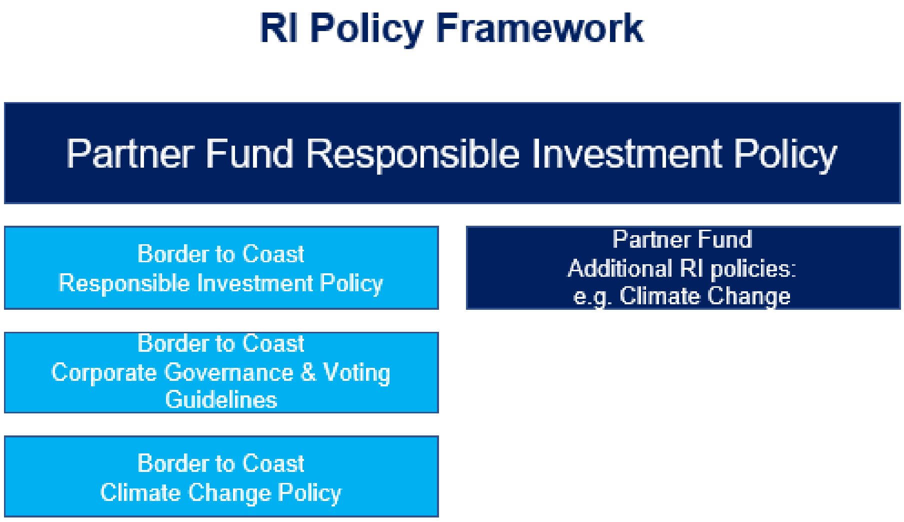
Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds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

Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of ‘group think’ leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

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

1.1. Policy framework

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



2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks and the opportunities leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

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

3. Governance and Implementation

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

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

4. Skills and competency

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

5. Integrating RI into investment decisions

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

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues are considered and monitored in relation to all asset classes. The CIO is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK)	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.

Whilst the specific aspects and form of ESG integration and stewardship vary across asset class, the overarching principles outlined in this policy are applied to all assets of Border to Coast. More information on specific approaches is outlined below.

5.1. Listed equities (Internally managed)

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

ESG data and research from specialist providers is used alongside general stock and sector research; it is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection. The Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement should not be detached from the investment process; therefore, information from engagement meetings is shared with the team to increase and maintain knowledge, and portfolio managers are involved in the voting process.

5.2. Private markets

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

- The assessment of ESG issues is integrated into the investment process for all private market investments.
- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the Head of RI as required.
- Managers are requested to complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI and RI-specific reporting.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.

5.3. Fixed income

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

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

5.4. Real Estate

Border to Coast is preparing to launch funds to make Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process will be an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies. Key performance indicators will include energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). Our process will review the extent to which they are used in asset management strategies. We are in the process of developing our ESG and RI strategies for direct investment which includes procuring a third-party manager and working with them to develop our approach to managing ESG risks.

5.5. External manager selection

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process which includes assessing and mitigating climate risk, and their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

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

The monitoring of appointed managers also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are expected to be signatories or comply with international standards applicable to their geographical location. We encourage managers to become signatories to the UN-supported Principles for Responsible Investment[1] ('PRI'). We also encourage managers to make a firm wide net zero commitment and to join the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative. Managers are required to report to Border to Coast on their RI activities quarterly.

5.6. Climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts that may manifest under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves maximising the social and economic

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

opportunities and minimising and managing challenges of a net zero transition. We expect companies to consider the potential stakeholder risks associated with decarbonisation.

Detail on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation. As a responsible shareholder, we are committed to being a signatory to the 2020 UK Stewardship Code[2] and were accepted as a signatory in March 2022.lWe are also a signatory to the PRI.

6.1. Voting

Voting rights are an asset and Border to Coast exercises its rights carefully to promote and support good corporate governance principles. It aims to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our **website**. Where possible the voting policies are also be applied to assets managed externally. Policies are reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

6.1.1. Use of proxy advisors

Border to Coast use a Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by the Voting & Engagement provider. The proxy voting advisor provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

The Voting and Engagement provider evaluates its proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of the control framework and is

[2] The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. https://www.frc.org.uk/directors/corporate-governance-and-stewardship

externally assured. Border to Coast also monitors the services provided monthly, with a six monthly and full annual review.

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

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

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depositary until one day after meeting date.

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

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

6.2. Engagement

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

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

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

- Border to Coast and all eleven Partner Funds are members of the Local Authority Pension Fund Forum ('LAPFF'). Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.

- We seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.

- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, Border to Coast use an external Voting and Engagement service provider. We provide input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate in some of the engagements undertaken on our behalf.
- Engagement takes place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these cover environmental, social, and governance issues as well as UN Global Compact[3] breaches or OECD Guidelines[4] for Multinational Enterprises breaches.
- We expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policies.

Engagement conducted can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential) violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

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

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on the validation of a potential breach, the severity of the breach and the degree of to which management can be held accountable for the issue. For all engagements, SMART[5] engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the Investment Team have access to our engagement provider's thematic research and engagement records. This additional information feeds into the investment analysis and decision making process.

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

[4] OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

[5] SMART objectives are: specific, measurable, achievable, relevant and time bound.

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

6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

6.2.2. Escalation

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

6.2.3 Exclusions

We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon, and the likelihood for success in influencing company strategy and behaviour.

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

Thermal coal and oil sands:

Using these criteria and due to the potential for stranded assets, we will not invest in companies with more than 70% of revenues derived from thermal coal and oil sands. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

For illiquid assets the threshold will be 25%. This is due to the long-term nature of the investments and less ability for investors to change requirements over time.

Cluster munitions:

In addition, we will not invest in companies contravening the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions and many signatories to the Convention regard investing in the production of cluster munitions as a form of assistance that is prohibited by the convention. Therefore, as a responsible investor we will not invest in the following:

- Companies where there is evidence of manufacturing cluster munition whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use in cluster munitions.

Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

6.3. Due diligence and monitoring procedure

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

The Voting and Engagement provider also undertakes verification of its stewardship activities and the external auditor audits stewardship controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

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

8. Communication and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. This is done by making publicly available RI and voting policies; publishing voting activity on our **website** quarterly; reporting on engagement and RI activities to the Partner Funds quarterly, and in our annual RI report.

We also report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

9. Training and assistance

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

The Investment Team receive training on RI and ESG issues with assistance and input from our Voting & Engagement Partner and other experts where required. Training is also provided to the Border to Coast Board and the Joint Committee as and when required.

10. Conflicts of interest

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

Appendix A: Third-party Providers

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present

INTERNAL

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

Live: January 2023

1. Introduction

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

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

2. Voting procedure

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

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

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

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

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

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

3. Voting Guidelines

Company Boards

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

Composition and independence

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

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

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

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

- Representing a significant shareholder.
- Serving on the board for over nine years.
- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.

- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

If the board has an average tenure of greater than 10 years and the board has had fewer than one new board nominee in the last five years, we will vote against the chair of the nomination committee.

Leadership

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

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance. Where the Chair and CEO roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role, taking into consideration market practice.

Non-executive Directors

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

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed Davies report, Hampton Alexander and Parker reviews, which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and senior management. Therefore, in developed markets without relevant legal requirements, we expect boards to be composed of at least 33% female directors. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we expect FTSE 100 companies to have met the Parker Review target and FTSE 250 companies to disclose the ethnic diversity of their board and have a credible plan to achieve the Parker Review targets by 2024. We will vote against the chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, unless there are mitigating circumstances or plans to address this have been disclosed.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee. The committee should comprise of a majority of independent directors or comply with local standards and be headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair’s successor. External advisors may also be employed.

Directors’ availability and attendance

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

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

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies need to develop and maintain relationships with key stakeholders to be successful in the long-term. The board therefore should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should report how key stakeholder views and interests have been considered and impacted on board decisions. Companies should also have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders and wider stakeholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

Directors' remuneration

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

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

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

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

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

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

• **Annual bonus**

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

• **Long-term incentives**

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

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

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

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

The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

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

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

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

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

Non-Audit Fees

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

Political donations

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

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

Shareholder rights

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

- **Dividends**

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

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

- **Authority to issue shares**

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

- **Disapplication of Pre-emption Rights**

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

Share Repurchases

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

Memorandum and Articles of Association

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

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

Mergers and acquisitions

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

Articles of Association and adopting the report and accounts

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

Virtual Shareholder General Meetings

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

Shareholder Proposals

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

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

Human rights

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.

Climate change

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative (TPI) and the Climate Action 100+ (CA100+) Net Zero Benchmark. We will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower by the TPI. In addition, we will vote against the Chair for Oil and Gas companies scoring 3 or lower. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, and short, medium and long-term emission reduction targets, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, where a company materially fails the first four indicators of the framework.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

Investment trusts

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

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

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

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Climate Change Policy

Border to Coast Pensions Partnership

Live from: January 2023

Climate Change Policy

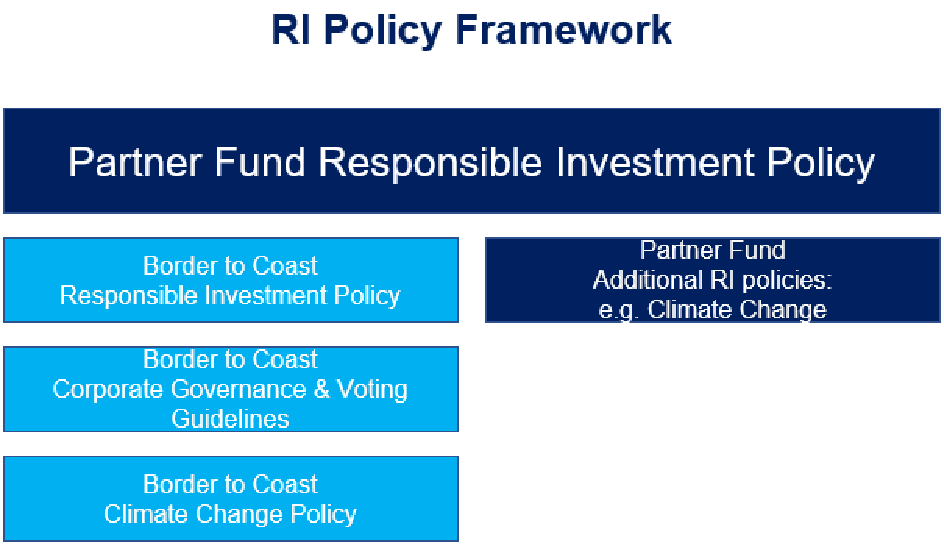
This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:



2 Policy overview

2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. Our planet has warmed by over 1ºC relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming. This changes the world in which we live, but also the world in which we invest.

Atmospheric CO_2 is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO_2 and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, "Global warming of 1.5ºC"[1], which starkly illustrated how critical successful adaptation to limit global warming to 1.5ºC is. The report found that limiting global warming to 1.5°C would require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach 'net zero' around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. Urgent collaborative action is needed to reach net zero greenhouse gas emissions globally by 2050, and everyone has a part to play in ensuring the goal is met.

2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. There are two types of risks that investors are exposed to, the physical risk of climate change impacts and the transitional risk of decarbonising economies, both can also impact society resulting in social risks.

Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. A just transition refers to the integration of the social dimension in the net zero transition and is part of the Paris Agreement, the guidelines adopted by United Nations' International Labour Organization (ILO) in 2015, and the European Green Deal. These stakeholders include the workforce and the communities in which the companies' facilities are located. We expect companies to consider the potential stakeholder risks associated with decarbonisation.

[1] https://www.ipcc.ch/sr15/

Our climate change strategy is split into four pillars**: Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting.** We will continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

2.3 How we execute our climate change strategy

We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.

We consider climate change risks and opportunities within our investment decision making process.

Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

We are committed to transparency regarding our climate change issues and activities.

2.4 Roadmap

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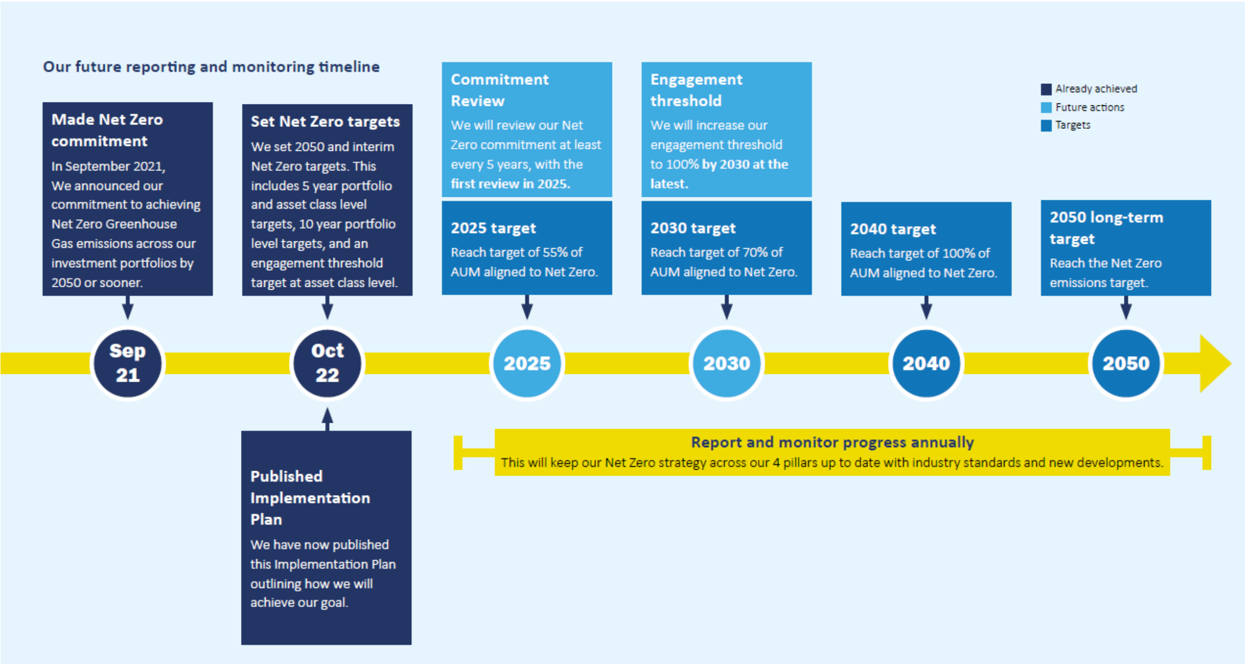
The roadmap demonstrates the future reporting and monitoring timeline for implementing our Net Zero plan.



3 Climate change strategy and governance

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We will continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the TCFD report.

To demonstrate our Net Zero commitment, we joined the Net Zero Asset Manager initiative (NZAM) pledging to decarbonise investment portfolios by 2050 or sooner.

We are using the Net Zero Investment Framework to support us in implementing our strategy to being Net Zero by 2050.We have developed an implementation plan which sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to implement the change needed. The Net Zero Implementation Plan can be found on our website.

3.2 Governance and implementation

We take a holistic approach to the integration of sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability, which includes RI is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our website.

3.3 Division of roles and responsibilities

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the TCFD report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed annually, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage environmental, social and governance (ESG) issues including climate change. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

3.4 Training

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.

3.5 Regulatory change management

Regulatory change horizon scanning is a key task undertaken by the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK financial services regulations, and wider regulation impacting financial services including Responsible Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

4 Identification and assessment

4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework. The Company operates a risk management framework consistent with the principles of the 'three lines of defence' model. Primary responsibility for risk management lies with the Investment and Operations teams. Second line of defence is provided by the Risk and Compliance functions, which report to the Board Risk Committee, and the third line of defence is provided by Internal Audit, which reports to the Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative (TPI)[2] tool and climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

We continue to develop climate risk assessments for our listed equity investments that combines several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2ºC), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This is an iterative process, recognising that data, tools and methodologies are developing rapidly.

We understand that scenario analysis is useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change. We note that scenario analysis is still developing, with services and products evolving as data quality and disclosure from companies continues to improve. During 2022 we will be evaluating our third-party scenario analysis tools and conducting analysis using a number of different scenarios.

5 Investment strategy

5.1 Our approach to investing

We believe that climate change should be systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast offers Partner Funds a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles. Partner Funds then choose the funds which support their strategic asset allocation.

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[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Engaging with our investee companies and fund managers will be a key lever we will use to reach our Net Zero goals, but we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments.

Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. Using these criteria and due to the potential for stranded assets, we interpret this to cover public market companies with 70% of revenue derived from thermal coal and oil sands and will therefore not invest in these companies. For illiquid assets a revenue threshold of 25% is in place, this is due to the long-term nature of these investments. Any companies excluded will be monitored with business strategies and transition plans assessed for potential reinstatement.

5.2 Acting within different asset classes

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more detail on the processes and analysis can be found in our annual TCFD report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third-party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings, Climate Action 100+ ('CA100+) Net Zero Company Benchmark and the Science Based Targets initiative (SBTi) to assess companies' transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised. Carbon footprints are conducted relative to the benchmark. Climate scenario analysis is also conducted for listed equity and fixed income portfolios using third-party data.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We have therefore launched a Climate Opportunities offering and will be facilitating increased investment in climate transition solutions taking into account Partner Fund asset allocation decisions.
To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with the Net Zero Investment Framework (NZIF). We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan, and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc). This covers 60% of our AUM (at 31/03/2022) and we will look to increase coverage across the rest of our investments

when appropriate.

5.3 Working with External Managers

Assessing climate risk is an integral part of the External Manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We expect managers to engage with companies in line with our Responsible Investment Policy and to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we encourage managers to make a firm wide net zero commitment. We will work with External Managers to implement specific decarbonisation parameters for their mandate. We will monitor our managers' carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We will also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this will act as a prompt for discussion with the manager to understand why this has occurred, any appropriate actions to be taken to bring them back to target, and the timescales for any corrective action.

6 Engagement and advocacy

As a shareholder, we have the responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe that effective stewardship is key to the success for our climate ambition. As well as engaging with our investee companies it is important that we engage on systemic risks, including climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term investment returns.

6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we will hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe, particularly with regard to promoting decarbonisation in the real world. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy, this includes adverse voting instructions on related AGM voting items, amongst other steps. We practice active ownership through voting, monitoring companies, engagement and litigation. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, a just transition and exposure to climate-stressed regions.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change (IIGCC), CA100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the TPI.

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI and CA 100+ Net Zero Company Benchmark. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.
- Support climate-related resolutions at company meetings which we consider reflect our Climate Change Policy. We will co-file shareholder resolutions at company AGMs on climate risk disclosure and lobbying, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the TCFD recommendations.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Use the IIGCC's Net Zero Stewardship Toolkit to develop our net zero stewardship strategy.
- Use carbon footprints the TPI toolkit, CA100+ Net Zero Company Benchmark and SBTi to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of the IIGCC. We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

7 Disclosures and reporting

Transparency is one of our key organisational values. We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities.

We will keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy and Net Zero commitment, as well as our exposure to the risks and opportunities of climate change. This will include:

- Reviewing annually how we are implementing this policy with findings reported to our Board and Partner Funds. report in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to implementation of this policy and progress against our Net Zero commitment.
  We will disclose our voting activity and report on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclose climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.