Agenda

Meeting: **Pension Fund Committee**

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

Date: **Friday, 13 September 2024**

Time: **10.00 am**

Councillors: **Angus Thompson (Chair), John Cattanach, Mark Crane, Sam Gibbs, George Jabbour, Cliff Lunn, David Noland, Dan Sladden, Neil Swannick and Peter Wilkinson**

Councillor Peter Kilbane, City of York Council

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

Brian Hazeldine, UNISON

Business

1. Exclusion of Public and Press

To consider the exclusion of the public and press from the meeting during consideration of Item 11 – Appendix 3 of Investment Arrangements with Border to Coast, on the grounds that this includes 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.

2. Minutes of the Committee Meeting held on 28 June 2024 **(Pages 3 - 4)**

3. Declarations of Interest

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

4. Public Questions or Statements

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services (contact details at the foot of page 1 of the agenda sheet) by midday on Tuesday 10 September 2024. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

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

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

5. Pension Board - Draft Minutes of 1 August 2024 - Report back by the Chair of the Pension Board **(Pages 5 - 12)**

6. Pensions Administration - Report of the Treasurer **(Pages 13 - 82)**

7. Budget and Cashflow - Report of the Treasurer **(Pages 83 - 88)**

8. Public Service Pensions Act 2013 - Section 13 Report - Report of the Treasurer **(Pages 89 - 148)**

9. Quarterly Funding and Investments Report (Including Investments Update) - Report of AON **(Pages 149 - 202)**

10. Investment Arrangements with Border to Coast - Report of the Treasurer **(Pages 203 - 214)**

11. Investment Arrangements with Border to Coast - Appendix 3 (Confidential - see Item 1, above) **(Pages 215 - 234)**

12. Investment Strategy Review - introduction - Report of AON **(Pages 235 - 240)**

13. 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, 5 September 2024

For any enquiries relating to this agenda please contact Stephen Loach (Tel: 01609 532216 or e-mail Stephen.loach@northyorks.gov.uk) or Harriet Clarke on harriet.clarke@northyorks.gov.uk
Website: www.northyorks.gov.uk

North Yorkshire Council

Pension Fund Committee

Minutes of the meeting held on Friday, 28th June, 2024, commencing at 10.00 am.

Councillor Angus Thompson in the Chair, plus David Portlock, Councillors Peter Kilbane, George Jabbour, John Cattanach, Mark Crane, Sam Gibbs, Cliff Lunn, David Noland, Dan Sladden and Neil Swannick.

Officers present: Phillippa Cockerill (Head of Pensions Administration), Jo Foster-Wade (Pension Employer Relationship Manager), Tom Morrison (Head of Investments), Edward Maxwell (Senior Democratic Services Officer).

Apologies: Brian Hazeldine.

Copies of all documents considered are in the Minute Book

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59 Minutes of the Committee Meeting held on 24th May 2024

Resolved:

That the Minutes of the meeting held on 24 May 2024, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

60 Declarations of Interest

Councillor George Jabbour declared a non-registrable interest, having campaigned on issues involving the way public-sector organisations, pension funds, and other institutions manage their finances.

The following Members declared a non-registerable interest in respect of them being in receipt of a pension from the North Yorkshire Pension Fund (NYPF):

- Councillor John Cattanach
- Councillor Cliff Lunn.

61 Public Questions or Statements

There were none.

62 Governance Arrangements - Report of the Treasurer

The Head of Pensions Administration presented a report, reviewing a range of governance documents and seeking the committee's approval of them. The following information was added to the report:

- Members heard that the Risk Register was updated every six months, but the most recent update had taken place after the publication of the agenda for this meeting, so it would be taken to the next meeting of the committee in September.

- Appendix 18 (NYPF Draft Statement of Accounts) had originally intended to be distributed as a supplementary document after the publication of the agenda, with a recommendation to note its contents. However, delays to the 2022/23 accounts and ongoing capacity issues had delayed this item, and officers reported that it would be circulated to members at a later date.

Resolved:

That:

a) The changes made to the governance documents listed at 5.1 of the report be approved.

b) That the contents of the Risk Management Policy (Appendix 6) be noted.

63 The Pensions Regulator's (TPR) General Code of Practice - Report of the Treasurer

The Head of Pensions Administration presented a report which updated the committee on the NYPF's compliance with the Pension Regulator's new General Code of Practice. Aon's compliance checker tool had been used to assess progress on compliance with the new code since its introduction in March 2024, identifying areas where further work was needed.

The following information was added to the report after questions from members:

- It was intended to provide regular updates to the committee on compliance with the new Code of Practice.

- Members noted the generally positive position of the fund in complying with the code, and the feedback received during a recent briefing session with Aon. Areas of further work to improve compliance had been noted in the report, and officers were actively progressing these.

Resolved:

That the report be noted.

64 Application for a new Community Admission Body - Report of the Treasurer

The Pension Employer Relationship Manager presented a report advising members of a request from Veritau Limited seeking approval to become a community admission body in the Fund for a new Teckal company, Veritau Public Sector Limited. Members were asked to consider the report and decide whether to approve the request.

Resolved:

That the request be approved.

The meeting concluded at 11.20 am.

North Yorkshire Council

Pension Board

Minutes of the meeting of the Pension Board held at County Hall, Northallerton on Thursday 1st August 2024 commencing at 10am.

Present: -

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

Councillor Steve Watson (North Yorkshire Council)
Councillor Martin Rowley BEM (City of York Council)
Emma Barbery (Askham Bryan College)

Scheme Members:

David Houlgate (Unison)
Sam Thompson (North Yorkshire Council)

Council Officers:

Steve Loach, Phillippa Cockerill, Stuart Cutts, Jo Foster-Wade and Karen Iveson.

In attendance:

Councillor George Jabbour was in attendance.

Copies of all documents considered are in the Minute Book

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60. Welcome and apologies for absence

Apologies for absence were submitted by Simon Purcell (Unison). The Chair introduced Karen Iveson, the Assistant Director, Resources, who was attending the meeting for the first time.

61(a) Minutes of the meeting held on 18 April 2024

Resolved –

That the Minutes of the meeting held on 18 April 2024, having been printed and circulated, be taken as read, confirmed as a correct record, and signed by the Chairman, subject to the amendment detailed below:-

Minute No.53 Public Questions or Statements -

"Board members agreed to recommend that fossil fuel investments continue to be actively considered by the Pension Fund Committee."

Remove "considered" and replace with "reviewed".

61(b) Progress on Issues Raised by the Board

There had been no further development in relation to the Hymans Good Governance review since the previous meeting. The Chair of the Scheme Advisory Board had contacted the newly appointed Minister and had suggested that the issue should be dealt with as a priority. An update would be reported to the Board as soon as details were available.

There had been no further development in terms of a potential second phase of pooling by the Government and it was unclear as to whether a change in administration would alter that position. It was emphasised that the NYPF was in a good position should this be considered, going forward.

The updating of the Business Continuity/Disaster Recovery Plan was continuing with good progress being made.

The Pensions Regulator's (TPR) new General Code of Practice was now operational.

Efforts continued to recruit to the Scheme Member and Employer representatives vacancies on the Board with a potential Scheme Member representative being provided with an application pack. Work would continue to recruit to these vacancies.

Resolved -

That the report be noted.

62. Declarations of Interest

There were no declarations of interest.

63. Public Questions or Statements

There were no public questions or statements.

64. Minutes of the Pension Fund Committee held on 24 May 2024 and draft Minutes of the Pension Fund Committee held on 28 June 2024

Considered

The Minutes of the Pension Fund Committee held on 24 May 2024 and draft Minutes of the Pension Fund Committee held on 28 June 2024

Resolved –

That the Minutes and draft Minutes be noted.

65. Draft Annual Report

The Board was provided with an initial draft of the 2023/24 Pension Board Annual Report for consideration, comment and amendment. A final version would then be produced for the October meeting of the Board for approval. The Annual Report will then go to the Pension Fund Committee, the Council's Executive and finally to Full Council for approval as the Administering Authority.

A number of minor errors were identified by members and the Chair stated that he would work with the Clerk to amend these. The amended version would be resubmitted to the October meeting.

Resolved –

That the draft Annual Report be amended in line with the issues raised at the meeting and a final version be submitted to the October meeting of the Board before being submitted to the Pension Fund Committee, the Council's Executive and finally to Full Council for approval.

66. Pension Administration

Phillippa Cockerill, Head of Pensions Administration, provided Members with an update on key initiatives undertaken by the Administration Team of the NYPF. The report included, as an Appendix, the report that was provided to the PFC at their June 2024 meeting.

The following issues were highlighted:-

PFC Report

The PFC report from 28 June 2024 meeting was provided as an Appendix.

A Member of the Board stated that he had been requested to raise the issue of the NYPF's Admissions and Terminations Policy, by Unison, in relation to the offering of incentives to leave the LGPS and the impact that this was having on Funds. It was stated, in response, that exits from the Fund were carried out in accordance with the LGPS Regulations, and that the Actuary carried out all exit calculations. It was stated that any issues relating to the exit regulations should be raised with the Government.

Breaches

There had been no new entries in the breaches log since the previous meeting of the Board.

Annual Benefits Statements (ABS)

The process for the 2024 ABS was well ahead of the position of previous years having been assisted by the number of employers now on i-Connect. As of 26 July, 27,969 active member statements of the 28,654 eligible, had been issued. It was expected that the process would be completed by the end of the month.

Legislation is expected stating that information regarding the McCloud judgement is not required to be included in the 2024 ABS, however, should this not materialise, a reportable breach of the regulations will occur. It was noted that the majority, if not all, of the LGPS funds would find themselves in this position. The possible sanctions resulting from this could be an investigation or a fine. It was suggested that a further review of this situation should be undertaken at the October meeting of the Board. A complete re-issue of the ABS was untenable due to the impact this would have on resources.

Major projects

The i-Connect project continued to progress, with 196 employers onboarded. The majority of the remaining employers were smaller ones with multiple contracts meaning that quick progress should be made. The target completion date to have all employers onboarded was 31 March 2025.

The TPR General Code of Practice was now in effect, with the AON compliance checker tool being used. A further meeting with AON was planned to help facilitate an action plan and the Board would be updated on progress going forward. The majority of terms of the Code were already in place for the NYPF with just a few areas to firm up on. Training for members of the PFC and Pension Board would be provided in due course.

The McCloud project went live in May. Work was continuing to determine who was within the scope of the judgement and to provide rectification where appropriate. Guidance for this part of the process was currently being provided. Governance documents would be amended to reflect the impact of McCloud.

In relation to updating of the Disaster Recovery Plan, a number of useful meetings had taken place with the Resilience and Emergencies' team. The NYPF had been included within the overall Resilience Plan for the wider Council, with a bespoke plan currently being worked on. An Incident Management Team was now in place to assist with the development of the bespoke plan which was expected to be completed by the end of summer, dependent upon work priorities.

Local Government Pensions Committee (LGPC) Bulletins Log

Details of recent LGPC bulletins, and the response to those, were set out in the report.

It was asked what the current date was for the onboarding of the Pensions' Dashboard. In response it was noted that all Pension Schemes were expected to have this in place by 2026 but the LGPS had to have it in place by the end of October 2025. Follow up work with the ISP was being undertaken with the appropriate LGPS framework.

Draft Statement of Final Accounts 2023/24 – Update

It had been hoped that the Statement would have been published by the end of July, but this was not quite ready. Good progress had been made on the NYPF accounts, however. Work continued to provide the Final Accounts but there was no guaranteed date as to when these would be published, as the reconciliation of the Final Accounts of the eight previous Councils was included within this.

It was asked whether this was having an impact on the Finance Team. In response it was stated that the work was extensive, but the Team was well supported and was managing the work effectively. The main issue was the departure of some of the legacy staff from the previous Councils who held a great deal of knowledge in respect of the respective accounts. The loss of corporate knowledge had been flagged up on the Council's Risk Register

The Council continued to work closely with the External Auditor to support the process each were doing all they can to bring this to a conclusion as soon as possible.

It was noted that there were still outstanding Accounts yet to be signed off for a number of the legacy Councils, including 2022/23 for NYCC, for a variety of reasons, and every effort was being made to address this situation. It was emphasised that some of these would be concluded in the short term whereas others, due to more complex issues, would take much longer. A synopsis of the various outstanding accounts from the relevant legacy Councils was outlined.

Further updates would be provided to the next meeting of the Pension Board.

Resolved –

That the report be noted and the nil return for entries into the breaches log since the previous Board Meeting be welcomed.

57. Internal Audit Reports

Stuart Cutts, Assistant Director – Audit Assurance for Veritau, provided the Pension Board with an update on Internal Audit activity.

Details of the audit plan for 2023/24 were set out in the report with the audits of expenditure, income and investments taking place and reports from those audits expected later in the year. Progress on the audits had been limited due to working to priorities, however it was expected that a draft report on the expenditure aspects would be published later in August, and a meeting would be arranged with the relevant officers to discuss this. The meeting would also be utilised to discuss how to progress the other audits. In terms of a report back to Pension Board on each of the audits it was expected that the October meeting would be too soon, therefore, the January meeting was more realistic.

It was emphasised that the Work Programme for Internal Audits expected during 2025/26 should be provided to the January meeting of the Board, and it was asked whether the current delays would have an impact on next year's programme. It was emphasised that every effort would be made to address the outstanding audits within the relevant time-period so as not to delay the process next year. It was expected that at least one completed report would be available for the October meeting of the Board.

Resolved -

That the report be noted.

68. Annual Review of Dispute Cases and Exercises of Discretion

Phillippa Cockerill, Head of Pensions Administration, provided Members with details of the cases received via the Internal Dispute Resolution Procedure (IDRP) and those cases referred to the Pensions Ombudsman up to 31 March 2024.

There had been 8 IDRP cases between 1 April 2023 and 31 March 2024 with a summary of the resolution for each provided. There had been no referrals to the Ombudsman.

Employer discretions were exercised throughout the year on various issues.

A Member noted that the outcomes had been outstanding for some time for a number of the IDRP cases and asked what was delaying these. In response it was noted that further details were awaited to allow a resolution to be provided.

It was asked if there was any further course of action that could be taken by the Scheme Member following the resolution provided. In response the process was outlined which provided for two stages within the IDRP and, ultimately, referral to the Ombudsman, with a potential for this to be referred back.

Resolved -

That the report, and issues raised, be noted.

69. Training

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

It was requested that Members inform the Clerk of any training they had attended.

It was outlined that a number of Board Members had attended the AON webinar on 27 June 2024 relating to the new General Code of Practice. It was asked if the webinar was available on-line and, if so, whether this could be shared with those unable to attend. It was clarified that this was available and would be shared with Members accordingly.

Resolved -

(i) That the Hymans Robertson online training package continue to be accessed by Members and reported back accordingly.

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

(iii) That further consideration be given to identifying training sessions immediately prior to Board Meetings.

(iv) That the report, and issues raised, be noted.

70. Work Plan

Members considered the report of the Assistant Chief Executive (Legal and Democratic Services) detailing the areas of planned work of the Pension Board for the coming year and providing meeting dates for the Pension Board for 2024/25.

A minor change to the Work Programme would be implemented in relation to the review of the Risk Register, due to take place at this meeting would now be pushed back to the October meeting as the details were unavailable at this time.

The Chair noted that "deep dive" reviews by individual Board Members had been put on hold a number of years earlier due to resource implications in respect of officers' time. It was stated that the time was still not right for these to recommence, but further consideration would be given to their re-introduction, going forward. In the meantime, any issues of concern could be referred to Veritau to include within their audit programme.

Resolved -

(i) That the Work Plan, detailed in Appendix 1 to the report and as amended above, be noted.

(ii) That the dates of ordinary meetings for 2024/25, as detailed in the report be noted as follows:-

Thursdays at 10am

24th October 2024
9th January 2025
3rd April 2025

71. Other Urgent Business

The Chair accepted the following matter as an item of urgent business due to the need for this to addressed as soon as possible.

Appointment of Substitutes

Councillor Martin Rowley BEM (City of York) stated that he was unlikely to be available for meetings of the Board in 2025 and asked whether he was able to appoint a Substitute to take his place during his period of unavailability. In response it was stated that the current Terms of Reference did not allow for this to take place, but these were reviewed at the January meeting of the Board, each year, and further consideration would be given to this issue at that time.

Resolved –

That this issue be given further consideration at the January meeting of the Board when the Terms of Reference are reviewed.

The meeting concluded at 11.05pm.

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North Yorkshire County Council

Pension Fund Committee

13 September 2024

Administration Report

Report of the Treasurer

1. Purpose of the Report

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

2. Admission Agreements & New Academies

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

3. Administration

3.1. Membership Statistics

Membership Category	At 01/04/2024	+/- Change (%)	At 30/06/2024
Active	30,499	+6.54%	32,491
Deferred	39,865	-0.70%	39,587
Pensioner (incl spouse & dependant members)	30,776	+2.30%	31,486
Total	**101,140**		**103,564**

3.2. Throughput Statistics

- Period from 1 April 2024 to 30 June 2024

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	11	45	47	9
Transfer Out quotes	33	141	142	32
Employer & employee estimates	71	879	780	170
Retirement quotes	85	461	464	82
Preserved benefits	1,077	1,540	1,712	905
Death in payment or in service	130	684	680	134
Refunds	158	356	373	141
Actual retirement procedure	748	696	880	564
Interfund transfers	504	569	488	585
Aggregate member records	52	126	127	51
Others	405	412	458	359
Total Cases	**3,274**	**5,909**	**6,151**	**3,032**

- As well as processing the above cases, the Pensions team also handled 3,444 phone calls (average 56 per working day) in the quarter.

3.3. **Performance Statistics**

- The performance figures for the period 1 April 2024 to 30 June 2024 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	94%
Customers surveyed ranking service good or excellent	94%	96%
Increase numbers of registered self-service users by 700 per quarter **(total registered users 48,348)**	700	1,460

- We continue to focus on completing all of our work within target and encouraging sign up for member self-service.

3.4. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Apr	5	The pensions service excelled in their duties. A very professional service.
May	7	I found the pension team extremely helpful Very professional and kept me informed throughout the process
June	1	Quick response and help

Complaints

Date	Number	Summary
Apr	2	IHER – complaint against employer not informing them about IHER at date of leaving Regs – complaint about not being able to draw benefits or transfer out due to restrictions imposed by the regulations
May	0	
June	1	Admin – Retirement benefits were overquoted due to incorrect service history being recorded.

- The complaint categories are:

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

Lessons Learned

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

3.5. **Annual Benefit Statements 2024**
Benefit statements for Active members were published online on 26 July with paper copies sent to the print unit the same day. This is 5 weeks ahead of the statutory deadline.

We issued 27,696 out of 28,564 statements which equates to 97.92%. The remaining 595 are being worked through and those that need to be issued will be completed before 31 August 2024.

3.6. **Breaches Policy & Log**
The North Yorkshire Pension Fund's Breaches Log is included at **Appendix 2** for review. There were no new entries in the quarter to 30 June 2024.

4. Issues and Initiatives

4.1. **Ongoing projects**
The latest position is 196 employers onboarded with 48 left who are mainly small contractors with multiple contracts of one or two members. The employer relationship team are now onboarding new employers as part of the admissions process. We are still aiming to fully complete this project by 31 March 2025.

4.2. **McCloud**
Good progress is being made and work continues with investigating and resolving the errors and queries from the go live. This will enable us to fully establish how many members and records are in scope and potentially have an underpin payable.

Once this work is completed the next stage is the rectification for those members who have already had benefits paid, pensioners, transfers out and deaths where a potential underpin has been identified.

It has been confirmed the McCloud data has to be included in the 2024 annual benefit statements so that has established a finite completion date for this project.

4.3. **Pensions Dashboard**
A contract variation has been submitted to appoint Heywood as our ISP provider. They are an alpha partner in the dashboards program and have already successfully connected to the dashboard ecosystem.

The connection deadline for the Local Government Pension Scheme is 31 October 2025. We are targeting a connection date of 31 May 2025 and a project team has been created to progress this.

4.4. **New TPR General Code of Practice**
Aon have reviewed the completed TPR compliance spreadsheet and a workshop was held on 20 August to discuss their findings and receive feedback. From this workshop a final baseline position has been created and actions agreed. A copy of the output report is included at **Appendix 3**.

From this baseline an action plan will be created to ensure progression towards full compliance and updates will be brought to future meetings. A schedule of reassessment will also need to be established.

4.5. **Business Continuity Plan**
The first draft of the business continuity plan (BCP) has been created and a workshop has been arranged with the incident management team to further develop and refine the plan. This will also involve working through various scenarios to ensure the plan is fit for purpose.

5 Risk Register

The Fund risk register is reviewed twice a year in May and November and is normally brought to the annual governance document review meeting. Unfortunately due to other work priorities the May review was not signed off in time so it is being brought to the subsequent meeting instead for review. The detailed report is included as **Appendix 4** and the summary report is **Appendix 5**.

There is one risk that has worsened, three that have lessened and seven risks that have remained the same since the last review.

Risk – RPF_9 Key Personnel has worsened due to work pressures across the Council, to deal with legacy local government reorganisation issues and the delays in the auditing of the Council's and Pension Fund's accounts as reported to the Committee. The probability has been changed to high from medium, reflecting the fact that this has happened. This risk is expected to reduce over time.

Risk – RPF_2 Pension Fund Solvency has improved due to a reassessment of the position. Solvency has remained over 100% since the 2019 valuation, despite the financial markets reacting badly to covid, the Russian invasion of Ukraine, and the Government's mini budget in September 2022. There has also been a sustained period of high interest rates and high inflation. The probability has been changed to low from medium.

Risk – RPF_8 Employer Contributions has improved due to the healthy solvency position of the Fund over a number of years (see Risk – RPF_2 Pension Fund Solvency) and the implementation of risk mitigation actions such as the roll out of i-Connect to employers and the application of the recently updated Charging Policy and Breaches Policy. The probability has been changed to low from medium.

Risk – RPF_3 LGPS Pooling Transition has improved as we are a significant way through this process and the management and monitoring of this process is well established. Approximately 75% of the Fund's assets are now managed by Border to Coast. There have been no significant issues and the Fund continues to work with Border to Coast on ongoing management arrangements and up and coming fund launches. The probability and the impact have both been reduced to low from medium to reflect this.

6 Member Training

The Member training record showing the training undertaken up to the end of the relevant quarter is attached as **Appendix 6.**

Please contact Stephen Loach on 01609 532216 or email stephen.loach@northyorks.gov.uk with any details of training undertaken or conferences attended and these will be added to the training record.

The new General Code of Practice refers to areas that Pension Fund Committee (and Pension Board) Members should be familiar with. They are pensions law and associated legislation, the scheme, scheme funding and investments, risk management, scheme administration and service providers, and scheme communications. These areas are all covered by the modules on the Aspire LGPS Online Learning Academy managed by Hymans Robertson, which is available to all Pension Fund Committee and Pension Board Members and appropriate pensions officers.

Hymans Robertson will soon be making available their latest version of their LGPS National Knowledge Assessment. This will serve a number of purposes:

- to help satisfy the requirements laid out in the General Code of Practice to support reporting on the knowledge and skill of individual Committee and Board Members
- to assess the collective knowledge of the Committee, as well as that of the Board
- to help identify any gaps in knowledge or areas of lower knowledge, on an individual and collective basis, to assist with the focus of training over the next 12-18 months
- to provide benchmarking against all other participating LGPS funds

All Pension Fund Committee and Pension Board Members will be asked to complete the Assessment.

The Knowledge Assessment has been deliberately aligned to the modules on Aspire, offering an easy first step to assist Committee and Board Members quickly develop knowledge in any weaker areas they may have. However, there would be a clearer picture for potential supplemental training if all Members completed all the Aspire modules before completing the Knowledge Assessment.

Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 7.**

Please contact the team on email pensionfund@northyorks.gov.uk for further information or DemocraticServices.West@northyorks.gov.uk or stephen.loach@northyorks.gov.uk to reserve a place on an event.

The views of Members will be sought on ideas for training but given the technical nature of some of the areas of responsibility, there will be a significant number of training events and it will be suggested that on-line training is made mandatory for all Members. It is recognised however that this will need to be done proportionately and over a period of time.

6 Meeting Timetable

The latest timetable for forthcoming meetings of the Committee is attached as **Appendix 8**.

7 Recommendations

7.1 Members to note the contents of the report.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton
05 September 2024

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Academy Conversions – 18 ‘in progress’

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Threshfield Primary School	NYC	Yorkshire Collaborative Academy Trust	1.6.2024	Complete
Luttons Community Primary School	NYC	Ebor Academy Trust	1.7.2024	Complete
Sherburn CE Primary School	NYC	Ebor Academy Trust	1.7.2024	Complete
Sutton in Craven CE Primary School	NYC	Leeds Diocesan Learning Trust	1.7.2024	Complete
Cliffe VC Primary School	NYC	Selby Educational Trust	1.8.2024	Complete
Husthwaite CE VC Primary School	NYC	Elevate Multi Academy Trust	1.9.2024	In progress
Sessay CE VC Primary School	NYC	Elevate Multi Academy Trust	1.9.2024	In progress
Oakbridge Primary School	New school	Dales Academies Trust	1.9.2024	In progress
Hackness CE Primary School	NYC	Elevate Multi Academy Trust	1.10.2024	In progress
Wykeham CE Primary School	NYC	Elevate Multi Academy Trust	1.10.2024	In progress
Barlow CE VC Primary School	NYC	Pathfinder Multi Academy Trust	1.10.2024	In progress
Burton Salmon CP School	NYC	Pathfinder Multi Academy Trust	1.10.2024	In progress
Chapel Haddlesey	NYC	Pathfinder Multi Academy Trust	1.10.2024	In progress

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Welburn Community Primary School	NYC	Pathfinder Multi Academy Trust	1.10.2024	In progress
Mowbray School	NYC	Ascent Academies Trust	1.11.2024	Will be progressed nearer the time
Osmotherley Primary School	NYC	Yorkshire Collaborative Academy Trust	1.11.2024	Will be progressed nearer the time
Broomfield Primary	NYC	Areté Learning Trust	1.12.2024	Will be progressed nearer the time
Fairburn Primary School	NYC	Selby Educational Trust	1.4.2025	Will be progressed nearer the time
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Springwater School	NYC	Possibly with Ascent Academies Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Saltergate Infant School	NYC	Possibly with Red Kite Learning Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Saltergate Junior School	NYC	Possibly with Red Kite Learning Trust	TBC	Will be progressed when Trust has been confirmed and conversion date known
Masham CE VA Primary School	NYC	TBC	TBC	Will be progressed when Trust has been confirmed and conversion date known

Admission Bodies – 17 'in progress'

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Outwood Grange Academies Trust Outwood Primary Academy Alne	Cater Link Limited	1.9.2023	Complete
City of York Council (Young Persons Counselling Services)	York Mind Limited	1.1.2024	Complete
The York North Yorkshire Council Combined Authority	N/A	1.2.2024 & 7.5.2024	Complete
Dales Academies Trust	Aspens Services Ltd	26.2.2024	Complete
The North Yorkshire Council Sutton in Craven CP School	Carroll Cleaning Company Limited	1.4.2024	Complete
The City of York Council Wigginton Primary School	Synergy FM	1.4.2024	Complete
Outwood Grange Academies Trust Outwood Primary Academy Alne	Bulloughs Cleaning Services	1.4.2024	Complete
Outwood Grange Academies Trust Outwood Academy Ripon	Bulloughs Cleaning Services	1.4.2024	Complete
The North Yorkshire Council Saltergate Primary School (cleaning and caretaking service)	Bulloughs Cleaning Services	1.4.2024	Complete
The North Yorkshire Council Saltergate Primary School (catering service)	Hutchison Catering Limited	1.4.2024	Complete
Ryedale Learning Trust merger with Areté Learning Trust Novation of the admission agreement for the cleaning contract	Independent Cleaning Services Limited	1.4.2024	Complete
Elevate Multi Academy Trust Thornton Dale Cof E Primary School	Lark Cleaning Services (T/A Betterclean)	1.4.2024	Complete
Northern Star Academies Trust New Park Primary Academy, Harrogate	Bulloughs Cleaning Services Limited	29.4.2024	Complete

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Craven College	Bulloughs Cleaning Services Limited	1.5.2024	Complete
The North Yorkshire Council	Align Property Services Limited	1.12.2023	In progress
David Ross Education Trust David Ross Education Trust Thomas Hinderwell Primary Academy (cleaning service)	Easy Clean Limited	1.4.2024	In progress
Elevate Multi Academy Trust Sowerby Primary Academy, Carlton Miniott Primary Academy, South Kilvington C of E Academy	Atlas Facilities Management	1.4.2024	In progress
Leeds Diocesan Learning Trust (cleaning contract) All schools (excluding Holy Trinity Infant & Junior schools)	Premier Support Services Limited	1.4.2024	In progress
Leeds Diocesan Learning Trust Holy Trinity Infant & Nursery & Junior schools	Premier Support Services Limited	8.4.2024	In progress
The North Yorkshire Council & the City of York Council	Veritau Public Sector Limited	1.7.2024	In progress
The City of York Council Ralph Butterfield Primary School	Dolce Limited	28.7.2024	In progress
Coast and Vale Learning Trust All schools (excluding Scalby School)	Taylor Shaw Limited	1.8.2024	In progress
South York Multi Academy Trust Bishopthorpe Infant School (cleaning service)	Crystal Facilities Management Limited	1.8.2024	In progress
St Cuthbert’s Roman Catholic Academy Trust St Augustine’s Catholic School Scarborough St George’s Catholic Primary Scarborough St Peter’s Catholic Primary Scarborough	Cater Link Limited	1.9.2024	In progress
The North Yorkshire Council Cliffe VC Primary School	Mellors Catering Services Limited	1.9.2024	In progress
Coast and Vale Learning Trust Catering contract at all schools	Taylor Shaw Limited	1.9.2024	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Leeds Diocesan Learning Trust Dacre Braithwaite CE Primary School Fountains CE Primary School Grewelthorpe CE Primary School Roecliffe CofE Primary School Carleton Endowed CE Primary School North Stainley CE Primary School Christ Church, CE Primary School Holy Trinity CE Infants & Nursery Holy Trinity CE Junior School	Hutchison Catering Limited	1.9.2024	In progress
The North Yorkshire Council Grove Road Community Primary School - Catering Contract	Hutchison Catering Limited	1.9.2024	In progress
The North Yorkshire Council Hertford Vale CE Primary School	Hutchison Catering Limited	1.9.2024	In progress
The North Yorkshire Council Grove Road Community Primary School - Extra Care Contract	Premier Education	4.11.2024	In progress
The North Yorkshire Council Health and Adult Services - Extra Care Contract	Possibly Housing 21	TBC	In progress

Exited Employers – 32

Name of Employer	Date exited the Fund
OCS Group UK Limited	31.3.2017
Superclean Services Limited	16.7.2017
Joseph Rowntree Charitable Trust	31.12.2017
York Arts Education (Community Interest Company)	31.3.2018
Be Independent	31.7.2018
Housing & Care 21	31.8.2018
Consultant Cleaners	31.10.2018 (voluntary liquidation)
The Wilberforce Trust	22.3.2019
Dolce Limited	14.4.2019
Schools Plus	30.4.2019
Sewells Facilities Management Limited	21.12.2020
Sheffield International Venues	31.1.2021
Caterservice Ltd	12.2.2021
Enterprise Managed Services Ltd (Amey)	28.2.2021
Streamline Taxis Limited	28.5.2021

Name of Employer	Date exited the Fund
Ringway Infrastructure Services Limited	31.5.2021
Churchill Security Solutions Limited	31.5.2021
Hexagon Care Services Limited	6.8.2021
Sanctuary Housing Association	20.12.2021
Atalian Servest Food Co Limited	31.12.2021
Elite Cleaning and Environmental Services	31.12.2021
4 Site Security Services Limited	11.4.2022
Welcome to Yorkshire	14.4.2022
Lifeways Community Care Limited	31.7.2022
Absolutely Catering Limited	25.7.2023
Atlas Facilities Management Limited	6.10.2023
York Archaeological Trust	31.1.2024
Urbaser Limited	31.3.2024
SBFM Limited	31.3.2024
Northallerton and Romanby Burial Board	31.3.2024
University of Hull	31.5.2024

Name of Employer	Date exited the Fund
Inspiring Healthy Lifestyles (Wigan Leisure & Culture Trust)	31.8.2024

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targetted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identifed in real time rather than at year end			14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error		2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error		Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.			22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC
31/08/2018	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date.	Reg 89 of LGPS Regs 2013	86.52% of Active members received a statement = 13.48% did not 99.76% of Deferred members received a statement = 0.24% did not	Backlog has been reduced so in a better position regarding correct eligibility for statements. Significant year end queries (2,399) have impacted statement production. Ers being chased for response. Continue to work through errors & queries & issue ABS' when able to. Viability of monthly returns being investigated			22/11/2018	11/10/2018	PB - noted the position, agreed not to report this time but will in 2019. PFC - noted position, agreed not to report this time.	N
31/08/2019	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Clarification on members not worked in year still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 95.69% of Active members received a statement. (1,342 members did not)	Analysis of the 1,342 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 329 as at 9 October, work will continue until end of year to further reduce number unissued. Final position: 329 unissued			22/11/2019	03/10/2019	PB - discussed position, noted improvement from 2018, requested further analysis by employer to identify whether an issue exists at individual employer level. Following provision of above information both PFC & PB agreed not to report this time.	N
09/04/2020	Administration	A member's leaver statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
11/05/2020	Administration	A member's retirement statement was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's letter was incorrectly sent to the wrong member along with their own letter.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
15/05/2020	Administration	A member's calculation print was incorrectly sent to the wrong member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
26/05/2020	Administration	A pensioner received a payslip which belonged to another pensioner.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
27/05/2020	Administration	A member received a letter meant for a solicitor dealing with the death of another member.	Due to Covid 19 printing and posting process had to be changed whereby 1 person was responsible for printing for the whole team. Human error.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to either destroy or return the information.Process and working practice was reviewed and changes put in place. Instructions issued to the staff responsible for printing and posting.			11/09/2020	09/07/2020	PB - July meeting, noted position, agreed not to report. PFC - September meeting, noted position, agreed not to report.	N
31/08/2020	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statments can be issued.	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 94.21% of Active members received a statement. (1,784 members did not)	Analysis of the 1,784 unissued statements undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced. Number reduced to 274 as at 20 October, work will continue until end of year to further reduce number unissued.			27/11/2020	29/10/2020	PB - Oct meeting, noted position, agreed not to report. PFC - Nove meeting, noted position, agreed not to report.	N
30/11/2020	Administration	A member contacted us to advise she had received the starter pack for another member but with her address on it. The member also advised there were 2 other members affected.	Employer submitted starter file and the data has been mixed up for a number of members, address 26 records, date of birth 11 records, payroll no 21 records, date joined 8 records and school name 18 wrong	Data Protection Act 2018	Accidental disclosure of personal data for a number of members to another member. It is highly likely that the receipient knows the person whose information was disclosed. The 3 original members had discussed it.	Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO. Data sent back to employer to provide corrected information. Employer advised we have reported the data breach and we've asked for clarification of what process changes they have made to prevent it recurring. Replacement starter packs issued with correct details on and covering letter advising reason for disclosure and contact details for employer.			05/03/2021	14/01/2021	PB - Recognised the issue was an employer one rather than a Fund one. PFC - Recommended no report required	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
05/10/2020	Administration	Failure to issue 3 members with annual Pension Saving Statements (PSS) in the relevant years. One member was missing a PSS for the 18/19 year, one was missing a PSS for 16/17 and one was missing a PSS for 16/17, 17/18, 18/19 & 19/20.	There are two main causes as follows: missing data and staff not realising a statement should have been issued when the record was recalculated.	Finance Act 2004	When the member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. They can elect to either pay the tax charge via a Scheme Pays option or directly to HMRC. Because the PSS haven't been issued members are now late submitting to HMRC. We are aware of members who have ignored the information we have sent for a number of years, when they do contact HMRC they are advised to just pay what is due. There appear to be no penalties applied. Because we haven't advised members at the correct time they have been unable to take action to mitigate the impact in subsequent years. Members in this position often switch to the 50/50 section to reduce their pension accrual. A penalty of up to £300 for failure to provide the required information on time may be levied on NYPF when we resubmit our annual returns for the relevant years.	We have issued the relevant PSS to all 3 members and have had discussions with them regarding the actions they now need to take. We have struggled to establish how to report the breach to HMRC but will resubmit the annual HMRC returns for the relevant years. We will then respond to HMRC accordingly. We have reviewed our internal processes and are taking steps to educate the wider team and address some of the issues at source rather than waiting until year end. A targetted working group will be established in the summer to address the backlog of changes we get each year. This will involve training a small number of staff on the whole Annual Allowance process, what it is, why it's important, teh impact on affected members and how to update and maintain records correctly. This taskforce will take responsibility for updating member records. Once knowledge is established and embedded further staff will be trained until the whole team knows what is expected.			05/03/2021	14/01/2021	PB - Require further information on mitigating actions taken to prevent recurrance before reaching a decision about reporting to tPR. Confirmed by email 01/03/2021 no need to report to tPR. PFC - Recommended no report required	N
05/02/2021	Administration	A member contacted us to advise she had received a transfer letter addressed to another member enclosed with her own letter.	Member of staff on post duty that day did not follow the agreed process put in place to prevent breaches from happening.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient was asked to destroy the information. Process and working practice was reviewed to ensure it remained relevant. Staff were reminded of the correct process. Individual member of staff was spoken to personally to stress importance of following the correct process.	05/02/2021	Score of 4 - low no further action	04/06/2021	08/04/2021	PB - April meeting, noted position, agreed not to report. PFC - June meeting, noted position, agreed not to report.	N
31/08/2021	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Calculation failing to run on system. Year End queries still outstanding at issue date. Manual calculation of Annual Allowance figures still outstanding at issue date. Issues with data quality, suppressed statements until data corrected and accurate statements can be issued.	Reg 89 of LGPS Regs 2013	99.78% of Deferred members received a statement. (87 members did not) 96.06% of Active members received a statement. (1,158 members did not)	87 Deferred members missing a statement are being worked through, these failed due to the system calculation not running, analysis has identified these failed due to data related issues. Analysis of the 1,158 Active members missing a statement is being undertaken to identify and isolate reasons. Each group being worked through to identify what is required to enable statement to be produced.	N/A	N/A	26/11/2021	07/10/2021	PB - No report for deferred ABS but decision delayed on active awaiting outcome of review of missed ones. PFC - Agreed with PB recommended course of action. Further update on Active statements is required. 13/01/22 no report	N
17/09/2021	Administration	McCloud data sent to the City of York Council (CYC) for three schools that no longer use CYC to provide their payroll service (although they have in the past). Data for an NYCC school (that has opted out of NYCC's payroll service) also sent to CYC as it was incorrectly coded on our database.	The way the data was held on the administration system did not enable the 3rd party to identify the members affected.	Data Protection Act 2018	Information for 330 data subjects was wrongly disclosed to the City of York Council (CYC). CYC is a trusted external organisation and information was only disclosed to a small number of staff.	A new process has been implemented so that the data can be easily identified on the database going forward. The process change has been communicated to the wider team. Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	McCloud data sent to City of York Trading (CYT) in error for one City of York Council (CYC) employee, the employer code on our database had been set up incorrectly. The same data fields as the incident number 101008635966 are involved.	Member record created on the administration system but the wrong employer code was applied	Data Protection Act 2018	Information for one data subject was wrongly disclosed to City of York Trading Limited	The data has now been coded correctly on the administration system Veritau response - notification to the ICO is not recommended as the reporting threshold has not been reached.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
28/09/2021	Administration	A member's letter was found on a printer but was not printed by member of pensions team.	Believe issue was caused by network and system issues experienced on that particular day and as a result the letter printed directly out and didn't queue.	Data Protection Act 2018	One letter produced, contained within NYCC. No other letters affected.	Letter was destroyed internally and a replacement was re-issued to the member. Reported to Veritau, awaiting outcome.	N/A	N/A	26/11/2021	13/01/2022	PFC - No report PB - No report	N
19/11/2021	Administration	One Pension Savings Statement (PSS) issued after statutory deadline of 6 October 2021	Record was inhibited from bulk annual allowance run whilst a query on another record was resolved	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. The deadline for a paper annual tax return was 31 October 2021 so the member could not use this option. However, the deadline for an online tax return is 31 January 2022.	Senior officer review of annual process	N/A	N/A	04/03/2022	13/01/2022	PB - No report PFC - No report	N
22/02/2022	Administration	5 letters were included in the same envelope to a single recipient who was the next of kin of a deceased member	Staff member on post duty did not follow the agreed process	Data Protection Act 2018	Accidental disclosure of personal data for 4 members to another. It is highly unlikely that the receipient knows the person whose information was disclosed.	Recipient confirmed destruction of 4 letters received in error. Staff reminded again of correct process to follow. Staff involved spoken to directly. Alternative printing and posting arrangements being investigated. Reported to Veritau. They assessed it as Low risk level and did not need to be reported to the ICO.	N/A	N/A	27/05/2022	07/04/2022	PB - No report PFC - No report	N

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
28/07/2022	Administration	5 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Records were not selected in the bulk annual allowance process as the year end pay information used in the calculation had not been updated on the records	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Senior officer review of annual process. Has been established the cause of the breach different to previous breach in 2020. Process amended so that future similar cases can be identfied earlier in the process.	N/A	N/A	09/09/2022	06/10/2022	PFC - No report PB - No report	N
31/08/2022	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	120 – have outstanding year end tasks 201 – have “other” outstanding administration tasks on record 56 – are x’d out, no outstanding task, prohibits statement creation due to error on record 295 – pending further investigations as to why statement not produced	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 97.73% of Active members received a statement. (672 members did not of which only 295 were eligible to receive one)	Of the 672 active members missing a statement only 351 are eligible to receive one. These are being worked through to identify what is required to enable statement to be produced.	N/A	N/A	25/11/2022	06/10/2022	PFC - No report PB - No report	N
04/11/2022	Administration	2 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Human error. One record had a data error which resulted in the PSS being supressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19 One record had been updated incorrectly following receipt of a transfer from another Fund. Relevant tax year 19/20	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Training for wider administration team is already scheduled so errors like these can be prevented and corrective action taken at the time rather than being left to year end.	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
11/11/2022	Administration	One member's documentation was sent in error, password protected, to another Fund.	Human error. The wrong attachment was added to the email.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another Fund. It is highly unlikely that the recipient knows the person whose information was disclosed.	Other Fund deleted email and attachment. Reported to Veritau. They assessed is as Very Low risk - minimal risk of any detriment to the data subject & sent to a trusted partner organisation	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
17/04/2023	Administration	Email querying pay and CARE was sent to the wrong Adam. It contained name, NINO & Pay information. Recipient is a senior officer at CYC.	Human error	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another employer. It is highly unlikely that the recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
05/06/2023	Administration	A member received another member's pension payslip in the same envelope as her own. The envelope wasn't sealed either.	Machine jam and human error in the print unit. Not checking the machine was fully cleared before restarting the print and insert process.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient posted payslip on. Made print unit aware or error and received confirmation of refreshed instructions to the print team. Reported to Veritau Veritau have confirmed it has been classed as a print unit breach	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
01/09/2023	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	114 – have outstanding year end tasks 268 – have “other” outstanding administration tasks on record	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 98.71% of Active members received a statement. (382 members did not, of which only 114 were eligible to receive one)	Of the 382 active members missing a statement only 114 are eligible to receive one. These are being worked through to identify what is required to enable a statement to be produced.	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
08/09/2023	Administration	Email was sent to a member with a password protected attachment but the document was for another member.	Human error	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
07/10/2023	Administration	1 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2022	Human error. Error in manual calculation of Annual Allowance at retirement.	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. This member has sufficient carry forward from previous years so we believe there is no tax charge due. The deadline for an online tax return was 31 January 2023 so the affected member will need to contact HMRC.	Refreshers training for retirement team for the specific scenario applicable in this case.	N/A	N/A	24/11/2023	11/01/2024	PFC - No report PB - No report	N

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TPR General code of practice

North Yorkshire Pension Fund (NYPF) - Scheme Assessment

Prepared for:	North Yorkshire Council NYPF Pension Committee NYPF Pension Board
Prepared by:	Aon
Date:	21 August 2024

Introduction

TPR Code Compliance model

This report sets out how North Yorkshire Pension Fund (NYPF) complies with the Pension Regulator's (TPR) General code of practice (the Code) in relation to the management of the North Yorkshire Pension Fund (NYPF) which is part of the Local Government Pension Scheme (LGPS).

Note that the Code applies to governing bodies of all occupational, personal and Public Service Pension Schemes and therefore it is generic in nature. This document highlights all the key elements of the Code relevant to Public Service Pension Schemes and sets out whether North Yorkshire Council is compliant in each of the Code's modules. There may be a number of requirements relating to these elements that are specifically stipulated within LGPS legislation and it is not the purpose of this compliance model to consider that level of detail.

Key

(green)	Compliant
(amber)	Compliant in some but not all areas
(red)	Not currently compliant
PC	Pension Committee (or equivalent)
PB	Local Pension Board
TPR	The Pensions Regulator
LGPS	Local Government Pension Scheme
Code	TPR's General code of practice

The governing body

The governing body

The governing body – at a glance

Board Structure and activities

Fully compliant in 2 out of 5 modules

5 questions are red and 3 questions are amber out of 30 questions.

Knowledge and understanding requirements

Fully compliant in 0 out of 2 modules

2 questions are red and 5 questions are amber out of 20 questions.

Advisers and service providers

Fully compliant in 0 out of 1 module

No questions are red and 4 questions are amber out of 19 questions.

Risk Management

Fully compliant in 1 out of 6 modules

5 questions are red and 5 questions are amber out of 50 questions. 1 question is unanswered.

Scheme governance

Fully compliant in 0 out of 1 module

2 questions are red and 8 questions are amber out of 24 questions.

Essential actions

▪ Expected behaviours & standards to be included in future induction training
To be included in training policy/strategy document
Training policy currently being updated
▪ To reassess annually following reappointment to committee
To suggest training modules to complete based on skills gaps & meeting subject matter such as Valuations.
▪ Not in the constitution, possibly governance policy para in to cover. Democratic services discussion.
▪ Role of chair process not detailed enough, revisit whole section, speak to Democratic Services
▪ Role of chair process not detailed enough, revisit whole section, speak to Democratic Services
▪ Chair skills and behaviours, speak Democratic Services
▪ Additional question in skills gap analysis
What was given to new PFC chair?

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

The governing body

Board structure and activities

Essential Actions

	Module	Question	Action
1	Role of the governing body	3	Expected behaviours & standards to be included in future induction training To be included in training policy/strategy document Training policy currently being updated
2	Recruitment and appointment to the governing body	4	To reassess annually following reappointment to committee To suggest training modules to complete based on skills gaps & meeting subject matter such as Valuations.
3	Recruitment and appointment to the governing body	6	Not in the constitution, possibly governance policy para in to cover. Democratic services discussion.
4	Appointment and role of the chair	1	Role of chair process not detailed enough, revisit whole section, speak to Democratic Services
5	Appointment and role of the chair	2	Role of chair process not detailed enough, revisit whole section, speak to Democratic Services
6	Appointment and role of the chair	3	Chair skills and behaviours, speak Democratic Services
7	Appointment and role of the chair	4	Additional question in skills gap analysis What was given to new PFC chair? Not technical skills but softer Chair training
8	Remuneration and fee policy	4	Remuneration & fees - include in Governance Compliance Statement. Page 440 & 444 of constitution

Other Actions

	Module	Question	Action
1	Recruitment and appointment to the governing body	1	To review constitution - content about PFC may not be sufficient Governance Compliance Statement - more detail, speak to Democratic Services
2	Recruitment and appointment to the governing body	3	Anything in the EDI policy maybe helping diversity, EDI when appointing to committee
3	Meetings and decision-making	4	Rare occurance, if decision outside meeting then will be included in subsequent meeting discussion and minutes
4	Remuneration and fee policy	1	Remuneration & fees - include in Governance Compliance Statement. Page 440 & 444 of constitution

Knowledge and understanding requirements

Essential Actions

	Module	Question	Action
1	Knowledge and understanding	1	Make sure everything referenced in code is in the training policy
2	Knowledge and understanding	6	Revisit training policy
3	Governance of knowledge and understanding	3	to set up annual review process and training delivery from outcome Undertake skills gap analysis
4	Governance of knowledge and understanding	4	consider development plans
5	Governance of knowledge and understanding	10	to set up annual review process and training delivery from outcome Undertake skills gap analysis
6	Governance of knowledge and understanding	11	consider development plans

Other Actions

	Module	Question	Action
1	No Actions		

Advisers and service providers

Essential Actions

	Module	Question	Action
1	Managing advisers and service providers	7	Create Contract Management and Delegation document to handle asking of work from service providers link to Procurement manual
2	Managing advisers and service providers	9	conflict of interest - fund wide policy - managing ongoing contracts and senior staff
3	Managing advisers and service providers	16	BCP undergoing review

Other Actions

	Module	Question	Action
1	No Actions		

Risk management

Essential Actions

	Module	Question	Action
1	Identifying, evaluating and recording risks	5 k	To add conflicts of interest at next risk register review
2	Internal controls	6	Internal controls - include in risk policy each area of Fund documents own areas of responsibilities
3	Assurance reports on internal controls	3	Service providers to provide regular assurance reports, Heywood, Aon, Ward Hadaway, etc
4	Scheme continuity planning	1	Currently being reviewed and updated
5	Conflicts of interest	1	Conflicts of interest - nothing that covers officers. Requirement of good governance recommendations
6	Conflicts of interest	8	Need to write a Fund conflict of interests policy and it will follow the code

Other Actions

	Module	Question	Action
1	No Actions		

Scheme governance

Essential Actions

	Module	Question	Action
1	Systems of governance	1	Expected behaviours & standards to be included in future induction training
2	Systems of governance	4	Revisit training policy
3	Systems of governance	5	to set up annual review process and training delivery from outcome consider development plans
4	Systems of governance	7	Business continuity plan is in the process of being updated Bus Impact Assessment completed
5	Systems of governance	8	referred 1 question to Gary F
6	Systems of governance	10	Business continuity plan is in the process of being updated Bus Impact Assessment completed
7	Systems of governance	16	To create ESOG review policy To discuss with Veritau to include as part of internal audit program. To review an element each year.
8	Systems of governance	21	To create high level policy regarding cases of missing data but ultimately they need to be handled on a case by case basis

Other Actions

	Module	Question	Action
1	No Actions		

The governing body

Modules

Board structure and activities

- Role of the governing body (1)
- Recruiting and appointment to the governing body (2,6)
- *Arrangements for member-nominated trustee appointments (7)*
- Appointment and role of the chair (5)
- Meetings and decision-making (1)
- Remuneration and fee policy (4)

Knowledge & understanding requirements

- Knowledge and understanding (3,6)
- Governance of knowledge and understanding (3,6)

Value for scheme members (DC only)

- *Value for members (7)*

Notes:
The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.
(1) Applies
(2) Mostly applies
(3) Partially applies
(4) Good practice
(5) Mostly good practice
(6) Partially good practice
(7) Does not apply

Advisers and service providers

- Managing advisors and service providers (4)

Risk management

- Identifying, evaluating and recording risks (1)
- Internal controls (1)
- Assurance reports on internal controls (1)
- Scheme continuity planning (4)
- Conflicts of interest (3,6)
- Own risk assessment (4)
- *Risk management function (7)*

Scheme governance

- Systems of governance (4)

Funding and
investment

Funding and investment

Funding and investment – at a glance

Investment

Fully compliant in 3 out of 4 modules

No questions are red and 1 question is amber out of 37 questions.

Essential actions

- RI policy - check it covers operational risk

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Funding and investment

Investment

Essential Actions

	Module	Question	Action
1	Climate change	1	RI policy - check it covers operational risk

Other Actions

	Module	Question	Action
1	No Actions		

Funding and investment

Modules

Investment

- Investment governance (4)
- *Investment decision making (7)*
- Investment monitoring (4)
- Stewardship (6)
- Climate change (3,6)
- *Statement of investment principles (6)**
- *Default arrangements and charge restrictions (7)*

Notes:
The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.
(1) Applies
(2) Mostly applies
(3) Partially applies
(4) Good practice
(5) Mostly good practice
(6) Partially good practice
(7) Does not apply
* Note that for the Statement of investment principles module the Code references good practice for PSPSs. However, due to the overriding legal requirement to have an Investment Strategy Statement (ISS) in place we have not included any questions on this module but have referred to the ISS within the Investment governance module.

Administration

Administration

Administration – at a glance

Scheme administration

Fully compliant in 0 out of 1 module

2 questions are red and 1 question is amber out of 16 questions.

Information handling

Fully compliant in 1 out of 4 modules

2 questions are red and 1 question is amber out of 42 questions.

IT

Fully compliant in 0 out of 2 modules

3 questions are red and 1 question is amber out of 17 questions.

Contributions

Fully compliant in 1 out of 3 modules

No questions are red and 2 questions are amber out of 13 questions.

Essential actions

- Admin responsibilities and tasks - Include in governance roles & responsibilities document
- Admin processes - ongoing project to create working processes
- BCP - currently in review
- Policy documented around when data can't be corrected - To create high level policy regarding cases of missing data but ultimately they need to be handled on a case by case basis
- Maintaining own IT - service providers - assurance reports.
- Cyber Policy review when results of cyber scorecard received
- Cyber Controls - service providers assurance reports
NYC, Heywoods, B2C, custodian
- Move to i-Connect remittance functionality would improve efficiency and accuracy
- Check what i-Connect does re contributions vs p.able pay. And what checks are done at year end
- Resolving Conts - Documented process needed for Finance actions on overdue contributions.

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Administration

Scheme administration

Essential Actions

	Module	Question	Action
1	Planning and maintaining administration	3	Admin responsibilities and tasks - Include in governance roles & responsibilities document
2	Planning and maintaining administration	14	Admin processes - ongoing project to create working processes
3	Planning and maintaining administration	15	BCP - currently in review

Other Actions

	Module	Question	Action
1	No Actions		

Information handling

Essential Actions

	Module	Question	Action
1	Data monitoring and improvement	6	Policy documented around when data can't be corrected - To create high level policy regarding cases of missing data but ultimately they need to be handled on a case by case basis

Other Actions

	Module	Question	Action
1	No Actions		

IT

Essential Actions

	Module	Question	Action
1	Maintenance of IT systems	8	Maintaining own IT - service providers - assurance reports.
2	Cyber controls	1	Cyber Policy review when results of cyber scorecard received
3	Cyber controls	9	Cyber Controls - service providers assurance reports NYC, Heywoods, B2C, custodian

Other Actions

	Module	Question	Action
1	No Actions		

Contributions

Essential Actions

	Module	Question	Action
1	Monitoring contributions	1	Move to i-Connect remittance functionality would improve efficiency and accuracy
2	Monitoring contributions	5	Check what i-Connect does re contributions vs p.able pay. And what checks are done at year end
3	Resolving overdue contributions	1	Resolving Conts - Documented process needed for Finance actions on overdue contributions.

Other Actions

	Module	Question	Action
1	No Actions		

Administration

Modules

Scheme administration

- Planning and maintaining administration (1)

Information handling

- Financial transactions (1)
- Transfers out (2)
- Record-keeping (3,6)
- Data monitoring and improvement (1)

IT

- Maintenance of IT systems (1)
- Cyber controls (2,6)

Contributions

- Receiving contributions (3)
- Monitoring contributions (1)
- Resolving overdue contributions (1)

Notes:
The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.
(1) Applies
(2) Mostly applies
(3) Partially applies
(4) Good practice
(5) Mostly good practice
(6) Partially good practice
(7) Does not apply

Communications and disclosure

Communications and disclosure

Communications and disclosure – at a glance

Information to members

Fully compliant in 5 out of 5 modules

No questions are red and no questions are amber out of 22 questions.

Public information

Fully compliant in 1 out of 2 modules

No questions are red and 1 question is amber out of 14 questions.

Essential actions

None

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Communication and disclosure

Information to members

Essential Actions

	Module	Question	Action
1	No Actions		

Other Actions

	Module	Question	Action
1	No Actions		

Public information

Essential Actions

	Module	Question	Action
1	No Actions		

Other Actions

	Module	Question	Action
1	No Actions		

Communication and disclosure

Modules

Information to members

- General principles for member communications (1)
- *Annual pension benefit statements (DC) (7)*
- *Summary funding and pension benefit statements (DB) (7)*
- Benefit information statements (PSPS) (1)
- Retirement risk warnings and guidance (1)
- Notification of right to cash transfer sum or contribution refund (2)
- *Chair's statement (7)*
- Scams (1)
- *Audit requirements (7)*

Public information

- Publishing scheme information (PSPS) (2,6)
- Dispute resolution procedures (2,6)

Notes:
The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.
(1) Applies
(2) Mostly applies
(3) Partially applies
(4) Good practice
(5) Mostly good practice
(6) Partially good practice
(7) Does not apply

Reporting to TPR

Reporting to TPR

Reporting to TPR – at a glance

Regular reports

Fully compliant in 1 out of 1 module

No questions are red and no questions are amber out of 3 questions.

Whistleblowing- Reporting breaches of the law

Fully compliant in 2 out of 4 modules

1 question is red and 1 question is amber out of 11 questions.

Essential actions

- Reporting Breaches - check what Hymans platform provides
- Reporting of Breaches - make sure Finance team are fully aware of requirements to report breaches.
- Contribution payment failures - Senior Fund accountant needs to ensure reporting mechanism is added to process and they are logged on the breaches log

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Reporting to TPR

Regular reports

Essential Actions

	Module	Question	Action
1	No Actions		

Other Actions

	Module	Question	Action
1	No Actions		

Whistleblowing - reporting breaches of the law

Essential Actions

	Module	Question	Action
1	Who must report	4	Reporting Breaches - check what Hymans platform provides

Other Actions

	Module	Question	Action
1	No Actions		

Reporting to TPR

Modules

Regular reports

- Registrable information and scheme returns (1)

Whistleblowing - reporting breaches of the law

- Who must report (1)
- Decision to report (1)
- How to report (1)
- Reporting payment failures (1)

Notes:
The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.
(1) Applies
(2) Mostly applies
(3) Partially applies
(4) Good practice
(5) Mostly good practice
(6) Partially good practice
(7) Does not apply

The information set out in this report is based on the expectations set out in the Code, compared to your current practice and it is not a regulatory and compliance audit. The information is based on the responses by the Administering Authority to questions set by Aon based on information contained in the Code.

North Yorkshire Pension Fund

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification

Ref.	RPF_9	**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 Investments with East Riding Pension Fund; Deputy Treasurer in place (AD RES);

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**
RR_RPF_38	Carry out appropriate induction and ongoing training for new PFC and Pension Board members	RES Head of Investments; RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_39	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-2024	0%	
RR_RPF_60	Ongoing review and update of procedure notes; ensure these are maintained and remain relevant and up to date	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_61	Ensure succession planning is in place for key roles	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_66	Ensure adequate finance capacity is available to support the Pension Fund in light of competing finance team demands	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	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

Identify temporary cover arrangements plus additional resources where required

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification

Ref.	RPF_2	**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 which are; reviewed every 3 years; employer contributions reviewed every three years; measure liabilities against investment returns on a quarterly basis; regular reports to PFC; data quality reviews undertaken; employer covenants completed as part of each triennial valuation and as required; DfE as guarantor of academies; continual programme of investment strategy reviews, every three years or more frequently as required (next in 2024/25)

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**
RR_RPF_3	Continue to monitor risk around unguaranteed funds	RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_4	Monitor the legislative environment for any impact on funding and investment strategies and solvency and respond to consultations as and when appropriate	RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_5	Continue with implementation of changes to investments to bring them in line with the new investment strategy	RES Head of Investments	30-Nov-2024	0%	
RR_RPF_6	Work through transition plan reflecting operational model for the pensions pool; contribute to the development of sub funds to allow further transfers; progress through the timetable	RES Head of Investments	30-Nov-2024	0%	
RR_RPF_7	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-2024	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

North Yorkshire Pension Fund

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification							
Ref.	RPF_4	**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 MiFID2 monitored; full investment strategy review as part of the triennial review (next to be undertaken in 2024/25); Pool has a Responsible Investment Policy and Climate Change Policy; NYPF Investment Strategy Statement includes ESG policy; Cash Flow Policy; Responsible Investment Policy and Climate Change Statement for NYPF; climate scenario analysis.

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**
RR_RPF_14	Ongoing monitoring of cash flow position and three year forward projection reports provided to PFC quarterly	RES Senior Accountant (Pensions)	30-Nov-2024		0%	
RR_RPF_15	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-2024		0%	
RR_RPF_16	Continual review of the investment strategy and implement the recommendations, including availability of investment opportunities through Border to Coast	RES Senior Accountant (Pensions)	30-Nov-2024		0%	
RR_RPF_17	Quarterly monitoring of appropriateness of strategy against prevailing market conditions	RES Senior Accountant (Pensions)	30-Nov-2024		0%	
RR_RPF_18	Monitor the advisor and consultants reports and act on professional advice – ongoing given national and global issues	RES Senior Accountant (Pensions)	30-Nov-2024		0%	
RR_RPF_19	Increased focus on climate change: Climate Change Statement and Responsible Investment Policy published on the website; carbon footprint reported to PFC periodically, and published on Border to Coast's website. Ongoing engagement with border to Coast on the evolution of their suite of policies.	RES Head of Investments	30-Nov-2024		0%	
RR_RPF_5	Continue with implementation of changes to investments to bring them in line with the new investment strategy	RES Head of Investments	30-Nov-2024		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

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification							
Ref.	RPF_6	**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 fund administration team fully staffed; Pension fund team established and additional accountant brought into team.							
Current Probability	H	**Current Impact**	L	**Current Risk Score**	8	**Current Risk Category**	Medium

Phase 3 - Risk Mitigation Plan					
Reduction Action		**Action Manager**	**Due Date and status**	**%**	**Date Completed**
RR_RPF_26	Ensure effective development of, and knowledge transfer to, newly appointed staff	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_28	Continue to monitor workload demands to ensure effective resource allocation	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_29	McCloud go live has happened, the errors have been worked through and resolved, outputs being checked and corrected as required, manual cases to be progressed, process changes made and ongoing processing includes McCloud where required	RES Head of Pensions Administration	31-Aug-2024	30%	
RR_RPF_31	Manage the impact of LGR on BAU;	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_63	Issue required disclosure communications for McCloud	RES Head of Pensions Administration	31-Dec-2023	100%	11-Dec-2023
RR_RPF_66	Ensure adequate finance capacity is available to support the Pension Fund in light of competing finance team demands	RES Head of Pensions Administration; RES Senior Accountant (Pensions)	30-Nov-2024	0%	

Phase 4 - Target Risk Assessment							
Target Probability	M	**Target Impact**	L	**Target Risk Score**	6	**Target Risk Category**	Medium

Phase 5 - Fallback Plan
Fallback Plan
Obtain assistance from 3rd party administration provider. Escalate finance issues through the management structure

North Yorkshire Pension Fund

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification							
Ref.	RPF_12	**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, leading to 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**
RR_RPF_48	Closer monitoring of the managers where NYPF funds are being reduced / removed.	RES Senior Accountant (Pensions)	30-Nov-2024	▶	0%	
RR_RPF_49	Continue to monitor and report on investment returns on a regular basis	RES Senior Accountant (Pensions)	30-Nov-2024	▶	0%	
RR_RPF_50	Continue to meet/report to PFC by Fund Managers and assess critical analysis by advisers	RES Senior Accountant (Pensions)	30-Nov-2024	▶	0%	
RR_RPF_51	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-2024	▶	0%	
RR_RPF_7	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-2024	▶	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 arrangements including passive Fund Manager

North Yorkshire Pension Fund

Risk Register: **June 2024 Review – detailed**
Next Review Due: **November 2024**
Report Date: **25th June 2024 (cpc)**

Phase 1 - Identification									
Ref.	RPF_14	**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; incident management plan and business impact analysis completed, BCP being updated.									
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**			
RR_RPF_53	Ensure cyber security training is up to date and that key messages on threats etc are distributed and discussed	RES Head of Pensions Administration	30-Nov-2024		0%				
RR_RPF_54	Sense check and understand BCP of all internal and external service providers	RES Head of Pensions Administration	30-Nov-2024		0%				
RR_RPF_55	Sense check any IT recovery assumptions with Technology; Resilience and Emergencies team are bringing together corporate plan which will assess call on resources including technology	RES Head of Pensions Administration	30-Nov-2024		0%				
RR_RPF_65	Create and test updated business continuity plan; Ensure pensions is included in wider NYC planning	RES Head of Pensions Administration	30-Nov-2024		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									

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Phase 1 - Identification									
Ref.	RPF_8	**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 communications with employers; manage employer contributions through the valuation process (next valuation at March 2025); assumptions used in triennial valuation, cost sharing mechanism, funding strategy statement; Contribution Deferral Policy									
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**
RR_RPF_32	Continue to review the employer contributions collection process to seek to improve efficiency and reduce likelihood of late payments and potential breaches				RES Senior Accountant (Pensions)		30-Nov-2024	0%	
RR_RPF_33	Continue investigating the use of iConnect for monthly contribution collection has been investigated and solution proposal submitted (part of RR_RPF_32) – proposal submitted, waiting for project team				RES Head of Pensions Administration; RES Senior Accountant (Pensions)		30-Nov-2024	0%	
RR_RPF_34	Maximise investments / returns by evolution of the investment strategy				RES Senior Accountant (Pensions)		30-Nov-2024	0%	
RR_RPF_35	Enforce the penalty charging regime for late payment and late supporting documents				RES Senior Accountant (Pensions)		30-Nov-2024	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									
Increased contribution rate from employers and/or extend recovery period									

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Phase 1 - Identification									
Ref.	RPF_10	**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									
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	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**
RR_RPF_40	Roll out the monthly online returns				RES Head of Pensions Administration	31-Mar-2025		90%	
RR_RPF_42	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-2024		0%	
RR_RPF_43	Regular liaison with ESS regarding operational arrangements; ongoing via employer relationship role				RES Head of Pensions Administration	30-Nov-2024		0%	
RR_RPF_44	Continue to manage the level of outstanding work; targeting a 3 week backlog				RES Head of Pensions Administration	30-Nov-2024		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									
Correct errors and review and amend existing procedures									

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North Yorkshire Pension Fund

North Yorkshire Pension Fund

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Phase 1 - Identification									
Ref.	RPF_11	**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; failure to comply sufficiently with the new General Code			**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; utilising third party GCOP compliance checker tool and will create an action plan									
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**
RR_RPF_45	Implementation of staff training programme training schedule created			RES Head of Pensions Administration		30-Nov-2024		0%	
RR_RPF_46	Dashboard connection date released, project initiated, ISP provider agreed and target connection date set			RES Head of Pensions Administration		31-May-2025		0%	
RR_RPF_47	Continue to implement cross skilling within the section to improve resilience;			RES Head of Pensions Administration		30-Nov-2024		0%	
RR_RPF_64	Carry out a gap analysis of TPR General Code of Practice (specific to the LGPS) against existing policies and procedures; Create a checklist of policies, practices and procedures required by the new code; Draft new policies and procedures; Ensure compliance against the new code			RES Head of Investments; RES Head of Pensions Administration		31-Mar-2025		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									

North Yorkshire Pension Fund

Risk Register: **June 2024 Review – detailed**
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<table>
<tr><th colspan="9">Phase 1 - Identification</th></tr>
<tr><td>Ref.</td><td>RPF_5</td><td>Title</td><td colspan="2">Fraud</td><td>Risk Owner</td><td>CD RES</td><td>Risk Manager</td><td>RES Head of Investments; RES Head of Pensions Administration</td></tr>
<tr><td>Risk Description</td><td colspan="4">Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation</td><td>Risk Group</td><td>Financial</td><td>Linked Risk(s)</td><td></td></tr>
<tr><th colspan="9">Phase 2 - Current Assessment</th></tr>
<tr><th colspan="9">Current Control Measures</th></tr>
<tr><td colspan="9">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</td></tr>
<tr><td>Current Probability</td><td>VL</td><td>Current Impact</td><td>H</td><td>Current Risk Score</td><td>4</td><td colspan="2">Current Risk Category</td><td>Low</td></tr>
<tr><th colspan="9">Phase 3 - Risk Mitigation Plan</th></tr>
<tr><th colspan="5">Reduction Action</th><th>Action Manager</th><th>Due Date and status</th><th>%</th><th>Date Completed</th></tr>
<tr><td>RR_RPF_20</td><td colspan="4">Veritau get the output from National Fraud Initiative and pursue any cases of concern for fraud</td><td>RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_21</td><td colspan="4">Increase awareness within the teams of potential for pension scams including cash equivalent transfers,</td><td>RES Head of Pensions Administration; RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_22</td><td colspan="4">Continually review processes and procedures including authorisation levels;</td><td>RES Head of Pensions Administration; RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_23</td><td colspan="4">Ongoing internal audit assessment</td><td>RES Head of Pensions Administration; RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_24</td><td colspan="4">Annual independent external audit of pension fund (separate from NYC) and carry out appropriate recommendations; initial report produced</td><td>RES Head of Pensions Administration; RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_25</td><td colspan="4">Continue to review external manager audit and risk reports</td><td>RES Senior Accountant (Pensions)</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><td>RR_RPF_62</td><td colspan="4">Continue to carry out a monthly mortality screen across pensioner population</td><td>RES Head of Pensions Administration</td><td>30-Nov-2024</td><td>0%</td><td></td></tr>
<tr><th colspan="9">Phase 4 - Target Risk Assessment</th></tr>
<tr><td>Target Probability</td><td>VL</td><td>Target Impact</td><td>H</td><td>Target Risk Score</td><td>4</td><td colspan="2">Target Risk Category</td><td>Low</td></tr>
<tr><th colspan="9">Phase 5 - Fallback Plan</th></tr>
<tr><th colspan="9">Fallback Plan</th></tr>
<tr><td colspan="9">Review incident and update procedures/processes accordingly</td></tr>
</table>

Risk Register: **June 2024 Review – detailed**
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Phase 1 - Identification							
Ref.	RPF_3	**Title**	**LGPS Pooling Transition**	**Risk Owner**	CD RES	**Risk Manager**	RES Head of Investments
Risk Description	Failure to transition effectively to new pooling arrangements (and consider the impact of proposed super-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; responded to consultation on super pooling (sep 23)							
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**
RR_RPF_10	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-2024	0%	
RR_RPF_11	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-2024	0%	
RR_RPF_12	Ensure that PFC continue to be involved in key pooling decisions and informed of transition progress	RES Senior Accountant (Pensions)	30-Nov-2024	0%	
RR_RPF_7	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-2024	0%	
RR_RPF_8	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-2024	0%	
RR_RPF_9	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-2024	0%	

Phase 4 - Target Risk Assessment							
Target Probability	VL	**Target Impact**	L	**Target Risk Score**	**2**	**Target Risk Category**	Very Low

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

Risk Register: **June 2024 Review – detailed**
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Risk Reduction Action Status Key	
Symbol	Meaning
	The risk reduction action is overdue for completion or review.
	The risk reduction action is approaching its expected completion or review date.
	The risk reduction action is on target.
	The risk reduction action has been completed.

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North Yorkshire Pension Fund

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Risk Register: **June 2024 Review – summary**
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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?
↑	**RPF_9 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	L	M	**6**	Medium	✓
↓	**RPF_2 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	L	H	**8**	Medium	L	H	**8**	Medium	✓
–	**RPF_4 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	✓
–	**RPF_6 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	L	**8**	Medium	M	L	**6**	Medium	✓
–	**RPF_12 Investment Manager**	Failure of a pension fund investment manager (incl BCPP) to meet adequate performance levels resulting in reduced financial returns, leading to re-tendering exercise	CD RES	RES Head of Investments	L	M	**6**	Medium	L	M	**6**	Medium	✓
–	**RPF_14 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	✓
↓	**RPF_8 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	L	M	**6**	Medium	L	M	**6**	Medium	✓
–	**RPF_10 Benefit Payments**	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments	CD RES	RES Head of Pensions Administration	L	L	**4**	Low	L	L	**4**	Low	✓
–	**RPF_11 Regulations and Legislation**	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly resulting in legal challenge; failure to comply sufficiently with the new General Code	CD RES	RES Head of Pensions Administration	L	L	**4**	Low	L	L	**4**	Low	✓

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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?
▬	**RPF_5 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	✔
⬇	**RPF_3 LGPS Pooling Transition**	Failure to transition effectively to new pooling arrangements (and consider the impact of proposed super-pooling arrangements) resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.	CD RES	RES Head of Investments	L	L	**4**	Low	VL	L	**2**	Very Low	✔

Risk Trend Key	
Symbol	**Meaning**
⬆	Risk ranking has worsened since the last review.
▬	Risk ranking is the same as at last review.
⬇	Risk ranking has improved since the last review.
new	Risk is new or has been significantly altered since the last review.

Abbreviations		**Classifications**	
CD RES	Corporate Director Resources	Curr Prob	Current Probability
RES	Resources Directorate	Curr Imp	Current Impact
FB Plan	Fallback Plan	Targ Prob	Target Probability
LGPS	Local Government Pension Scheme	Targ Imp	Target Impact
IT	Information Technology	FB Plan	Fallback Plan

North Yorkshire Pension Fund

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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

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	Title or Nature of Course	&Weighell J	Portlock D	A Thompson	@P Wilkinson	*D Sladden	%M. Crane	" S. Gibbs	G. Jabbour	C. Lunn	D. Noland	#A. Williams	M. Walker	N. Swannick	^J. Cattanach	+J. Crawshaw	$P Kilbane	Unison (Vacancy)	Unison (Vacancy)
30 June 2023	Investment Manager Workshop (Border to Coast)	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓					
14 September 2023	Asset Allocation Workshop (Equities Review)	✓	✓						✓		✓	✓		✓					
28-29 September 2023	BCPP Investment Conference						✓		✓	✓	✓		✓	✓					
26 October 2023	Impact and Factor Equities	✓	✓	✓			✓	✓	✓	✓	✓	✓		✓					
23 November 2023	Impact Equities, including presentation from Baillie Gifford					✓	✓	✓	✓	✓	✓	✓	✓	✓					
22 February 2024	UK Opportunities and Climate Opportunities workshop		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓				
27 June 2024	General Code of Practice Workshop AON		✓	✓			✓	✓	✓	✓	✓			✓	✓		✓		

When Members have attended Workshops/Conferences/Training Events could you please inform Stephen Loach on stephen.loach@northyorks.gov.uk and these details will be included within this appendix for future meetings.

“ – Cllr Sam Gibbs left the Committee on 17th July 2023 and was re-appointed from 15 November 2023
^ - Cllr John Cattanach appointed to the Committee on 17th July 2023
+ - Cllr Jonny Crawshaw appointed to the Committee May 2023 and left May 2024 following City of York Council elections
& - Councillor John Weighell OBE left the Committee on 15 November 2023
@ - Councillor Peter Wilkinson appointed to the Committee in May 2024
*** - Councillor Dan Sladden appointed to the Committee in May 2024**
 # - Councillor Andrew Williams left the Committee in May 2024
~ - Councillor Matt Walker left the Committee in May 2024
$ - Councillor Peter Kilbane appointed to the Committee May 2024 following City of York Council elections

APPENDIX 7

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
PLSA	Annual Conference	15 – 17 October 2024	ACC, Liverpool	Empower yourself with the latest insights at the PLSA Annual Conference, the definitive gathering for the pensions community. Connect, learn, and shape the future of pensions through expert-led sessions, valuable networking, and access to the policy debate and ground-breaking practical solutions.
PLSA	Pensions' Policy Summit	28 November 2024	PwC 1 Embankment Place London WC2N 6RH	Pensions are once again at the forefront of political discourse. A two-part pensions review is underway and there are big questions on the role schemes can play in growing the UK economy and how to improve retirement adequacy. A growth-focused Budget could well impact schemes. This autumn, the PLSA's Pensions Policy Summit brings together political commentators, policymakers and the pensions industry to set out the future of pensions policy under the Labour Government.
LGA	LGPS Governance Conference 2025	30 January - 31 January 2025	Bournemouth Highcliff Marriott Hotel 105 St Michael's Rd W Cliff Rd Bournemouth BH2 5DU	Our conference is a must attend event for councillors and others who attend pension committees and local pension boards. The programme is designed to cover the key issues for the Local Government Pension Scheme (LGPS) and our speakers are all experts in their fields.

LGA Fundamentals training 2024

There are a few places left on the Fundamentals training programme, which starts in October. LGA are running the training in person in two locations (London and York) and separately online.

Fundamentals is a three-day training course aimed at councillors and other who attend pension committees/panels and local pension boards. Attending all three days will help delegates meet the required knowledge, skills and understanding. All sessions are delivered by experts in their field. The event also provides delegates with valuable networking opportunities.

Day 1

10 October	York	The Principal Hotel
16 October	Westminster	LGA Offices
23 & 30 October	Online	

Day 2

5 November	York	The Principal Hotel
13 November	Westminster	LGA Offices
21 & 28 November	Online	

Day 3

4 December	York	The Principal Hotel
10 December	Westminster	LGA Offices
12 & 17 December	Online	

Hymans Robertson package (Aspire) of on-line training can now be utilised by Members - “bite-size” sessions that can be dipped in and out of at Members convenience. There are now two packages available with package two being the most up to date version. The training modules are as follows:-

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

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

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

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

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

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

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2024/25

13 September 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
22 November 2024	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
28 February 2025	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee

Arrangements for Workshops are currently under consideration and will be published alongside meeting dates, when available.

A Committee Timetable for 2025/26 is currently being developed and details will be provided when this is available.

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NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

13 September 2024

BUDGET AND CASHFLOW

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

(a) the 2024/25 budget and the cost of running the Fund (see section **2**)

(b) the cashflow projection for the Fund (see section **3**)

(c) update on the Fund's statutory accounts and Annual Report (see section **4**)

2.0 2024/25 BUDGET - THE COST OF RUNNING THE FUND

2.1 The forecast outturn position against the 2024/25 budget is presented in **Appendix 1**. It shows an estimated total running cost of £38.6m for the Fund against a budget of £38.8m. The early estimate of the underspend for the year is therefore £0.2m.

2.2 The underspend is primarily due to a reassessment of performance fees payable to Baillie Gifford. Also of note, the fee for the external audit will be significantly higher than budgeted. This follows a review of audit fees by the PSAA (Public Sector Audit Appointments) where fees have been reset across the public sector market. This review followed recommendations from an independent review into the oversight of local audit and the transparency of local authority reporting undertaken by Sir Tony Redmond. The Fund has arguably benefited from unexpectedly low audit fees for many years, and the higher fees are considered a more realistic representation of the necessary work involved.

3.0 4 YEAR CASHFLOW PROJECTION

3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cash flows of the Fund for the current financial year and the following three years. This cash flow includes the contribution income and benefits payable, being the main inflows and outflows of the Fund, which are the two key determining factors for when the Fund will turn cash flow negative.

3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflation. CPI in July 2024 was 2.2% and this rate has been assumed for September, which is the rate which will be applied to uplift pension benefits in April 2025. 2% has been assumed thereafter. The assumptions including inflation will continue to be reviewed and updated regularly to reflect any new information that becomes available.

3.3 The forecast for contribution income is based on the employers' current contribution rates and takes into account active member numbers and any expected changes in this regard. Assumptions on pay awards are in line with those of the Fund's largest employer, North Yorkshire Council, in its budget and medium-term financial strategy.

3.4 The overall cash flow position is expected to be a series of steadily increasing deficits from 2024/25 into the future. This is to be expected as the Pension Fund continues to mature.

3.5 Due to disinvestment activities over the course of the 2023/24 financial year, the Fund held cash well above the usual level in the early part of 2024/25. At the end of June 2024, the cash balance was £120 million or 2.6% of the total value of the Fund. The high rate of interest available in the market has provided a good investment return, with very little risk. As the year progresses, the Fund's cash balances are expected to reduce closer to more normal levels, as the money is used to meet capital calls for infrastructure and private credit investments, as well as support the operational cash requirements.

3.6 Discussions are ongoing with Border to Coast on increasing the range of available options for income on investments to be distributed to investors. Currently, few options exist, but this will change ahead of the Fund needing to avail itself as required.

4.0 UPDATE ON THE FUND FINAL ACCOUNTS AND ANNUAL REPORT

4.1 At time of writing, the audit of the 2022/23 Statement of Accounts for North Yorkshire County Council, and North Yorkshire Pension Fund, is still not complete. Audit of the Fund's accounts is at the final review stage with the Audit Manager at Deloitte, with few, if any, queries expected. However, as the Fund Accounts form part of the wider Council Accounts, final sign-off of the Fund Account's cannot be completed until the audit of the Council Accounts is also completed. It is understood that Deloitte has now allocated some additional resources to the audit. This should help bring the process to an end, but the timescale is still unclear.

4.2 Once the audit of the 2022/23 Statement of Accounts has been completed, this will allow the audit of the Fund's Annual Report to be finished off. The necessary work has been completed some time ago. Then, a final version of the Annual Report 2022/23 will be published on the Fund's website, replacing the draft version.

4.3 The Draft 2023/24 Statement of Accounts for both the Fund and North Yorkshire Council were published on the Council's website on 23 August 2024. The Draft Accounts will be presented for consideration at the next meeting of the Council's Audit Committee, on 23 September 2024.

5.0 **RECOMMENDATIONS**

5.1 Members to note the contents of the report.

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

4 September 2024

Appendix 1

North Yorkshire Pension Fund - 2024/25 Budget - Cost of Running the Pension Fund

	Budget 2024/25 £k	Forecast 2024/25 at Q1 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	490	490	-
Provision of Pensioner Payroll (ESS)	76	76	-
Pensions Administration Team	1,570	1,570	-
McCloud	116	116	-
Other Admin Expenses	662	662	-
Total Admin Expenses	**2,914**	**2,914**	**-**
Oversight and Governance			
Actuarial Fees	65	65	-
Custodian Fees	75	75	-
Consultants Fees	160	160	-
Pooling Operational Charge and Project Costs	540	540	-
Other O & G Expenses	110	170	60
Total Oversight and Governance	**950**	**1,010**	**60**
Investment Fees			
Performance Fees	2,540	2,280	(260)
Investment Base Fees	32,400	32,400	-
Total Investment Fees	**34,940**	**34,680**	**(260)**
TOTAL	**38,804**	**38,604**	**(200)**

Appendix 2

North Yorkshire Pension Fund - Cash Flow

	2024/25 £k	2025/26 £k	2026/27 £k	2026/27 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(136,000)	(144,000)	(152,000)	(161,000)
Lump Sums	(39,000)	(40,000)	(41,000)	(42,000)
	(175,000)	**(184,000)**	**(193,000)**	**(203,000)**
Transfers out	(21,500)	(21,800)	(22,100)	(22,400)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	(22,300)	**(22,700)**	**(23,100)**	**(23,500)**
Operational Expenses				
Admin Expenses	(2,800)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,000)	(1,000)	(1,000)
	(3,800)	**(3,900)**	**(4,000)**	**(4,100)**
TOTAL PAYMENTS	**(201,100)**	**(210,600)**	**(220,100)**	**(230,600)**
SCHEME RECEIPTS				
Employer and Employee Contributions	149,600	154,000	158,700	163,400
Transfers in	24,100	24,400	24,700	25,000
TOTAL RECEIPTS	**173,700**	**178,400**	**183,400**	**188,400**
SCHEME DEFICIT	**(27,400)**	**(32,200)**	**(36,700)**	**(42,200)**

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NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

13 SEPTEMBER 2024

PUBLIC SERVICE PENSIONS ACT 2013 – SECTION 13 REPORT

Report of the Treasurer

1. PURPOSE OF REPORT

1.1. To present the background of the Section 13 Report regime, the findings of the review based on 2022 valuation positions, and the related RAG ratings and metrics for the North Yorkshire Pension Fund.

2. BACKGROUND

2.1 The Ministry of Housing, Communities and Local Government (MHCLG) appointed the Government Actuary's Department (GAD) to report under Section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the funds in the LGPS.

2.2 Published on 14 August 2024, the latest report is the third Section 13 report and is based on the results of LGPS fund valuations on 31 March 2022.

2.3 This report is based on the funds' actuarial valuations and other data provided by the funds and their actuaries. GAD then consider issues of compliance, consistency, solvency, and long-term cost efficiency across the various LGPS funds.

2.4 For solvency and long-term cost efficiency GAD uses several metrics and raises flags against these metrics on a RAG basis, to highlight areas of risk or where further investigation is required. They also use a white "for information" flag where specific action is not expected.

3 31 MARCH 2022 REVIEW

3.1 The 31 March 2022 review is attached as **Appendix 1**. The key points are summarised in the six-page executive summary.

3.2 Across all LGPS funds, the funding level improved from 98% at the 2019 valuation to 106% at the 2022 valuation. This funding level is an aggregation funding levels on a prudent basis for the 86 LGPS funds in England and Wales. North Yorkshire Pension Fund's (NYPF) applies prudence through a probability of funding success approach, and at the 2022 valuation this was 80%. The exact approach will vary from fund to fund, so GAD uses a best estimate basis (probability of funding success at 50%) with a standard set of assumptions for their comparisons. Unsurprisingly, the aggregate funding level is much higher, at 122% on this basis.

3.3 It is interesting to note that 30% of funds were in deficit, as determined on a local basis, on 31 March 2022.

3.4 The report then goes on to consider compliance with the regulations, consistency between valuation approaches across the LGPS, solvency metrics and flags, and long-term cost efficiency metrics and flags.

3.5 GAD had little to say about compliance, other than funds being compliant with the relevant regulations.

3.6 On consistency, under the regulations, funds are allowed to undertake valuations using assumptions suitable for their local circumstances. This presents issues for GAD when they are attempting to make comparisons across the LGPS. Although they consider consistency to have improved since 2019, they have asked the Scheme Advisory Board (SAB) to look at how this could be further improved. They also mention a climate change principles document in development, to be ready in advance of the March 2025 valuation, although no publication date is available.

3.7 Amongst the reasons the review regime was implemented in 2013 were concerns around solvency and affordability. At that time, with the global financial crisis still fresh in peoples' memories, this was understandable. However, circumstances are now very different, so much so that GAD has not raised any solvency related red or amber flags, even with some funds having significant deficits.

3.8 There are only three flags relating to long-term cost efficiency. GAD's view is otherwise that all funds are appropriately setting employer contributions to cover the cost of future accrual.

3.9 Introduced in this review, GAD looked at how surpluses were used, and did not raise any flags. It is expected that scrutiny of this issue will increase in future reviews, particularly if surpluses increase materially. This is about intergenerational fairness – whether the current generation of taxpayers is benefitting appropriately from any surplus, relative to future taxpayers. However, GAD recognises that investment strategies, prudence, and financial and non-financial assumptions will contribute to the funding level, so their focus is on contribution rate outcomes rather than funding levels per se.

4. FURTHER INFORMATION, INCLUDING NYPF REVIEW RESULTS

4.1 The appendices to the 2022 review include a wealth of information on the detail of the review and the outcomes for each LGPS fund.

4.2 The chart on page 12 shows how local funding levels compare when measured on a SAB standard basis (determined by the SAB to calculate liabilities on a consistent basis, allowing for comparisons to be made).

Individual funds are not identified but it's possible to identify NYPF, which had a local funding level of 116% and a funding level on a SAB standard basis of 133%.

4.3 The chart on page 13 shows the difference between these two funding levels and how this compares to other funds. This could reflect the amount of prudence built into local valuations, but it could also reflect different investment strategies, as higher returning strategies for a given level of prudence would result in a higher funding level, all other things being equal.

4.4 The solvency metrics are shown on pages 33-38. NYPF is on page 36 and has green flags against all measures. The long-term cost efficiency metrics are on pages 45-49, with NYPF on page 48, with green flags against all measures.

4.5 Additional details on funding levels, assumptions, investment, membership and contribution rates is set out in GAD's Funding Analysis Report.

5. RECOMMENDATIONS

5.1. Members are recommended to note the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
County Hall
Northallerton
4 September 2024

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Government Actuary's Department

Local Government Pension Scheme England and Wales

Review of LGPS fund valuations as at 31 March 2022 under Section 13

Fiona Dunsire FIA and Aidan Smith FIA

14 August 2024

Contents

1. Executive Summary

1.1 The Government Actuary has been appointed by the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Levelling Up, Housing and Communities) to report under section 13 of the Public Service Pensions Act 2013, in connection with the 2022 actuarial valuations of the funds in the Local Government Pension Scheme England and Wales (LGPS or “the scheme”).

1.2 Section 13 requires the Government Actuary to report on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

1.3 This is the third formal section 13 report. Section 13 was applied for the first time to the fund valuations as at 31 March 2016 and a second exercise was undertaken as at 31 March 2019.

1.4 This report is based on the actuarial valuations of the funds, other data provided by the funds and their actuaries, and engagement exercises with relevant funds. We are grateful to all stakeholders for their assistance in preparing this report. We are committed to preparing a section 13 report that makes practical recommendations to advance the aims listed above. We will continue to work with stakeholders to advance these aims and expect that our approach to section 13 will continue to evolve to reflect ever changing circumstances and feedback received.

Progress since 2019

1.5 We made four recommendations as part of the 2019 section 13 report. In summary, we recommended that:

1. Consideration should be given to the impact of inconsistency on the funds, particularly in relation to emerging risks including climate change.
2. Funds should ensure that their deficit recovery plans can be demonstrated to be a continuation of their previous plan.
3. Additional information about contributions, discount rates and reconciling deficit recovery plans should be added to the dashboard.
4. Governance around asset transfer arrangements from local authorities should be reviewed to ensure any such arrangements meet the fund’s long term funding objectives.

1.6 We are pleased to note good progress has been made in relation to recommendations 1 and 3. However, further actions in relation to recommendations 1, 2 and 4 are suggested.

1.7 We set out our comments on this progress in more detail in Chapter 3.

Funding position at 2022

1.8 In aggregate, the funding position of the LGPS has improved since 31 March 2019 and the scheme appears to be in a strong financial position, specifically:

- Total assets have grown from £290bn in 2019 to £366bn in 2022 (taking the value used in the local fund valuations).
- Total liabilities disclosed in the 2022 local valuation reports amounted to £344bn. The local funding bases are required to incorporate prudence (i.e. there is intended to be a greater than 50:50 likelihood of actual future experience being better than the assumptions, in the opinion of the fund actuary).
- The aggregate funding level on these prudent local bases has improved from 98% (at 2019) to 106% (at 2022). However individual funds have seen a range of funding level changes from a decrease of 2.6% to an increase of just under 30%.
- At the date of writing, we are aware that many funds are likely to have seen further subsequent improvements in their funding position. However, this will depend on individual fund circumstances.
- Whilst the aggregate funding position has improved, not all funds were in surplus at 31 March 2022, with 26 out of 87 being in deficit.
- The improved aggregate funding level is due in large part to strong asset returns over the 3 year period to March 2022. Investment returns averaged around 9% pa over the period. Funding also improved due to the continuation of substantial financial contributions from most LGPS employers.
- The aggregate funding level on the Government Actuary's Department's (GAD's) best estimate basis is 119% (at 2022). GAD's best estimate basis is the set of assumptions derived by GAD without allowance for prudence. There is intended to be a 50:50 likelihood of actual future experience being better or worse than the best estimate assumptions, in our opinion. More information on this basis is set out in Appendix G.
- The improved funding position has increased the focus on how funds treat surpluses, with relevant considerations including balancing intergenerational fairness with the priority given to stability of contributions.
- Material solvency risks continue to exist given the range of funding positions across the scheme, the sensitivity of funding levels to future experience (especially investment market conditions) and competing pressures on employers' budgets.

1.9 We set out below our findings on each of the four aims and our recommendations.

Compliance

1.10 Our review indicated that fund valuations were compliant with relevant regulations.

Consistency

1.11 Section 13 requires each fund's valuation to be carried out in a way that is not inconsistent with other LGPS fund valuations. We interpret "not inconsistent" to mean that methodologies and assumptions used, in conjunction with adequate disclosure in valuation reports, should facilitate comparison by a reader of the reports. Local circumstances may merit different assumptions. For example, financial assumptions are affected by the current and future planned investment strategy, and different financial circumstances might lead to different levels of prudence being adopted.

1.12 Further to our recommendations from previous section 13 reports, we are pleased to note all funds have continued to adopt a consistent "dashboard" and that additional information requested following the 2019 section 13 report has been provided. We consider this a useful resource to aid stakeholders' understanding, because information is presented in a consistent way in the dashboards. We consider it important to continue to review the information contained within the dashboard to ensure it remains helpful to stakeholders. We will discuss with fund actuaries if further information could be provided to inform stakeholders on the different approaches to removing surpluses.

1.13 However, even given consistency in presentation in the dashboards, differences in the underlying methodology and assumptions (which we call evidential inconsistency) mean that it is not possible to make a like for like comparison between funds.

1.14 There is no indication of significant improvement in evidential consistency since the previous review. Local variations may merit different assumptions and the approaches and assumptions adopted appear compliant with the relevant requirements. However, these differences will lead to different outcomes, for example in ongoing contribution rates. The Scheme Advisory Board (SAB) are facilitating a review of the Funding Strategy Statement guidance. Therefore, as part of this review, we encourage stakeholders to consider potential benefits of greater presentational and evidential consistency among other relevant factors.

Recommendation 1:

We recommend that the Scheme Advisory Board consider whether greater consistency could and should be achieved to allow easier comparison between funds and better understanding of risks.

1.15 We are grateful to the fund actuaries and MHCLG for engaging on climate risk analysis since the previous review. We believe that the climate risk analysis principles document agreed ahead of the 2022 valuations (see Appendix B) helped to improve consistency across the scheme in this area. We recognise the significant progress made by funds and actuarial advisors in the presentation of climate risk analysis as part of the actuarial valuation process. We strongly promote the further development of climate risk analysis and its integration into decision-making by funds. This remains a rapidly evolving area and we recommend that the Scheme Advisory Board considers with other stakeholders what common principles should be adopted for the 2025 fund valuations to facilitate consistency in climate risk analysis across the scheme.

1.16 The landscape in which the scheme operates is continually changing such that the scheme will face different challenges over time. We support the SAB continuing to proactively engage with stakeholders on such issues and provide guidance where appropriate to ensure greater consistency across funds.

Recommendation 2:

We recommend that the Scheme Advisory Board continue to consider emerging issues and, where appropriate, whether guidance would be helpful to support greater consistency.

As part of greater consistency on climate risk, we recommend that work continues to refine the climate change principles document in advance of the 2025 fund valuations.

Solvency

Under solvency and long term cost efficiency we have designed a number of metrics and raised flags against these metrics, to highlight areas where risk may be present, or further investigation is required, using a red/amber/green rating approach. Where we do not expect specific action, we have maintained the white "for information" flag approach introduced in 2019.

1.17 As currently set out in CIPFA's Funding Strategy Statement Guidance, the employer contribution rate is appropriate to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund of 100% over an appropriate time period and using appropriate actuarial assumptions

and either:

- 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%

or

- there is an appropriate plan in place should there be an expectation of a future reduction in the number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed

1.18 The improvement in the funding position of the scheme has reduced the immediate solvency concerns. We have raised no red or amber flags in relation to solvency. However, risks clearly do remain which are important for funds to consider, particularly in the context of competing pressures on employer budgets and noting the sensitivity of funding levels to future experience (especially investment market conditions).

1.19 Some councils have made a commitment to transfer some property assets to their pension funds at a future date. Whilst we are not aware of any new arrangements or any currently under consideration, we note these are complex and, in some cases, established with a long time horizon. For these reasons care needs to be taken to ensure they are suitable investments for a pension fund and that they are compliant with the wider local government capital framework. The governance around any such asset transfer arrangements requires careful consideration, and we recommend that these arrangements are considered as part of the Funding Strategy Statement guidance review as set out in recommendation 3.

Long term cost efficiency

1.20 As currently set out in CIPFA's Funding Strategy Statement Guidance, we consider that the rate of employer contributions has been set at an appropriate level to ensure long term cost efficiency, if it is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

1.21 In 2022, we are flagging two funds as raising potential concern in relation to long term cost efficiency under the deficit period measure.

1.22 For a further fund, we are concerned that employer contribution rates are decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery is being extended further into the future (increasing the burden on future taxpayers).

1.23 Different approaches have been taken by different funds at the 2022 valuations to determine how surplus is utilised. GAD has not flagged any funds on the utilisation of surplus at this review. Funds appear to have made decisions having considered relevant factors. However, we also note inconsistencies in outcomes will arise where funds place different weights on these factors, and we recognise the importance of considering intergenerational fairness i.e. the balance between the interests of current and future taxpayers and employers.

1.24 We set out in the long term cost efficiency chapter of this report the approach that we intend to use for future section 13 reviews to assess how funds have utilised surpluses at future valuations. The approach is a mix of qualitative and quantitative analysis, to reflect the range of relevant considerations and approaches. We will expect administering authorities to have considered relevant factors and the trade-off between competing priorities.

1.25 We have illustrated the potential implications of different approaches to surplus management in our Asset Liability Modelling (ALM), as well as the uncertainty of long term contributions and funding and therefore the link to solvency risks.

1.26 We support the SAB in facilitating the review of the guidance on Funding Strategy Statements mentioned above. We recommend that the treatment of surpluses and deficits, together with the governance on asset transfers, should be included as part of this review.

Recommendation 3:

We recommend that the Scheme Advisory Board consider the following:

- Where funds are in surplus, whether additional guidance can be provided to support funds in balancing different considerations.
- Where deficits exist, how can all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan.
- Whether additional guidance is required in relation to the treatment of asset transfers from local authorities.

2. Introduction

2.1 This introduction provides background information on the local government pension scheme and the review we have undertaken, including:

- Valuations within the LGPS
- Section 13 and the statutory requirements
- The approach that we adopt to carry out the required section 13 review

What are Local Government Pension Scheme valuations?

The Local Government Pension Scheme in England and Wales (LGPS, or "the scheme") is a funded scheme comprising 87 different funds. Each individual fund has its own liabilities and assets, and periodic assessments are needed to ensure the fund has sufficient assets to meet its liabilities.

2.3 Each LGPS pension fund is required to appoint their own fund actuary, who carries out the fund's valuation every three years. The fund actuary uses a number of assumptions to value the liabilities of the fund. Costs are split between those that relate to benefits already earned in the past (the past service cost) and those that relate to benefits being earned in the future (the future service cost). The results of the valuation may lead to changes in employer contribution rates for both future and past service costs.

2.4 In addition to the individual valuations carried out by each fund, GAD carries out the following valuations:

- A valuation of the whole scheme, with the latest such valuation occurring as at 31 March 2020: Local Government Pension Scheme (England and Wales). This valuation evaluates the cost of LGPS benefits and assesses if any changes need to be considered to meet an agreed cost control mechanism under directions set by HM Treasury. The Government's intention is that the cost control mechanism is only triggered by "extraordinary, unpredictable events". As at 31 March 2020 the cost control mechanism was not breached. The next review will be as at 31 March 2024.
- SAB Cost Management Process (CMP) where the cost of the scheme is considered by the LGPS England and Wales Scheme Advisory Board (SAB) relative to a target cost for the scheme. The SAB CMP follows the valuation of the whole scheme described above.

2.5 Scheme regulations set out member benefits to be paid and when valuations are to be carried out. We have based our assessment on current scheme regulations and benefits (with an allowance for agreement to equalise benefits under "McCloud"). The benefits paid to members are not dependent on the funding position of any particular fund. See Appendix C for further information.

What is section 13?

2.6 Section 13 is a requirement under the Public Service Pensions Act 2013.

2.7 The Government Actuary has been appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 87 funds in the Local Government Pension Scheme in England and Wales.

2.8 This is the third formal section 13 report and sets out the Government Actuary's findings following the fund valuations as at 31 March 2022.

Statutory requirements

2.9 This report is addressed to MHCLG as the responsible authority for the purposes of subsection (4) of section 13 of the Public Service Pensions Act 2013 (the Act). GAD has prepared this report setting out the results of our review of the 2022 funding valuations of the LGPS. This report will be of relevance to administering authorities and other employers, actuaries performing valuations for the funds within the LGPS, the LGPS Scheme Advisory Board (SAB), HM Treasury (HMT) and the Chartered Institute of Public Finance & Accountancy (CIPFA), as well as other LGPS stakeholders.

2.10 Subsection (4) of section 13 requires the Government Actuary, as the person appointed by MHCLG, to report on whether the four main aims are achieved, namely:

- Compliance: whether the fund's valuation is in accordance with the scheme regulations
- Consistency: whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the Local Government Pension Scheme England and Wales (LGPS)
- Solvency: whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund
- Long term cost efficiency: whether the rate of employer contributions is set at an appropriate level to ensure the long term cost efficiency of the pension fund

2.11 Section 13, subsection (6) states that if any of the aims of subsection (4) are not achieved

a. the report may recommend remedial steps

b. the scheme manager must -

i. take such remedial steps as the scheme manager considers appropriate, and

ii. publish details of those steps and the reasons for taking them

c. the responsible authority may -

i. require the scheme manager to report on progress in taking remedial steps

ii. direct the scheme manager to take such remedial steps as the responsible authority considers appropriate.

GAD's approach

2.12 We have looked at a range of metrics to identify potential exceptions under the solvency and long term cost efficiency objectives. Each fund is given a colour-coded flag under each measure:

Colour	Interpretation
Red	A material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure solvency and/or long term cost efficiency may be considered.
Amber	A potential issue that we would expect funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long term cost efficiency.
White	An advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.
Green	There are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency.

2.13 The trigger points for these flags are based on a combination of absolute measures and measures relative to the funds in scope. Where appropriate, we have maintained consistency with the approach adopted in 2019.

2.14 While they should not represent targets, these measures and flags help us determine whether a more detailed review is required. For example, we would have a concern where multiple measures are triggered amber for a given fund.

2.15 These flags are intended to highlight areas where risk may be present or further investigation is required. For example, where an amber flag remains following engagement, we believe this relates to an area where some risk remains that administering authorities and pension boards should be aware of. There is no implication that the administering authority was previously unaware of the risk.

2.16 A green or white flag does not necessarily indicate that no risk is present and similarly the fact that we are not specifically suggesting remedial action does not mean that scheme managers should not consider actions.

2.17 We have had regard to the particular circumstances of some funds, following engagement with the administering authority and the fund actuary. In some cases, the action taken or proposed has been sufficient to remove flags. We have described these outcomes in the relevant sections below.

2.18 The metrics shown in the tables in this report are based on publicly available information and/or information provided to GAD.

2.19 Further detail of the metrics and fund engagement is provided in the solvency and long term cost efficiency chapters and appendices. In addition, we have considered the overall funding position of the funds within the LGPS in our funding analysis report published alongside this document.

2.20 Within an LGPS fund, contribution rates may vary between employers. Our analysis and metrics focus on the aggregate fund position except where stated. When reading this report, it is important to note that individual employers' contribution rates and funding situations might differ from the aggregate fund position.

2.21 Local valuation outputs depend on both the administering authorities' Funding Strategy Statements and the actuary's work on the valuation. We have reported where valuation outcomes raised concerns in relation to the aims of section 13. It is not our role to express an opinion as to whether that conclusion was driven by the actions of authorities or their actuaries, or other stakeholders.

2.22 The following key has been used to identify the actuarial advisers for each fund:

Adviser	Colour
Aon	Purple
Barnett Waddingham	Green
Hymans Robertson	Grey
Mercer	Blue

2.23 The Environment Agency Closed Pension Fund is different from other LGPS funds. The benefits payable and costs of the fund are met by Grant-in-Aid funding by the Department for Environment, Food and Rural Affairs, thus guaranteeing the security of these benefits. Details of this can be found in the Environment Agency Closed Pension Fund valuation published on the LGPS SAB website. In general, the fund has been excluded from the analyses that follow.

Standardised bases used in our approach

2.24 There are some areas of inconsistency highlighted in Chapter 5 which make meaningful comparison of local valuation results difficult. To address this, we have referred to results restated on two bases:

- The SAB standard basis was established by the SAB and is used by fund actuaries to calculate liabilities on a consistent basis allowing comparison of funds.
- Where we consider the potential impact of future funding levels on solvency and long term cost

efficiency we need to compare the value of a fund's assets and liabilities. Therefore, we require a market consistent basis. As the SAB standard basis is not a market related basis GAD calculates liabilities on a consistent best estimate basis, which is based on market conditions as at 31 March 2022.

Additional information on both these bases can be found in Appendix G.

2.25 These bases facilitate comparison but are not suitable for funding purposes, as we would expect a funding basis to reflect the local characteristics of a fund. We note that:

- The SAB standard basis is not consistent with current market conditions and is not suitable for considering possible impacts on solvency and long term cost efficiency.
- The GAD best estimate basis is based on our views of likely future returns on each broad asset class across the Scheme. Regulations and CIPFA guidance call for prudence to be adopted when setting a funding basis. Our best estimate basis does not include prudence and is based on the aggregate investment strategy for the overall scheme, so will not be pertinent to any given fund's particular investment strategy. Further, future asset returns are uncertain and there are other reasonable best estimate bases which may give materially different results.

2.26 The local valuations and our calculations underlying this report are based on specific assumptions about the future. Future experience will differ from these assumptions. Some of our solvency measures are stress tests but they are not intended to indicate a worst case scenario.

Other important information

2.27 The previous section 13 report was published on 16 December 2021 following the valuations as at 31 March 2019, details of which can be found in the Local Government Pension Scheme: review of the actuarial valuations of funds as at 31 March 2019.

2.28 The SAB have collated individual fund valuation reports, together with a summary on their website.

2.29 Appendices, dated 14 August 2024, are contained in a separate document.

2.30 GAD have also published a funding analysis report, dated 14 August 2024. This is a factual document summarising the results of the funds' valuations.

2.31 In performing this analysis, we are grateful for helpful discussions with and cooperation from:

- Actuarial advisors
- CIPFA
- MHCLG
- Fund administrators

- HM Treasury
- LGPS SAB

2.32 This report is GAD's alone, and the stakeholders above are not responsible for the content.

2.33 GAD would like to acknowledge the commitment shown by the funds and their advisors, which is illustrated through their engagement with this process and the improvement in the funding position of funds since the previous valuation.

2.34 GAD has no liability to any person or third party other than MHCLG for any act or omission taken, either in whole or in part, on the basis of this report. No decisions should be taken on the basis of this report alone without having received proper advice. GAD is not responsible for any such decisions taken.

2.35 We understand and assume that there is no regulatory authority assumed by or conferred on the Government Actuary in preparing this or any future section 13 report. The appointment to report under section 13 does not give the Government Actuary any statutory power to enforce actions on scheme managers (or others).

2.36 This work has been carried out in accordance with the applicable Technical Actuarial Standard: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Future review

2.37 We are grateful to stakeholders for their assistance in preparing this report. We are committed to preparing a section 13 report that makes practical recommendations to advance the aims in the legislation. We will continue to work with stakeholders to advance these aims ahead of the 2025 actuarial valuations and expect that our approach to section 13 will continue to evolve to reflect ever changing circumstances and feedback received.

Limitations

2.38 We recognise that the use of data and models has limitations. For instance, the data that we have from valuation submissions and publicly available financial information is likely to be less detailed than that available to funds. Our risk assessment framework enables us to broadly assess scheme risks and decide on our engagement with funds on an indicative basis. It is the responsibility of administering authorities and their advisors to consider and manage their risks.

2.39 Because of the nature of this exercise, we have not generally allowed for experience since the fund valuations, except for any specific actions described where we have engaged with funds.

3. Progress

3.1 We made four recommendations and a general risk comment in the 2019 section 13 report. We have reported on the progress made against each of these recommendations in the table below:

2019 Recommendation	Progress
1: The SAB should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues, including McCloud.	The SAB have actively engaged with both areas that the 2019 report focused on, namely academies and equalisation of benefits following the "McCloud" remedy. The SAB have prepared guidance on academy conversion. This is a positive improvement with regard to presentational consistency although little has changed in respect of evidential consistency, i.e. the underlying differences in approaches remain. In relation to McCloud liabilities all funds quantified the estimated impact as a percentage of liabilities on the dashboard, which was helpful in communicating the impact. Regulations to equalise for McCloud remedy have been introduced since the last review in 2019 and, therefore, we make no further recommendations in this area. More broadly, the potential for inconsistency remains particularly where new issues emerge. Therefore, we are supportive of the SAB maintaining a watching brief and engaging with stakeholders in relation to current issues such as the recent working group on surpluses and the proposal to host a climate change working group. We also encourage the SAB and other stakeholders to consider the benefits of improving consistency across funds as part of the review of Funding Strategy Statement (FSS) guidance, which they are co-ordinating.

2019 Recommendation	Progress
2: We recommend the SAB consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.	The principles underlying a deficit recovery plan will be set out in each fund’s FSS. The SAB is engaging with stakeholders to update the guidance on FSS and will consider the recommendation in these discussions.
3: We recommend fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.	We are grateful to the fund actuaries for providing this additional information, which we believe is helpful to stakeholders wishing to compare different LGPS funds.
4: We recommend the SAB review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.	With improvements in funding positions, we understand that no new asset transfer arrangements have been put in place. Fund advisors have not reported any recent asset transfer arrangements in their data submission to GAD. The SAB intend to consider this point during their review of the guidance on FSS.

General risk comment	Progress
Local authorities have finite resources and in recent years, the size of pension funds has increased considerably more than local authority budgets. Given that pension funding levels change, it is not unlikely that a period of increased pension contributions may be required at some point in the future. If additional spending is required for pension contributions, this may lead to a strain on local authority budgets. We would expect that administering authorities are aware of this risk in relation to solvency and would monitor it over time. Administering authorities may wish to discuss the potential volatility of future contributions with employers in relation to overall affordability.	We understand from discussions with fund advisors that administering authorities are generally mindful of the risks of a future deterioration in funding levels requiring increased pension contributions, with this causing a strain on local authority budgets. In many cases, this has been an important consideration when setting contribution rates for funds in surplus. Specifically, we note the focus of employers on stability when setting their contribution rates, which may help funds manage future increases in contributions. In light of the widely reported pressures on council funding impacting local authorities and other employers within the LGPS, it is important that the consequences of volatility and the risk of any future significant requirement to increase employer contributions continue to be monitored.

4. Compliance

Key Compliance findings

- All reports checked contained a statement of compliance.
- The reports checked contained confirmation of all material requirements of regulation 62 of the Local Government Pension Scheme Regulations 2013.
- We concluded the aims of section 13 were achieved under the heading of Compliance, in terms of valuation reporting.

Statutory requirement and chapter content

4.1 Under section 13(4)(a) of the Act, the Government Actuary must report on whether the actuarial valuations of the funds have been completed in accordance with the scheme regulations.

4.2 In this Chapter we set out our approach to reviewing compliance and our conclusions from that review.

Review of compliance outcomes

4.3 Valuation reports complied with the required regulations.

4.4 There is a great deal of consistency in the actuarial methodologies and the presentation of the actuarial valuation reports for funds that are advised by the same firm of actuarial advisors (see Chapter 5 on Consistency). Accordingly, GAD has selected one fund as a representative example from each of the firms of actuarial advisors and has assessed whether these reports have been completed in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the statutory instrument governing actuarial valuations of the LGPS in England and Wales). Each actuarial firm confirmed that the selected fund valuation report was representative.

4.5 We found that the actuarial valuation reports have been completed in accordance with Regulation 62 and have therefore concluded that the compliance criteria of section 13 have been achieved. This is not a legal opinion.

4.6 We were pleased to note improvements in the clarity of references to the assumptions on which the Rates and Adjustment Certificate (the certificate setting out employer contributions) was based, following our comment in the previous section 13 report.

4.7 In line with the required actuarial standards, we noted that the four valuation reports reviewed contained confirmation that the required Technical Actuarial Standards had been met.

4.8 Our review of compliance is focused on the actuarial valuation reports produced under Regulation 62. We have not, for example, systematically reviewed Funding Strategy Statements prepared under Regulation 58.

4.9 The comments we make in subsequent chapters on consistency, solvency and long term cost efficiency do not imply that we believe that the valuations are not compliant with the regulations. These comments relate to whether the valuations appear to achieve the aims of section 13.

5. Consistency

Key Consistency findings

- Presentational consistency was evident in the 2022 valuations and the continued use of the dashboard greatly aids stakeholders' understanding. The additional information provided following the 2019 section 13 review has helped to improve presentational consistency.
- There is no indication of significant improvement in evidential consistency since the 2019 section 13 review. Local variations may merit different assumptions and the approaches and assumptions adopted appear compliant with the relevant requirements. However, these differences will lead to different outcomes, for example in ongoing contribution rates.
- We recognise the significant progress made by funds and actuarial advisers in the presentation of climate risk analysis as part of the 2022 fund valuations. Most funds have followed the broad climate risk principles paper agreed between MHCLG, fund actuaries and GAD. We recommend that the Scheme Advisory Board engage with stakeholders to continue to develop these principles with the aim of improving the analysis and ensuring consistency across funds for 2025 valuations, given the continued evolution across the industry.

Statutory requirement and chapter content

5.1 Under Section 13(4)(b) of the Act, the Government Actuary must report on whether each actuarial valuation has been carried out in a way which is not inconsistent with other valuations. This requires both presentational and evidential consistency.

5.2 In this chapter, we:

- Provide background on the legislative requirement and importance of consistency
- Consider recent changes to the dashboard and improved presentational consistency
- Consider the remaining differences in evidential consistency and the likely consequences of such differences
- Note the significant improvements in climate risk analysis by funds and propose actions to support further improvements

Types of Consistency

5.3 **Presentational Consistency** - Information may be presented in different ways in different reports, and sometimes information is contained in some reports but not others, so readers may have some difficulties in locating the information they wish to compare. We call this presentational inconsistency.

5.4 **Evidential Consistency** - When the reader has located the relevant information (e.g. funding levels), differences in the underlying methodology and assumptions mean that it is not possible to make a like for like comparison. We call this evidential inconsistency. We believe that local circumstances may merit different assumptions (e.g. financial assumptions are affected by the current and future planned investment strategy or different levels of prudence) but that wherever possible, information should be presented in a way that facilitates comparisons.

Importance of Consistency

5.5 LGPS is a pension scheme providing a common benefit structure which is locally administered by separate Administering Authorities. Section 13 requires valuations to be carried out in a way that is not inconsistent with other LGPS fund valuations. This is important to enable readers to draw comparisons between the results from two valuation reports and also has wider benefits.

5.6 Where members build up identical benefits, it can be hard to justify large variations in the apparent cost of these benefits. This is particularly pronounced where one employer participates in different LGPS funds and can be required to contribute differing amounts. In this situation, it is important to understand what is driving the difference and ensure that this is clear to employers. The greater the difference in cost between different funds, the more significant this issue.

5.7 A specific example of this has arisen in recent years regarding academy conversions. When a local authority school converts to an academy, the contribution rates payable by the academy reflect both the funding position and the approach used (for example how assets and liabilities are attributed to the academy and whether the academy is grouped together with other employers). Differences in approaches can lead to significantly different contribution requirements.

5.8 Furthermore, it is not unusual for members to transfer between funds. The greater the variation in funding bases, the greater the potential strain on a fund under such a transfer. In relation to bulk transfers of members, discussions on the appropriate transfer basis are not helped by differences in funding bases.

Reasons for local variation

5.9 Differences in approaches and assumptions across funds are to be expected under the valuation requirements and reflect:

- Differences in circumstances (for example, different investment strategies, types of employers, attitudes to risk or demographic experience)
- Differences in views of unknown future experience (for example, of future investment returns or longevity improvements)
- Different methodologies, where a single approach is not prescribed

5.10 Whilst differences in assumptions are justifiable, they should be evidence-based (where appropriate), clearly explained and the impact understood, to support evidential consistency.

Presentational Consistency

5.11 We noted a high degree of similarity between reports produced by each consultancy. Therefore, we have taken, at random, a report produced by each actuarial advisor to assess whether the information disclosed is consistent across all four advisors. We do not have any specific concerns about the selected funds and have confirmed with the actuaries that these funds are representative of a typical valuation report that they produce. None of these funds raise any amber or red flags. These funds are:

Powys County Council Pension Fund (Aon)	London Borough of Croydon Pension Fund (Hymans Robertson)
Buckinghamshire Pension Fund (Barnett Waddingham)	Clwyd Pension Fund (Mercer)

Information provided within valuation reports

5.12 We note that valuation reports contain detailed information on the financial position of a fund and what future contributions are required to meet their statutory obligations. We have reviewed the information contained in the sample funds' valuation reports to consider how consistently key information has been presented and hence the extent to which a reader can easily make comparisons.

Contribution rates

5.13 Contribution rates include the following components:

- Primary contribution rate (employer)
- Secondary contribution rate (employer)
- Member contribution rate

5.14 Regulations require contribution rates to be split into primary and secondary contribution rates for employers, and all valuation reports do note this. The primary and member contribution rates are easily found in valuation reports.

5.15 There are differences between the valuation reports on what information is provided regarding secondary contributions and how they have changed over time. This inconsistency in information is addressed, in part, by the revised dashboard which does provide a clear comparison (as discussed further below in the subsection on dashboards).

Change in position since the last actuarial valuation

5.16 Each valuation report contains a section that summarises the changes to the funding position since the previous valuation. These are presented in very similar ways, making for easy comparison.

5.17 Table 5.1 summarises the information provided in the sample valuation reports on the change in primary contribution rates since the previous valuation. Whilst two funds provide an analysis in a consistent manner to the analysis of the funding position, this is not the case for all funds. We would consider additional detail and consistency in approach here to be helpful.

Table 5.1 Comparison of primary rates with prior valuation

Fund	Comparison provided
Powys County Council Pension Fund	Analysis of the change in primary contribution rates
Buckinghamshire Pension Fund	Analysis of the change in primary contribution rates
London Borough of Croydon Pension Fund	Comparison of primary rate (as % of pay) and secondary rate (as fixed monetary amounts)
Clwyd Pension Fund	Breakdown of the primary contribution rate compared with the previous valuation

5.18 Table 5.2 sets out the information provided in the sample valuation reports on deficit and surplus strategies. Whilst we appreciate the information is complex, we did not find it easy to understand and compare funds' strategies for utilising any surplus or spreading deficit over the longer term. In all cases we note that additional information will be included in the fund's Funding Strategy Statement but that requires reference to a separate document.

Table 5.2: Information provided on spreading surplus/deficit

Fund	Information provided on spreading surplus / deficits
Powys County Council Pension Fund	Statement setting out spreading of deficit under 100% over 13 years, across the fund, and any surplus over 105% over 16 years
Buckinghamshire Pension Fund	Statement setting out spreading of deficit (maximum of 11 years)
London Borough of Croydon Pension Fund	Provide funding time horizon over which all future and past benefits are sought to be fully funded
Clwyd Pension Fund	Statement setting out spreading of deficit and surplus. Deficit recovery over average of 12 years.

Dashboards

5.19 All funds have provided information in the format of a standard dashboard following a 2016 section 13 recommendation. The format of the revised 2022 valuation dashboard was agreed by the SAB and actuarial advisors, and is shown in table B1 of Appendix B. This includes the key information that one might expect to find in an actuarial valuation report and is helpful to readers in comparing funding valuations.

5.20 We are aware that different actuarial advisors use different methodologies. While we would not wish a desire for consistency to stifle innovation, this can make comparisons difficult. We are grateful that Hymans Robertson have, for the 2022 valuations, provided information in the dashboard on how their future service discount rate is derived, although because their methodology does not base contributions on a single discount rate, comparisons with other funds remain difficult.

5.21 The 2022 valuation dashboard includes further information on primary and secondary employer contributions in a standard format at both the current and previous valuation. We found that the additional information provided, especially in relation to secondary contributions, is helpful as this clearly sets out how contributions have changed over time on an easily comparable basis.

5.22 We suggest that a review of the valuation dashboards is undertaken prior to the 2025 valuations, to consider if further information could be provided. In particular, to clarify the different approaches which funds adopt and to address inconsistencies in the description of the treatment of surpluses and deficits.

Evidential Consistency

5.23 We have considered whether the local fund valuations have been carried out in a way which is not inconsistent with each other, as required under regulations. We have found that inconsistencies in the methodologies and assumptions adopted remain, broadly in line with those observed at the 2019 section 13 review. This section describes these inconsistencies and the consequences of them, while also recognising there are valid reasons for local variations as noted above.

5.24 Primary contribution rates range between 15% and 24% of pay in 2022. This range is a function of differences in age profile as well as different assumptions adopted. It is a slightly wider range than that from the 2019 valuations. The range of secondary contributions reflects different levels of deficit and surplus across funds as well as differences in strategies to allow for deficit and surplus.

5.25 The value assigned to liabilities in each actuarial valuation report has been calculated using assumptions set locally. Differing levels of prudence are to be expected and may be reflective of local variations in risk appetite, but care needs be taken when comparing results.

Reported liabilities

5.26 Table 5.3 shows a comparison of the local basis liability values with liability values calculated using the SAB basis, for the four valuations chosen. Whilst there are reasons for local variations between bases, as described above, this does illustrate the difficulty in drawing conclusions based solely on liability values due to variation in assumptions (including factors such as the levels of prudence adopted). Charts B1 and B2 in Appendix B show the variation between the local basis and SAB basis funding levels for individual funds in more detail for all funds.

Table 5.3: Liability Values

Fund	Local Basis (£m)	SAB Standard Basis (£m)	Difference between Local and SAB Basis
Powys County Council Pension Fund	823	759	8%
Buckinghamshire Pension Fund	3,717	3,552	5%
London Borough of Croydon Pension Fund	1,790	1,576	14%
Clwyd Pension Fund	2,366	2,139	11%

5.27 The liability value on the local basis is higher than that calculated on the SAB standard basis for the sample funds. Across the four funds examined, the difference between the liabilities calculated on the two bases ranges between 5% and 14%. More widely across all funds the range is between -5% and 33%. As noted in paragraph 2.25, the SAB standard basis is not useful for assessing liabilities for funding purposes but is helpful as a standard comparative measure. This analysis illustrates the potential range of differences in liability values due to different bases.

5.28 The analysis above focuses on four funds chosen at random. It should not therefore be extrapolated to all funds advised by a particular advisor.

Assumptions

5.29 We compared the following key assumptions, used for the actuarial valuations, to consider whether variations in those assumptions are justified in terms of local conditions.

Discount Rate

5.30 The discount rate is the most significant assumption in terms of impact on the valuation results. We have therefore focused on the derivation of this assumption in this section. It is expected that different advisors will have different views on expected future investment returns, from which discount rates are derived.

5.31 We first consider the discount rate used to value past service liabilities. The pre-retirement discount rate is derived from the expected return on assets with a deduction for prudence. A way of measuring the level of prudence included is to consider the implied asset outperformance within the discount rate (see Appendix B for more details). The range of implied asset outperformance by actuarial advisor is set out in Chart 5.1 below.

Chart 5.1 Implied asset outperformance range

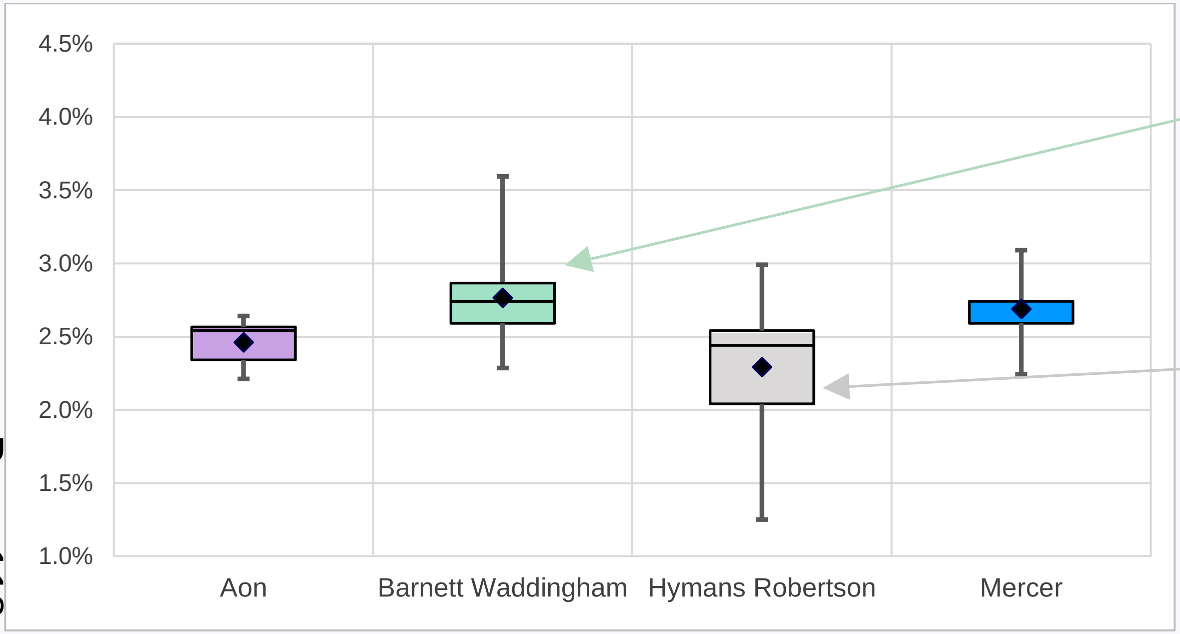

Chart 5.1 illustrates the range of implied asset outperformance by the four actuarial advisors (with the Environment Agency closed fund excluded).

In 2022, as at the 2019 review, some funds advised by Barnett Waddingham have the highest level of asset outperformance within the discount rate used for assessing past service liability values, while some funds advised by Hymans Robertson have the lowest level.

5.32 Chart 5.1 shows the variance in implied asset outperformance by actuarial advisor. We determine the implied asset outperformance as the discount rate less the implied market risk free rate (see Appendix B). The coloured box in the middle represents the range of asset outperformance in the discount rate for the middle 50% of advisors' funds i.e. the lower and upper lines for the shaded box represent the spread for the lower and upper 25% of funds. The end points represent the minimum and maximum discount values. The black diamonds represent the average asset outperformance.

5.33 The variation in assumptions is relatively narrow with a great deal of overlap, albeit the range from highest to lowest is over 2%. Chart B3 in Appendix B shows the breakdown for individual funds.

5.34 Whilst this might suggest consistency, we have investigated various factors that might be expected to influence the discount rates that funds choose to adopt. Our analysis showed that there was no clear influence due to the asset mix, prudence, funding level, type of employer or maturity in isolation on the discount rate adopted. For example, the impact of the asset allocation on the discount rate is illustrated in Chart B4 in Appendix B and shows little correlation. We conclude that there is variation both between fund advisors and within individual funds advised by each advisor, driven by a combination of factors including risk appetite and past practice (which may well be related).

5.35 The implied asset outperformance in Chart 5.1 relates to the discount rate for past service liabilities only. Whilst Aon and Barnett Waddingham adopt the same assumption for setting future contribution rates, Mercer have a different approach and Hymans Robertson use the same underlying model as part of a risk-based analysis.

5.36 Hymans Robertson use an asset liability model to set contribution rates by analysing a probability of success ("meeting the funding target by the funding time horizon") over a projection period (such as, for example, twenty years). We appreciate that Hymans Robertson have provided commentary on their methodology in the dashboard, although comparisons with other funds remain difficult since they are unable to provide a suitable comparative discount rate for setting future contributions.

5.37 Mercer's approach allows for contributions made after the valuation date receiving a future investment return that is not directly linked to market conditions at the valuation date. This resulted in a higher discount rate assumption for setting future contribution rates than used to value past service liabilities in the 2022 valuations.

5.38 Where discount rates reflect market conditions, all funds adopted a consistent approach in basing valuation outcomes on market conditions at the valuation date rather than reflecting subsequent market movements. Given changes in investment markets in the second half of 2022, particularly in relation to the gilt market, consideration of this aspect is especially relevant for this section 13 review.

5.39 Whilst we have been unable to identify any individual factor driving the differences, we acknowledge that different views of future investment returns, different asset strategies and different risk appetites (among other factors) would suggest different discount rates. Hence, we do not consider the fact that funds adopt different discount rates to be a particular cause for concern. Future asset returns are highly uncertain, and hence there is a wide range of reasonable assumptions that may be adopted.

Other assumptions

5.40 We have compared the following assumptions used by funds:

- Future mortality improvements (life expectancy)
- Commutation assumptions

5.41 We expect assumptions to vary between funds. To aid transparency, this variation should be justified in relation to local circumstances. Appendix B contains further information on the assumptions adopted.

Overall

5.42 Differences in approaches and assumptions across funds are to be expected under the valuation requirements. However, there continue to be benefits of greater consistency across the scheme and one of the aims in the Public Services Pensions Act 2013 is that fund valuations should be "carried out in a way which is not inconsistent with other valuations". The SAB are facilitating a review of the Funding Strategy Statement guidance. Therefore, as part of this review, we encourage stakeholders to consider potential benefits of greater presentational and evidential consistency among other relevant factors.

Recommendation 1:

We recommend that the Scheme Advisory Board consider whether greater consistency could and should be achieved to allow easier comparison between funds and better understanding of risks.

Academies

5.43 At the 2019 section 13 review, we engaged with the fund actuaries to understand if there had been a move to greater consistency for academy conversions over time and whether a move to greater consistency was likely to occur. Whilst fund actuaries noted there was generally consistency between funds advised by the same advisor the consensus view was there was unlikely to be any convergence in approach between advisors unless mandated by regulations.

5.44 A recommendation was made in the 2019 section 13 report that the SAB should consider the impact of inconsistency on the funds, participating employers and other stakeholders, and specifically whether a consistent approach needs to be adopted for conversions to academies.

5.45 The SAB subsequently convened a working group which included MHCLG, fund actuaries, the Department for Education, academy school representatives and GAD, which prepared SAB guidance on academy conversions. This sets out common nomenclature which should encourage presentational consistency and a common understanding amongst stakeholders. It also explained how differing methodologies work and their impacts.

5.46 The underlying differences in conversion methodologies have not been addressed and therefore the contribution rates paid by academies continue to be inconsistent.

Emerging Issues

Climate risk

5.47 The 2019 section 13 report highlighted climate risk as an emerging issue and noted a desire to encourage dialogue to aid consistency of approach across funds on the presentation of climate risk analysis. GAD subsequently engaged with the fund actuaries and MHCLG to agree broad principles on such analysis ahead of the 2022 valuations. These principles are included in Appendix B.

5.48 82 of the 87 funds carried out climate risk analysis in line with these broad principles with the results of the analyses included in the 2022 valuation reports. We are grateful to the fund actuaries and MHCLG for engaging on this issue to improve consistency across the scheme. We recognise the significant progress made by funds and actuarial advisors in the presentation of climate risk analysis as part of the actuarial valuation process.

5.49 The other five funds provided their reasons for adopting a different approach as follows:

Table 5.4: Commentary on climate change approach adopted (provided by each fund)

Fund	Climate change approach commentary provided by the fund
City of Westminster Pension Fund; London Borough of Hammersmith and Fulham Pension Fund; and Royal Borough of Kensington and Chelsea Pension Fund	The approach taken by the fund to evaluate the possible effect of climate change risk on the funding strategy was set in a proportionate manner commensurate with the Fund's overall approach to risk management. Specifically, the analysis carried out highlighted the effect of a positive/delayed/neutral reaction to the climate challenge and whilst certain scenarios were shown to lead to a worsening of the funding position, the expected impact was deemed to be not material enough to affect the funding strategy set at the 2022 valuation. The Fund's approach to evaluating the effect of climate change on the funding strategy will next be reviewed at the 2025 valuation.
Environment Agency Closed Fund	The Environment Agency (as the Administering Authority to the Environment Agency Closed Fund) recognise that climate change, specifically the transition and physical risks this poses, could have an impact on the ability of pension schemes to pay benefits in the future. The risk exposure was not quantified at the 2022 valuation, as the Closed Fund's funding agreement with Defra means its exposure to climate risk is minimal. In effect, any future shortfall that may emerge due to climate change risks would be met via grant-in-aid payments from Defra, and so the impact of climate change risks on the funding position is neutral.

Fund	Climate change approach commentary provided by the fund
West Midlands Pension Fund	West Midlands Pension Fund is committed to undertaking and providing meaningful climate change analysis, extending to advocacy and engagement with key stakeholders to drive real change. The approach adopted by the West Midlands Pension Fund is based upon an integrated framework, which considers funding, employer covenant and investment risk. At the time that the broad principles document was agreed between the Fund actuaries and MHCLG our work on climate change, in respect of the 2022 valuations, was well advanced, supported by a range of analysis which has provided a foundation for engagement with stakeholders. Whilst our analysis aligned with the agreed climate change principles, we believe it extended beyond. We are seeking to achieve a consistent set of principles (including climate scenarios), across our assets, liabilities and employer covenant, to aid our risk-based decision making and enable meaningful onward engagement with key stakeholders which informs our assessment of risk. As such it was not appropriate to include partial and incomplete analysis in one area of reporting when a broader context is required to assess and manage climate change risk. West Midlands Pension Fund is supportive of the objective for consistency across the LGPS, as well as continuing to develop and enhance climate risk modelling to enable useful analysis which can drive real world change and will review the revised 2025 climate change principles document and expect to publish consistent analysis for the 2025 valuation.

5.50 Funds which carried out climate change analysis in line with the principles document considered between three and five climate change scenarios. We have summarised the results in Charts B7 and B8 in Appendix B. This has been provided for information only as a high-level summary of the analysis reported. It should not be used to comment on differences in impacts across funds. This is because, under the broad principles agreed, different funds can reasonably adopt a range of assumptions within scenarios and therefore differences can arise due to assumptions as well as modelled impacts. Further, the summary presented is a snapshot at one point in time and therefore might misrepresent a more considered comparison of projected trajectories over time.

5.51 MHCLG has consulted on proposals for new requirements for assessing and reporting on climate risks in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) but has not yet responded to the consultation. Climate risk analysis is evolving rapidly and we anticipate a maturing in analysis for the 2025 valuations. The importance of climate risk analysis, and in particular the appropriate communication of risks relative to scenarios presented, was highlighted in the recent (June 2024) Institute and Faculty of Actuaries (IFoA) risk alert on climate change scenario analysis . We strongly promote the further development of climate risk analysis and its integration in decision-making by funds. We recommend that the SAB continue to work with stakeholders to refine the climate risk analysis principles document prior to the 2025 valuations.

Recommendation 2:

We recommend that the Scheme Advisory Board continue to consider emerging issues and, where appropriate, whether guidance would be helpful to support greater consistency.

As part of greater consistency on climate risk, we recommend that work continues to refine the climate change principles document in advance of the 2025 fund valuations.

Other risks

5.52 There are a number of risks and issues which have the potential to affect the LGPS pension funds in future. In particular, the recent growth in the number of funds in surplus has the potential to affect risks and opportunities. These issues require consideration from the funds and their advisors as they emerge. We encourage continued dialogue with a view to recognising the benefits of consistency across the scheme in the 2025 valuation and beyond.

5.53 We would encourage consistency of approach to be a consideration for the SAB when discussing emerging issues, where appropriate and among other factors.

6. Solvency

Key Solvency findings

- Funding levels have continued to improve on local bases since 2019, primarily due to asset outperformance. In aggregate, the funds of the LGPS are 106% funded on their local funding bases. This reduces current solvency concerns, but we note future solvency risk remains an important consideration.
- Growth of funds' assets relative to the size of the underlying local authorities means that those funds that are in deficit are more likely to trigger our asset shock measure. Where this is the only concern raised, we have considered this a white flag.
- No other solvency flags have been raised. However, risks clearly remain particularly in the context of competing pressures on employer budgets and noting the sensitivity of funding levels to future experience (especially investment market conditions).
- We encourage funds to continue to review their risks and to respond to emerging issues, and to ensure they have appropriate governance structures in place in relation to any asset transfer arrangements.

Statutory requirement and chapter content

6.1 Under section 13(4)(c) of the Act, the Government Actuary must report on whether the rate of employer contributions to the pension fund is set at an appropriate level to ensure the solvency of the pension fund.

6.2 In this chapter we outline the results of our solvency analysis and consider more broadly how funds manage solvency risk.

Definition of Solvency

6.3 In line with the definition in CIPFA's Funding Strategy Statement Guidance, which we adopt for the purposes of section 13, we consider that the rate of employer contributions has been set at an appropriate level, to ensure the solvency of the pension fund, if:

- the rate of employer contributions is set to target a funding level for the whole fund of 100% over an appropriate time period and using appropriate actuarial assumptions

and either:

- 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%

or

- there is an appropriate plan in place should there be an expectation of a future reduction in the number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed

Funding position at March 2022

6.4 Over the period from 31 March 2019 to 31 March 2022, the aggregate funding position of LGPS funds has improved markedly, mainly driven by strong investment returns. At the date of writing, we are aware that many funds are likely to have seen further subsequent improvements in their funding position, although this will depend on individual fund circumstances. These improvements in funding reduce the immediate concerns around current solvency risks relative to previous section 13 reviews. However, the range of funding positions across the scheme, the sensitivity of funding levels to future experience and competing pressures on employers' budgets mean that solvency risks still exist.

6.5 To provide some context on the current position, following the 2022 valuations 78 funds (90%) were in surplus on GAD's best estimate basis, with the aggregate best estimate funding level being 119%. This compares to the position in 2019, where 62 funds were in surplus with an aggregate funding level of 109%. GAD's best estimate basis is the set of assumptions derived by GAD without allowance for prudence, hence with an intended 50:50 likelihood of actual future experience being higher or lower than the assumption adopted, in our opinion, across the LGPS. Where the funding level on such a basis is greater than 100%, we expect there is a greater than 50% likelihood that existing assets would be sufficient to cover benefits in respect of accrued service when they fall due. This basis is applied consistently across the LGPS and so does not reflect fund specific circumstances or experience.

6.6 Not all funds are above 100% funded on GAD's best estimate basis. Funding levels on this basis range from 83% to 164% (excluding the Environment Agency Closed fund, as benefits payable and costs of the fund are met by Grant-in-Aid funding by DEFRA).

6.7 The solvency definition above means those funds that are relatively poorly funded are not considered insolvent, but they do need to be taking adequate action to resolve that deficit (which is the subject of long term cost efficiency) and monitor the affordability of any additional future contributions that may be required.

SAB Funding Level Metric

6.8 Five funds have a “white” flag in relation to their SAB funding level as they are the poorest funded on the SAB basis, with the distance in percentage points below the average SAB funding level shown below:

Fund	SAB Funding Level Distance below average
Royal County of Berkshire Pension Fund	36%
London Borough of Waltham Forest Pension Fund	35%
London Borough of Brent Pension Fund	25%
Bedfordshire Pension Fund	22%
London Borough of Hillingdon Pension Fund	22%

6.9 This is a purely relative measure and we did not engage with funds that flag on this measure only. We consider this a “white” flag. However, the lowest two funds on this metric, London Borough of Waltham Forest Pension Fund and the Royal County of Berkshire Pension Fund, are both also raising a flag in relation to long term cost efficiency and are considered further in the next chapter of this report.

6.10 We encourage the funds shown above to monitor closely the risk that additional pension contributions may be required in the future to eliminate the deficit.

Non-statutory Members Metric

6.11 Different employers have different covenants. We consider taxpayer-backed employers to have a stronger covenant value than other employers and note that the majority of LGPS employers fall into this category.

6.12 The London Borough of Barnet Pension Fund has over a third of its members employed by non taxpayer-backed employers, for example private sector employers and higher education establishments. We are encouraged to note that Barnet actively considered the covenant of one of its larger such participating employers, Middlesex University, as part of its 2022 valuation. We understand that the fund undertook an extensive engagement exercise with Middlesex University in 2022 and agreed a funding strategy which reflects and manages the relevant risks. Given the clear consideration given to the risk and the fact that there are no other flags being raised for the fund, we consider this a “white” flag on this metric.

Asset Shock Metric

6.13 This is a stress test. It considers what may happen if there is a sustained reduction in the value of return-seeking assets for tax-raising employers (those employers whose income is covered by core spending and financing data). For example, a market correction in which asset values do not immediately recover and losses are not absorbed by changes in assumptions.

6.14 We model the additional contributions that would be required by tax-raising employers to meet the emerging deficit. This is different to considering the total contributions required following the shock – i.e. we are looking at where there is a risk of large changes to the contribution rate, rather than a risk of the total contribution rate exceeding some threshold.

6.15 Funds with a high level of return-seeking assets are more exposed to asset shocks and more likely to trigger this flag.

6.16 Fewer funds flag on the asset shock measure in 2022 than in 2019.

6.17 Funds have grown considerably, measured by the value of either their assets or liabilities, over recent years. The size of the employers, and particularly that of the relevant local authorities as measured by their core spending power and financing data, has not grown at the same pace as their pension assets. (Core spending power and financing data is used as a measure of the financial resource of the underlying tax-raising employers, as detailed in Appendix C).

6.18 We considered this situation carefully in 2019 and concluded that it would be difficult for funds to take specific action in response to individual fund flags which have been primarily driven by the increase in the size of funds relative to the possible resource available. We have adopted the same approach for this review and are noting these concerns as a “white” flag only in Appendix C. This is a “for information” flag that highlights a risk, but which may require monitoring rather than action.

6.19 This highlights an ongoing risk across the LGPS due to the nature of open but maturing funds. If a shock were to occur, that shock would be more significant now and in the future, as funds have grown relative to the size of the local authority. This also needs to be considered in the context of competing pressures on local authorities’ and other employers’ budgets.

6.20 The table of solvency measures by fund in Appendix C includes the funds with a white flag (5 funds in total).

6.21 The potential for future variations in contribution rates is discussed further in our Asset Liability Modelling (ALM) section in the long term cost efficiency chapter.

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Management of Risks

Funding

6.22 The general risk comment made in the 2019 section 13 report remains relevant. Local authorities and other employers have finite resources. In recent years, the size of pension funds has increased more than their budgets and there has been increased focus on competing pressures on budgets. Given the sensitivity of pension funding levels to changes in market conditions and other experience, it is possible that a period of increased pension contributions will be required in the future despite current strong funding positions.

6.23 If additional pension contributions are required, this may lead to a further strain on local authority and other employers' budgets at a future date.

6.24 We expect that administering authorities are aware of this risk in relation to solvency and factor this into funding decisions. Administering authorities should discuss the potential volatility of future contributions with employers in relation to overall affordability.

6.25 The risk of contribution rate increases and how stability mechanisms might influence contribution rates over time are discussed further in the Asset Liability Modelling (ALM) section included within Chapter 7.

Governance and other risks

6.26 Whilst the current positive funding position of funds in the LGPS reduces immediate solvency concerns, there are new challenges which could impact future solvency which are discussed further in this section.

6.27 In some circumstances, an employer can elect to leave the fund, at which point any debt (or surplus) in respect of some fund members may be crystallised. After such an agreement is reached, there is no further recall on the exiting employer for additional funds if the future funding position changes. Recent improvements in funding positions could affect employers' preferences. It is important that funds understand and manage the implications of any employer exits on the ongoing solvency of the fund.

6.28 Pension funding is long term in nature. We support the approach adopted by the actuarial advisors in relation to the 2022 valuation reports, which note the expected improved funding position between the valuation date and date of signature of the report but did not look to review the valuation results given the long term nature of pension funding. Improvements in funding positions could lead to requests from some employers for mid-cycle reviews of employer contributions based on particular market conditions. Mid-cycle reviews of employer contributions are only appropriate in limited circumstances and both statutory and SAB guidance should be carefully considered prior to carrying out such a review.

6.29 GAD does not comment on the investment strategy that LGPS funds should adopt or the types of investments which LGPS funds should invest in. Nevertheless, when choosing an investment strategy, we would expect funds to consider the ongoing cost of the benefits and their capacity to increase contributions if required, alongside the appropriateness of the investment for the fund.

6.30 Concerns were raised in the 2019 section 13 report in relation to contingent property transfers or other asset transfer arrangements from local authorities within the LGPS.

6.31 A contingent property transfer is where councils commit to transferring property they own, for example, a portfolio of social housing owned by the council, to the pension fund. The assets are not immediately transferred to the pension fund but at the end of the agreed management period often a large number of years into the future, the property portfolio is transferred to the pension fund, possibly on a contingent basis, on the expectation that the underlying properties will generate revenues and/or sales proceeds that will reduce or eliminate any deficit that remains in the pension fund at that time. In return, the council committing to the future transfer receives an immediate reduction in deficit contributions, calculated as a present value of the expected future revenue from the portfolio of properties.

6.32 While we are not aware of any new arrangements being put in place over the 3 years to March 2022, competing pressures on employer budgets could lead to such options being considered in the future, particularly if there is a market downturn. The risks, additional complexity and ongoing monitoring and governance requirements of such arrangements need to be balanced against the benefits they may provide. As a minimum we would expect the pension fund to receive specialist advice on the suitability of such assets as pension investments and to demonstrate that the conflict of interest between the fund and the council has been appropriately recognised and managed.

6.33 Whilst we are not commenting on the actions of any fund that already holds such an asset, potential concerns, that we expect would need to be addressed if any new arrangements were to be considered include:

- Funds need to carefully consider compliance aspects of such arrangements, including:
  - Compliance with local authority capital requirements, which specify that pension contributions should be met via revenue rather than capital accounts. At the point the transfer is realised, this could be considered a capital asset transfer arrangement
  - Compliance with restrictions on employer related investments in the Occupational Pension Schemes (Investment) Regulations 2005 (as amended)
  - Management of any conflicts of interest

- The assets may not be the form of asset which best meets a pension fund's long term objectives

- Due to complexity, such asset transfer arrangements are likely to be associated with high set-up and management costs

6.34 These arrangements are utilised in the private sector to act as a security for the risk of defaults by scheme sponsors. The difference in covenant strength between private sector employers and local authorities means that different considerations apply.

6.35 We recommend that the SAB consider if additional guidance on local authority asset transfers would be helpful as part of their Funding Strategy Statement guidance review (see Recommendation 3).

7. Long term cost efficiency

Key long term cost efficiency findings

- In 2022, we are flagging two funds in relation to deficit recovery periods. This is the same as the number of funds flagged in 2019.
- For a further fund, we are concerned that employer contribution rates are decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery is being extended further into the future (increasing the burden on future taxpayers).
- We acknowledge there are different approaches to the utilisation of surpluses and funds should consider relevant factors and the trade-off between competing priorities. We set out the approach we intend to use to assess how funds have utilised surpluses at future valuations.
- We propose that the Scheme Advisory Board consider the approach to surpluses in their review of the Funding Strategy Statement (FSS) guidance.
- We have undertaken an Asset Liability Modelling (ALM) exercise to illustrate two different surplus sharing options. The ALM also highlights the potential contribution volatility and funding risks even though an "average" fund may find itself in a strong funding position currently.

Statutory requirement and chapter content

7.1 Under section 13(4)(c) of the Act, the Government Actuary must report on whether the rate of employer contributions to the pension fund is set at an appropriate level to ensure the long term cost efficiency of the scheme, so far as relating to the pension fund.

7.2 This chapter sets out:

- A definition of long term cost efficiency
- The results of our analysis on long term cost efficiency.
- The outcome of our engagement with funds
- Future considerations in respect of fund surpluses
- Outcomes of our asset liability modelling

Definition of long term cost efficiency

7.3 In line with the definition in CIPFA's Funding Strategy Statement Guidance, which we adopt for the purposes of section 13, we consider that the rate of employer contributions has been set at an appropriate level to ensure long term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund. We note the Funding Strategy Statement Guidance is currently under review.

Long term cost efficiency outcomes

7.4 Long term cost efficiency (LTCE) relates to making sufficient provision to meet the cost of benefit accruals with an appropriate adjustment to reflect the funding position of the fund. The LTCE part of the 2019 section 13 review focused on deficits, and not deferring deficit payments too far into the future so that they affect future generations of taxpayers disproportionately. This reflected the aggregate funding position of the scheme at that time. Whilst this remains a key consideration, as more funds have moved into surplus at the 2022 valuations, the use of surpluses has been given greater consideration at this review. Our focus is on intergenerational fairness, and whether the current generation of taxpayers is benefiting from any surplus appropriately relative to future taxpayers.

7.5 Two funds are flagged in relation to deficit recovery periods in the 2022 review, the same as the number of funds flagged in 2019.

7.6 For the two funds (Royal County of Berkshire Pension Fund and London Borough of Waltham Forest Pension Fund), we are concerned that flags are still being raised despite using the same flag thresholds as at the 2019 section 13 review. The average funding level of funds has increased by 8% since 2019, which has driven a reduction in the number of flags. Whilst we recognise funding plans are long term in nature and both these funds have improved their funding position, where a flag remains, despite the generally positive movements in economic conditions for the scheme, this identifies some risk.

7.7 We have also considered graphically the positioning of funds on a consistent basis. Chart 7.1 on the next page plots the funding level relative to the scheme average (normalised to the SAB basis) against total employer contributions (expressed as a percentage of pensionable earnings). The two funds identified above stand out as having relatively weak funding on the consistent basis. This combination of flag and relative positioning led us to engage with those funds.

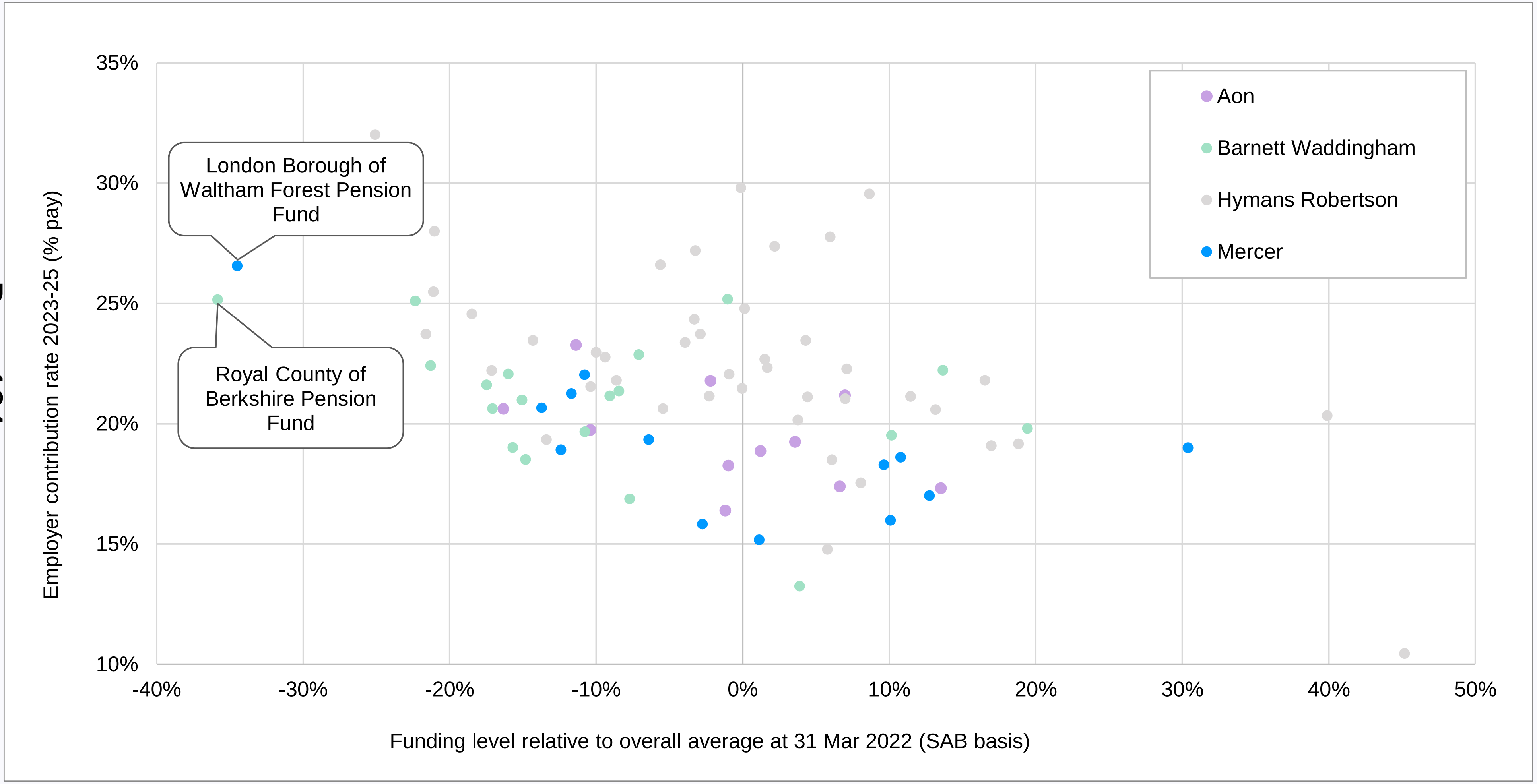
7.8 For a further fund, London Borough of Redbridge Pension Fund, we are concerned that employer contribution rates are decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery end point is being extended further into the future (increasing the burden on future taxpayers). This led to this fund raising a flag in relation to its deficit recovery plan.

7.9 Some other funds raised initial flags against LTCE measures, but on closer review most were not considered to be sufficiently wide outliers or present sufficient risk to warrant further investigation or engagement.

7.10 We have not flagged any funds on the utilisation of surplus at this review. We comment on the range of approaches adopted by funds in surplus and set out our approach to this issue for future valuations.

Deficit Metrics (Required period, required return and return scope)

Chart 7.1 SAB relative funding level vs Employer contribution rate



Royal County of Berkshire Pension Fund

7.11 The Royal County of Berkshire Pension Fund is one of the least well-funded funds on a local basis, with a funding level of 86%. It is the lowest funded on the common SAB basis (excluding the Environment Agency Closed fund).

7.12 Chart 7.1 shows that, although the Royal County of Berkshire Pension Fund is ranked lowest on funding level, its employer contribution rate, whilst above average, is lower than around 10 funds, all of which have much higher funding levels on the common SAB basis.

7.13 Employer contributions are 25.2% of pensionable pay. This has increased from 24.0% of pay in 2019. However, this increase is driven by an increase in primary rates (up 1.5% to 16.9% of pay). Average secondary rates have decreased slightly as a percentage of pay.

7.14 The Royal County of Berkshire Pension Fund raised an amber flag in relation to deficit recovery period (12 years on GAD's best estimate basis). In other words, current contribution rates are not estimated to be sufficient to reach full funding on a best estimate basis within 10 years.

7.15 More generally it is positive to note the reduction in the number of amber flags on long term cost efficiency for Royal County of Berkshire Pension Fund (which have reduced from four in 2019 to one in 2022).

7.16 We were also pleased to observe that the Royal County of Berkshire Pension Fund has retained its deficit recovery end point, although this remains relatively long at 2040.

7.17 Following engagement with the Royal County of Berkshire Pension Fund, we were advised that employers participating in the fund have been continuing to increase their total contributions to reduce the deficit over the longer term. We were reassured by this long-term commitment.

7.18 The officers we engaged with appreciated that additional funding will be required over a long timeframe and reaffirmed their commitment to do so.

7.19 It was noted that committees have been put in place to assist with the management of the fund and it was noted that investment returns have been relatively strong in recent years.

7.20 Overall we were pleased to note the improvements made over the past three years, however given its relative funding position and relative to the contribution rates being paid into other funds, we consider that an amber flag for long term cost efficiency is appropriate.

London Borough of Waltham Forest Pension Fund

7.21 The London Borough of Waltham Forest Pension Fund has the second lowest funding level on a local basis at 81%. The funding level increased by 1% since the 2019 valuation, much less than most other funds which on average saw an 8% increase. It is the second lowest funded on the common SAB basis (excluding the Environment Agency Closed fund).

7.22 Chart 7.1 shows that, although the London Borough of Waltham Forest Pension Fund is ranked second lowest on funding level, around 7 funds, all of which have higher funding levels on the common SAB basis, are receiving greater contributions.

7.23 Employer contributions are 26.6% of pensionable pay. This has increased from 25.9% of pay in 2019. However, this increase is driven by an increase in primary rates (up 1.6% to 17.2% of pay). Average secondary rates have decreased as a percentage of pay.

7.24 The secondary contribution rate for one major employer in the fund incorporates a deduction to reflect the assumed value placed on the residual property investments currently held as a contingent asset transfer that will be transferred to the Fund in 36 years' time, if it is in deficit at that time. The value of the contingent asset is not allowed for in the asset values or used in our metric calculations.

7.25 The London Borough of Waltham Forest Pension Fund also raised an amber flag in relation to deficit recovery period (just over 10 years on GAD's best estimate basis). In other words, current contribution rates are not estimated to be sufficient to reach full funding on a best estimate basis within 10 years. However, we acknowledge that London Borough of Waltham Forest Pension Fund is just above the required threshold, and no allowance was made for the contingent asset in this assessment.

7.26 We were pleased to observe that the London Borough of Waltham Forest Pension Fund has retained its deficit recovery end point, although this remains relatively long at 2039.

7.27 Following engagement with the London Borough of Waltham Forest Pension Fund we were advised that employers have been adhering to their plan to remove the deficit by 2039. We were reassured by this long-term commitment to improving the funding position.

7.28 London Borough of Waltham Forest Pension Fund also referred to the modest increase in funding being the result of below expected returns. The fund is continuing to monitor asset performance and has already taken action to improve performance since 31 March 2022.

7.29 The London Borough of Waltham Forest Pension Fund also provided additional information on the contingent asset arrangement referred to in their 2022 valuation report. The allowance for this when setting contributions is dependent on the fund receiving satisfactory legal confirmation on the arrangement, with GAD's understanding being that this is now the case. GAD highlighted the points raised in the 2019 section 13 report, which London Borough of Waltham Forest Pension Fund were aware of. Through our engagement, we have been made aware by the London Borough of Waltham Forest Pension Fund that the governance structure in place, in relation to the contingent asset referred to above, was strengthened as part of the 2022 valuation and this includes a regular flow of information between the relevant parties and annual ratification of the arrangement's viability provided to the Pension Committee.

7.30 We acknowledge that the London Borough of Waltham Forest Pension Fund has increased contributions but given its relative funding position and relative to the contribution rates being paid into other funds, we consider that an amber flag for long term cost efficiency is appropriate.

Deficit Reconciliation

7.31 Where a fund is in deficit administering authorities should avoid continually extending the deficit recovery period end point at subsequent actuarial valuations as this will not meet the LTCE requirements. Over time and given stable, or better than expected market conditions, administering authorities should aim to:

- Maintain the levels of contributions and/or
- Reduce deficit recovery periods by maintaining the end point of the recovery period

7.32 We believe it is appropriate for funds to consider their plans for the duration of the deficit recovery period, so that future contributions are recognised and these form part of employers' budgeting process.

7.33 We would not normally expect to see employer contribution rates decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery end point is being extended further into the future (increasing the burden on future taxpayers). This expectation balances intergenerational fairness between current and future generations of taxpayers, which is required for LTCE.

7.34 We appreciate there may be circumstances where new deficit emerges between valuations, as a result of the fund's experience, where it may then be appropriate to extend the recovery period. For example, if a fund within the last three years of its deficit recovery period experienced a material reduction in its funding level, it would not be appropriate in the context of intergenerational fairness to repay that new deficit within three years also.

7.35 We consider that reconciliation of the deficit recovery plan is an essential component for all funds to demonstrate they meet LTCE requirements.

7.36 We note that most funds have maintained their deficit recovery end points in accordance with recommendation 2 from our 2019 section 13 report.

7.37 The 2019 section 13 review recommended the inclusion of additional information on total contributions, discount rates and reconciliation of the deficit recovery plans in the dashboard. We are grateful that funds have disclosed this additional information, which has aided our analysis on deficit reconciliation.

7.38 Hymans Robertson use stochastic techniques to set contribution rates, analysing the probability of success (“meeting the funding target by the funding time horizon”) over a projection period (for example, twenty years). This makes reconciliation as outlined in 7.31 difficult, as additional information is required to illustrate a continuation of the plan. We are grateful to Hymans Robertson for providing information to facilitate reconciliation.

7.39 In relation to the funds advised by Hymans Robertson whose total employer contributions have reduced and their likelihood of success, at the previous valuation end point, has also decreased we note the following:

- In respect of two funds London Borough of Brent Pension Fund and London Borough of Croydon Pension Fund we did not think it was appropriate to retain an amber flag. Both funds had contributed above the minimum required in 2019 and had not reduced the minimum likelihood of success in 2022. Further we note a reasonable degree of prudence in the minimum likelihood of success probability. We therefore considered this to be a white flag.

- London Borough of Redbridge Pension Fund, where the funding level is 99%: total employer contributions have reduced by 2.7% of pay and the likelihood of success at the 2022 valuation on the 2019 time horizon has reduced. We recognise that contribution rates are set considering an analysis of future funding risk over a time horizon of 17 years, however we consider it appropriate to retain the amber flag.

7.40 We engaged with Durham Pension Fund that flagged initially on this measure where the funding level is 97%: there was a reduction in total employer contributions of 1.8% of pay and the end point increased by one year.

7.41 In the engagement with Durham Pension Fund, it was noted that the fund is close to being fully funded and the end point increased by only one year. This was part of a package of changes which included an increase in prudence within their funding basis; and an increase in the surplus buffer for those employers in surplus.

7.42 Aon provided evidence that total contributions payable following the valuation are greater than those which would have been required had the 2019 valuation basis been retained with a three year reduction in the deficit recovery end point. In effect, the one year increase in end point reflected the new deficit arising due to the increase in prudence. The fund demonstrated they had considered relevant options and issues when deciding on funding strategy and agreed with the importance of being able to reconcile deficit recovery plans between valuations.

7.43 In light of this evidence, we agreed that it would not be appropriate to maintain the amber flag under the deficit recovery plan metric for Durham Pension Fund, and agreed to adopt a white flag. We draw attention to the definition of white flags in Appendix D: an advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.

7.44 We recommend that the SAB consider if additional guidance on deficits would be helpful, and in particular how funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan (see Recommendation 3).

Surplus considerations

7.45 At the 2022 valuations, 61 funds (over 70% of funds by number) were in surplus on a local basis, an increase from 24 at the 2019 valuations.

7.46 There is a range of reasonable uses of fund surpluses, with strategies varying by fund to manage their specific risks and circumstances. Examples of surplus uses include (where the list below is not exhaustive):

- Reductions in contributions, which may be managed via a surplus buffer (i.e. only surplus above an agreed funding level is utilised) or stability mechanism (with restrictions on the extent to which contribution rates can change over an agreed time period)
- Review of investment strategy
- Reviewing the level of prudence within funding strategies, which changes the chance that future experience is better/worse than assumed

7.47 GAD does not comment on the investment strategy that LGPS funds should adopt, and it is proper that funds make decisions appropriate to their specific risks and circumstances. The statutory requirements for this review do require GAD to consider whether contributions have been set to ensure long term cost efficiency. Therefore, our focus is on contribution rate outcomes and intergenerational fairness, i.e. whether the current generation of taxpayers is benefiting from any surplus appropriately relative to future taxpayers.

7.48 Overall, there needs to be a balance between funds:

- Utilising surplus too quickly; and
- Retaining large surpluses

7.49 On this basis, we have reviewed the different approaches adopted by funds in surplus at the 2022 valuations. We are grateful to the actuarial advisors for providing general insights into the range of considerations taken into account by administering authorities. We also engaged with the SAB surplus working group on surpluses and have had regard to the SAB statement on surpluses issued in December 2023.

7.50 We are aware of recent commentary around competing pressures on local authority (and other employers') budgets, and whether current fund surpluses could help alleviate some of those pressures. Our approach to long term cost efficiency considers such points, in terms of whether the current generation of taxpayers is benefiting from surplus appropriately relative to future taxpayers. We consider it important that funds and employers take account of all relevant factors when making decisions on funding, considering risks and implications over an appropriate time horizon.

7.51 Outcomes from the 2022 valuations depend on the priorities given by funds to different uses of surpluses.

7.52 In our view, the uses outlined in 7.46 are consistent with current CIPFA and SAB guidance and SAB statements on scheme contributions. However, inconsistencies in outcomes across funds can arise where funds place different weights on the options for use of surplus. We support the SAB in facilitating a review of the guidance on Funding Strategy Statements with relevant stakeholders. We recommend that the treatment of surpluses and deficits, together with the governance on asset transfers, should be included as part of this review.

Recommendation 3:

We recommend that the Scheme Advisory Board consider the following:

- Where funds are in surplus, whether additional guidance can be provided to support funds in balancing different considerations.
- Where deficits exist, how can all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan.
- Whether additional guidance is required in relation to the treatment of asset transfers from local authorities.

7.53 GAD has not flagged any funds on the utilisation of surplus at this review. This is in part because, from the discussions we have had at a high level, funds appear to have made decisions on surplus at the 2022 valuations having considered relevant factors signposted in CIPFA and SAB guidance and SAB statements. Therefore, we instead set out our approach to this issue for future valuations.

Funds utilising surpluses too quickly

7.54 For future reviews, GAD will introduce a surplus retention metric to consider how quickly a surplus is being utilised on GAD's best estimate basis, if the total employer contribution rate being paid is less than GAD's best estimate contribution rate. The aim is to highlight any funds where contribution reductions in respect of surplus could lead to too great a funding risk in the short- to medium-term, measured on GAD's best estimate basis.

7.55 The rationale for this metric is to ensure intergenerational fairness. If surpluses are being realised too quickly, current taxpayers might be benefiting inappropriately relative to the risk being passed to future taxpayers.

7.56 If we had introduced such a metric in the 2022 section 13 review, all funds would have a green flag.

Funds retaining "large" surpluses

7.57 The counter risk to funds utilising surpluses too quickly is funds retaining too great a surplus and not recognising the strong funding position in the fund's contribution rates. In such a scenario the fund may be seen as being unfair to current taxpayers, with future taxpayers expecting to benefit disproportionately.

7.58 For future reviews, GAD will adopt a three-step approach:

1. Identify the highest funded funds, considering both the local bases and on a standard basis
2. Identify those funds which are relatively well funded, on the local and standard basis, and are also paying relatively high contributions
3. For those funds identified in steps one to two, we would undertake qualitative analysis, for example considering how contribution rates have evolved since the previous valuation and any stated rationale behind the approach adopted

7.59 Steps one to three aim to identify funds which are exceptionally well funded, or those which are relatively well funded and paying relatively high contributions. We propose considering results on two bases, initially using the SAB funding level to provide a consistent basis. However, as this is not a funding basis we will also consider the position on the local funding basis. The funds identified in steps one to three will not raise an immediate flag as we also wish to consider any other relevant circumstances and the decision-making process.

7.60 We would then engage with any funds identified from this process to discuss any concerns before deciding which funds to flag.

7.61 In order to aid comparison on the approaches to surpluses and to facilitate this process, we will discuss with the fund actuaries if further information could be provided in their dashboard as discussed in Chapter 5.

7.62 To illustrate the potential impacts of surpluses and the trade-offs between the considerations referred to above, we have undertaken an ALM analysis to illustrate the potential implications of different approaches and relationship to solvency risks.

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Asset Liability Modelling (ALM)

Introduction

7.63 An Asset Liability Model (ALM) allows us to simultaneously project the assets and liabilities of the scheme under a range of simulations to investigate possible outcomes for key variables and metrics. Modelling the scheme in this way allows us to understand not only central, expected outcomes but also the wider range of possible outcomes and uncertainties. It also demonstrates the importance of considering the assets and liabilities together to understand how particular risks and relationships might manifest in simultaneous movements on both sides of the balance sheet.

7.64 The ALM exercise was undertaken to illustrate:

- Uncertainty of future employer contributions and funding position
- Impact of different surplus strategies

7.65 The contribution and funding analyses in the ALM section are for illustrative purposes and are based on a set of assumptions and methodology set by GAD. This type of analysis is particularly dependent on the assumptions and methodology adopted. Other models could produce different outcomes.

7.66 The ALM models the whole scheme rather than individual funds. Whilst the positions of funds will vary, with differing contributions and funding levels, the risks considered in the ALM are expected to be relevant for individual funds.

7.67 The methodology used for the ALM is set out in Appendix E.

Uncertainty of future employer contributions and funding position

7.68 Even though the overall scheme funding position has improved since 2019, with 61 funds in surplus on their local funding bases at March 2022, significant financial risks remain particularly over the longer term.

7.69 Charts 7.2 and 7.3 illustrate the variability of total employer contributions (primary and secondary rates combined) and funding levels projected at future valuations from a large number of simulations of future asset returns and economic conditions. The projections assume that any funding deficits are paid off over a 20-year period with no adjustment to contributions for any surplus.

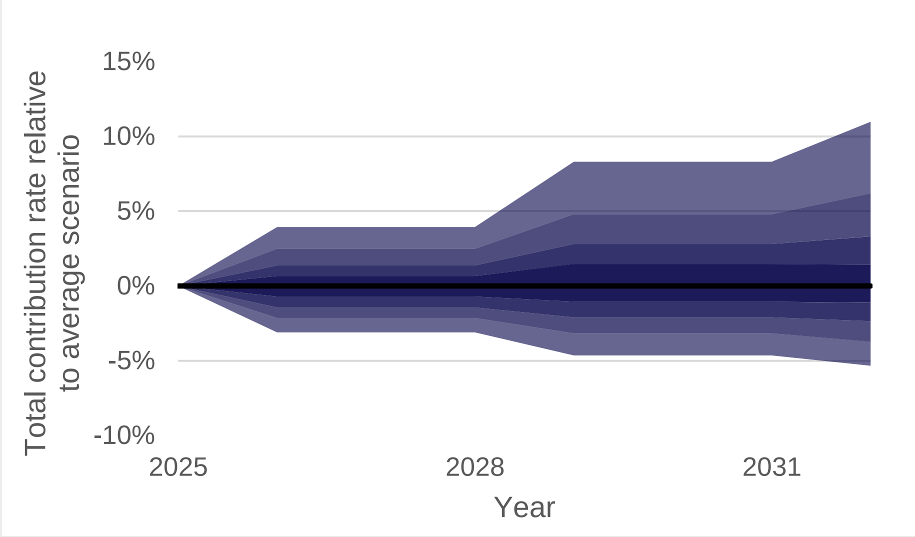
7.70 In both charts:

- the thick black line represents the median simulation at each point in time (in other words, the scenario which falls exactly in the middle of the range of simulated values, with half of the simulations having higher outcomes than the median and half having lower)

- each shade of purple represents the range of outcomes for a decile (10%) of scenarios, with the subsequent lighter shade representing the next decile - we have not shown the most extreme deciles (0-10% and 90-100%)

- the limits of the shaded area illustrate the range of outcomes whereby 80% of the simulations lie within the shaded area and the most extreme 20% are outside (with 10% of outcomes being above the top of the shaded area, and 10% of outcomes being below the bottom of the shaded area)

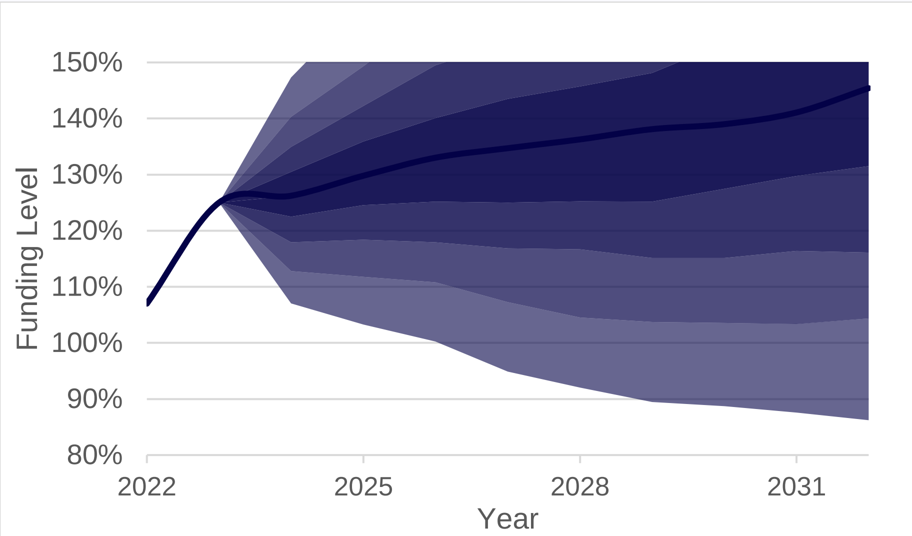
Chart 7.2 – Illustrations of the variability in total employer contributions relative to the median scenario (% of pay)



7.71 Chart 7.2 shows the uncertainty around future employer contributions. For example, Chart 7.2 shows that, relative to an expected (median) projected future employer contribution rate following the 2028 valuation, there is a 20% chance that the future employer contribution rate could be more than 5% of pay higher than this central expectation due to uncertainty in economic conditions. While the precise values shown in Chart 7.2 reflect the modelling assumptions used and a simplified approach to setting employer contribution rates, the feature being illustrated is the uncertainty in how future employer contribution rates might develop relative to current expectations.

7.72 Chart 7.3 illustrates the modelled range of future funding levels under the same set of scenarios as in Chart 7.2. Chart 7.3 shows that, even with an assumed increase in aggregate funding level from around 106% at March 2022 to 125% at March 2023, there remains a nearly one in ten chance of a funding deficit two years later at the March 2025 valuation. A material chance of valuation deficits remains in the longer-term despite the model assuming additional contributions are paid to meet deficits and any surplus is retained.

Chart 7.3 – Illustrations of funding level



7.73 Chart 7.3 also shows a high chance of very favourable outcomes. This reflects an expectation that, on average, future investment returns will exceed the prudent rates assumed in local funding bases; the modelling assumption that all surpluses are retained in the scheme; and a simplistic allowance for recent changes in economic conditions that might not be borne out in practice.

7.74 The model has limitations with high funding level outcomes. Chart 7.3 is intended to illustrate the significant downside risk that remains despite a favourable central scenario, rather than to provide detailed forecasts of such a central scenario or potential favourable outcomes. In particular, it does not allow for any actions taken to utilise surplus at each valuation. For this reason, the chart is curtailed at a funding level of 150%. Nevertheless, the very wide range of possible future outcomes is clear from the chart.

7.75 The output of the ALM should not be regarded as a prediction of future employer contribution rates or funding level but rather an illustration of the range of possible funding outcomes. Changes to employer contribution rates in the short term do not affect the long term cost of the scheme (which depends on the level of scheme benefits and scheme experience, including asset returns) but do affect the balance of costs between different generations of taxpayers.

Impact of different surplus strategies

7.76 The previous section in this Chapter outlined different approaches to surplus. We have considered the impacts on future employer contribution rates of two options adopted by funds, surplus buffers and stability mechanisms:

- "Surplus buffer" – For illustration, we have assumed:
  - Any valuation deficit is recovered over 20 years through additional contributions
  - Any valuation surplus up to 20% of the liability value (so where the funding level is between 100% and 120%) is retained in the scheme
  - Any valuation surplus in excess of 20% of the liability value (so a funding level above 120%) is spread over 20 years through reduced employer contributions
- "Stability mechanism" (or smoothing) – For illustration, we have assumed the same approach to setting contributions as the "Surplus buffer" scenario, but employer contribution rate changes are limited to 2% of pay each year (relative to the previous year)

7.77 Some funding strategies set by LGPS funds seek to maintain stability of contributions at least for local authority employers. Stability assists year-to-year budgetary management and helps to avoid frequent upward and downward changes in employer contributions as a result of short-term volatility. However, it can be difficult to know whether recent experience at a valuation is a result of short-term volatility or the start of a long-term trend. Any delay in changes in employer contributions to reflect such experience could lead to more extreme funding levels in the medium-long term.

7.78 While this discussion focuses on approaches to surplus, a stability mechanism also restricts contribution increases in response to a deficit which may delay a return to being fully funded.

7.79 For illustration, the analysis in this part assumes a starting funding level of 100% at March 2023.

7.80 Charts 7.4 and 7.5 illustrate the potential impacts of the two surplus scenarios on the changes in employer contribution rates at successive actuarial valuations. Each chart shows the distribution of increases (positive numbers) or decreases (negative numbers) in employer contribution rates at an actuarial valuation relative to the rates from the previous valuation. Chart 7.4 shows the "Surplus Buffer" scenario and Chart 7.5 shows the "Stability Mechanism" scenario.

Chart 7.4 – Illustrations of distribution of change in employer contributions (% of pay) between actuarial valuations for "Surplus Buffer" scenario

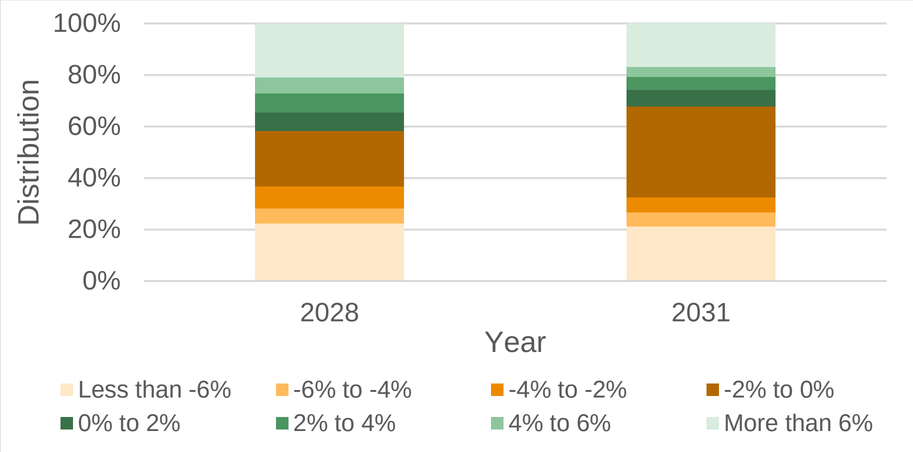
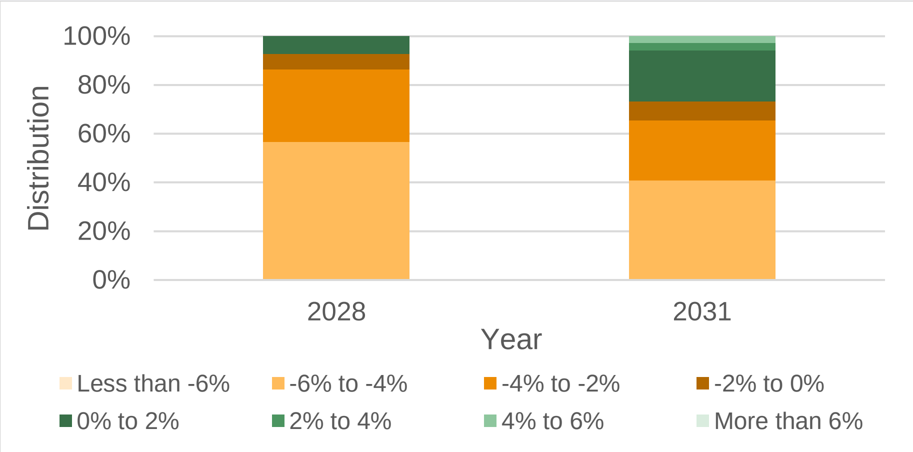


Chart 7.5 – Illustrations of distribution of change in employer contributions (% of pay) between actuarial valuations for "Stability Mechanism" scenario



7.81 These charts reflect the underlying scenario, with an increase in median funding level over time but significant volatility around this median position. The modelling adopted is a simplified approach to setting contribution rates, as it does not reflect all factors taken into account by funds in practice. In this case:

- The charts illustrate the impact of the stability mechanism limiting contribution rate changes. Chart 7.4 shows that, without a stability mechanism, there is a chance of relatively large contribution rate changes at valuations (for example, a combined chance of nearly 40% that contribution rates either increase or decrease by more than 6% of pay at the 2028 valuation relative to those from the previous valuation). The stability mechanism illustrated in Chart 7.5 limits such contribution rate changes to no more than 6% of pay (in either direction), equivalent to 2% a year over the 3 years between valuations.

- In the modelled scenario, the smallest contribution changes (increases or decreases of less than 2% of pay at a valuation) are more likely in the "Surplus Buffer" scenario in the 2028 and 2031 valuations. This is due to that scenario adjusting more quickly to any change in economic conditions whereas the stability mechanism spreads changes over a longer period of time.

7.82 As noted above, the impacts of a stability mechanism depend on whether recent experience at a valuation is a result of short-term volatility or the start of a long-term trend, which can only be known over time. The central economic scenario adopted for these illustrations assumes the latter. However, if the expectation is that this is short-term volatility, we would expect the "stability mechanism" approach to maintain a more stable contribution rate between valuations when compared to the "surplus buffer".

Asset Liability Modelling Limitations

7.83 None of the lines shown in the above charts represent a single simulated scenario – instead they are intended to represent the distribution of possible outcomes in the future and how the range of simulated scenarios changes over the projection period.

7.84 The scenarios considered are only two illustrative surplus approaches. Funds may reasonably adopt other parameters and approaches. Further, for modelling purposes we have adopted a simplified approach to calculating funding levels and setting contribution rates which does not reflect all factors taken into account by funds in practice.

7.85 The illustrations are based on one perspective of the future economic environment (using an economic scenario generator provided by Moody's Analytics based on the March 2023 outlook) and scheme experience. Alternative assumptions and models are reasonable and would lead to different results.

7.86 In particular, the projections reflect one view of the economic outlook at March 2023. This differs to the outlook three years ago, which explains in part why these illustrations are different from those shown in the 2019 section 13 review report.

7.87 Rather than placing too great a reliance on the precise values shown in this section, it is helpful to consider a range of measures of risk and the impacts of actions in response to future changes. For example, the solvency section illustrates a deterministic scenario, whereby there is an asset shock, with no immediate rebound, with the risk of higher employer contributions. The modelling in this section is not intended to illustrate likely future contribution rates since the modelling assumptions are too simplified for that purpose. Rather, the modelling is intended to illustrate the wide range of uncertainty in future outcomes and the importance of understanding this uncertainty.

Quarterly Funding & Investment Report

End June 2024

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Agenda Item 9

Prepared for: North Yorkshire Pension Fund
Prepared by: Aon
Date: 30 August 2024

Signatory of: UK STEWARDSHIP CODE | 2021

AON

Table of Contents

1. At a glance…

A high level summary of your investments and funding

At a glance…

Funding*

Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, falling 1% to 115%, and the surplus has decreased by £52M.

This has been primarily driven by asset returns being lower than expected and pension increases being higher than expected, although this has been partially offset by an increase in the net discount rate.

Asset Allocation and Implementation

Officers and Advisors held further discussions around short-term tactical asset allocation changes and rebalancing opportunities took place prior to the September PFC meeting. It was concluded no immediate actions were required.

Performance

The Fund underperformed the composite benchmark over the quarter, 1 year and 3 year period but outperformed over the 5 year period.

Market Background and Investment Outlook (August 2024)*

In Q2 2024, global equity markets rose. Over the quarter, the MSCI ACWI rose 3.5% in local currency terms. However, sterling appreciation against the euro and yen pushed down returns in sterling terms to 2.9%.

US GDP growth will likely slow over the second half and approach trend levels. However, we don't think that the US will be tipping into recession this year. The rest of the world looks to be holding up well with the UK recovering from last year's technical recession.

For growth assets this will create two counteracting forces, slower US growth may mean that punchy sell-side profit forecasts could disappoint, but it also might see the Fed joining the ECB in cutting rates sooner rather than later, which could help risk assets.

Credit spreads in public markets are looking particularly compressed. Whilst there has been attention on the potential for stress in direct lending, spreads here are sufficiently wide to more than compensate for a cyclical increase in credit costs.

Rallies in cryptocurrency, and the performance of 'meme' stocks suggests that there is a lot of froth in markets. At a two-to-three-year horizon we think risk-adjusted returns will be disappointing in traditional growth assets and we encourage diversification into other return generators.

Note: *The opinions referenced are as of the date of publication (1 August 2024) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Key actions

1. Committee members to consider the contents of this report.
2. An overview of the aims, considerations and proposed timescales for the upcoming investment strategy review will be discussed with Committee members at the September PFC meeting.

*Note: This funding update rolls forward the results of the 2022 valuation of the Fund. We have made allowance for actual pension increases since the valuation (allowing for pension increases awarded in April 2023 and April 2024).

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Key Stats – Q2 2024

Assets

£4,632m

Assets reduced by £3m since 2022 valuation

£4,635m at 2022 valuation

Funding level

115%

Funding level decreased by 1% since 2022 valuation

116% at 2022 valuation

Return on Assets since 2022 Valuation

0.3% pa

This is below the assumed rate of return

Current Assets Expected Return (10 year p.a.)

+6.9%

1.0% increase since 2022 Valuation

5.9 % at 2022 valuation

Long-term Strategy Expected Return (10 year p.a.)

+7.0%

0.9% increase since 2022 Valuation

6.1% at 2022 valuation

Discount rate

4.7%

Discount rate has increased by 0.5% since 2022 valuation

4.2% at 2022 valuation

Current Assets Value at Risk (1 Year 1 in 20)

£911m

Long-term Strategy Assets Value at Risk (1 Year 1 in 20)

£876m

Estimated Total Employer cost

13.8%

Estimated Total Employer cost decreased by 3.6% since 2022 valuation

17.4% at 2022 valuation

Note: This funding update rolls forward the results of the 2022 valuation of the Fund. We have made allowance for actual pension increases since the valuation (allowing for pension increases awarded in April 2023 and April 2024)

2. Funding

A review of your funding position and contributions

Funding position

Funding level

115%

at end 30 June 2024

Down from 116% at 31 March 2022

Surplus

£588M

at end 30 June 2024

Down from £640m at 31 March 2022

Comments

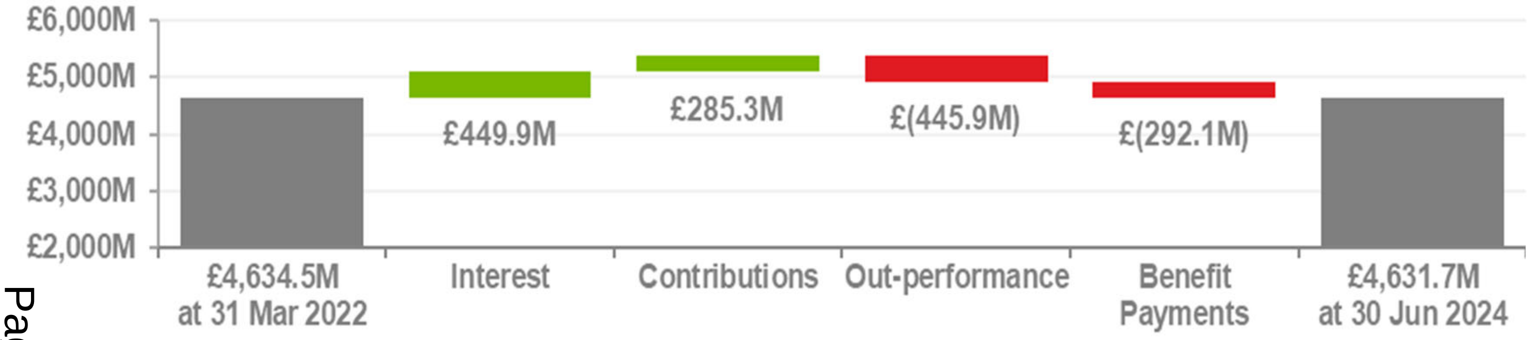
Since the results of the valuation at 31 March 2022 the Fund's ongoing funding level has deteriorated, and the surplus has decreased by £52M.

This has been primarily driven by asset returns being lower than expected and pension increases being higher than expected, although this has been partially offset by an increase in the net discount rate.

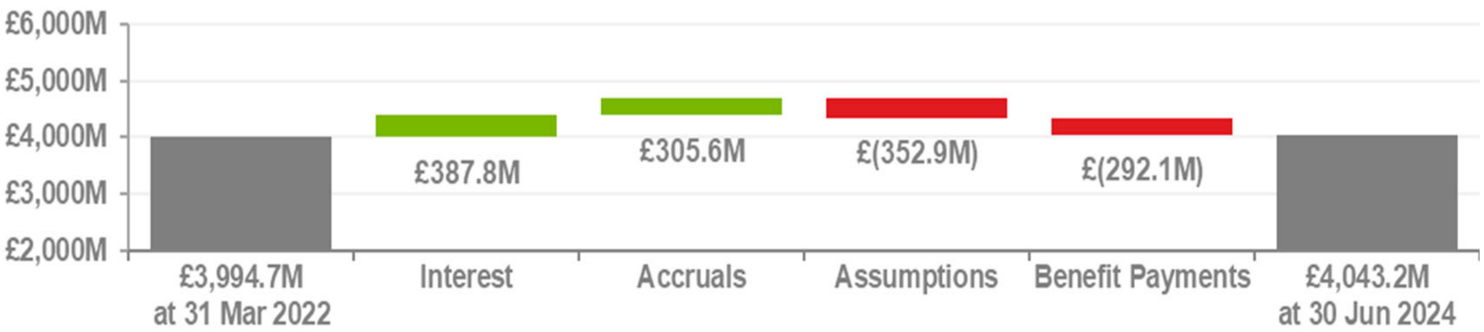
Change to funding level since 31 March 2022

Analysis – ongoing funding target

Reason for change since 31 March 2022 – Asset Attribution



Reason for change since 31 March 2022 – Liability Attribution



Comments

Since the 2022 valuation the surplus has decreased by £52M.

Aggregate Employer contributions – ongoing funding target

Total employer contribution rate

13.8%

at 30 June 2024

Down from 17.4% at 31 March 2022

Employer cost of accrual

16.2%

at 30 June 2024

Down from 20.1% at 31 March 2022

Comments

The cost of accrual has decreased since 31 March 2022 due to the increase in net discount rate. However, the surplus has decreased which has offset this to an extent. Overall, there is a reduction in the total employer contribution rate.

Notes

The total employer contribution rate quoted above is based on the average total employer contribution rates across the Fund. Individual employer contributions can be very different to the average figure across the Fund shown above depending on their own characteristics, membership profile and funding target. The individual employer contributions have been reviewed as part of the triennial valuation at 31 March 2022.

Funding position – Low Risk funding target

Funding level

92%

30 June 2024

▲ **28%**
vs 31 Mar 2022

64%

31 Mar 2022

Deficit

£415M

30 June 2024

▼ **£2,158M**
vs 31 Mar 2022

£2,573M

31 Mar 2022

Basis	Low Risk funding target
Effective date	30 June 2024

Comments

The funding level on the low-risk basis has increased since the last valuation due to a rise in gilt yields over the period, leading to a decrease in the liabilities.

Low risk funding target

Change to funding level since 31 March 2022

Notes

This chart is provided to give an illustration of the change in the funding level based on the low-risk funding target since the 2022 valuation date. It has been produced based on changes in daily gilt yields and market implied inflation assumptions.

3. Asset allocation

A review of your strategic asset allocation

Asset allocation – Q2 2024

Asset Group	Manager	30 June 2024					
		Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Equities		**2,250.0**	**48.6%**	**50.0%**	**-1.4%**		
	BCPP UK Equity	187.2	4.0%	4.0%	0.0%	TBC	
	BCPP Global Equity	1,377.3	29.7%	28.0%	+1.7%	+/- 5%	
	Baillie Gifford LTGG	685.6	14.8%	18.0%	-3.2%	+/- 3%	
Absolute Return		**6.4**	**0.1%**	**0.0%**	**+0.1%**		
	Leadenhall Remote Risk	2.9	0.1%				
	Leadenhall Diversified	2.5	0.1%				
	Leadenhall Nat Cat	1.0	0.0%				
Property		**277.4**	**6.0%**	**7.5%**	**-1.5%**	**TBC**	
	L&G	45.1	1.0%				
	Threadneedle	232.3	5.0%				

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

Asset allocation – Q2 2024 (cont'd)

Asset Group	Manager	Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
		30 June 2024					
Infrastructure		**654.1**	**14.1%**	**10.0%**	**+4.1%**		
	BCPP Infrastructure	330.0	7.1%				
	BCPP Listed Alts	270.5	5.8%				
	BCPP Climate Opportunities	53.6	1.2%				
Private Credit		**188.7**	**4.1%**	**5.0%**	**-0.9%**		
	BCPP Private Credit	154.4	3.3%				
	Arcmont	24.6	0.5%				
	Permira	9.7	0.2%				
Non-Investment Grade Credit		**243.1**	**5.2%**	**5.0%**	**+0.2%**	**TBC**	
	BCPP Multi Asset Credit	243.1	5.2%				
Investment Grade Credit		**338.0**	**7.3%**	**7.5%**	**-0.2%**	**TBC**	
	BCPP Investment Grade Credit	338.0	7.3%				

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

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Asset allocation – Q2 2024 (cont'd)

Asset Group	Manager	30 June 2024 Valuation (£m)	Current allocation	Long-term strategy	Difference	Rebalancing Range	Possible action
Gilts		**553.6**	**12.0%**	**15.0%**	**-3.0%**	**TBC**	✓
	BCPP Index Linked Bonds	553.6	12.0%				
Cash		**120.3**	**2.6%**	**0.0%**	**+2.6%**	**TBC**	✓
	Internal Cash	120.3	2.6%				
Total		**4,631.7**	**100.0%**	**100.0%**			

Source: Northern Trust, Aon. Note: Numbers may not sum due to rounding.

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Investment strategy update

Recent and upcoming activity

- There is limited support from other Border to Coast partner funds for listed impact equities, however this will continue to be discussed with the Committee and Officers.
- Post quarter end, Officers and advisors discussed potential short-term tactical asset allocation changes and potential rebalancing opportunities and concluded no immediate actions were required.
- We believe there are attractive opportunities available in non-traditional asset classes such as diversifying hedge funds and insurance linked securities, however, Border to Coast do not currently have any fund offerings for these asset classes.
- An overview of the aims, considerations and proposed timescales for the upcoming investment strategy review will be discussed with Committee members at the September PFC meeting.

Transitions and cashflows

The following rebalancing activities took place over the quarter:

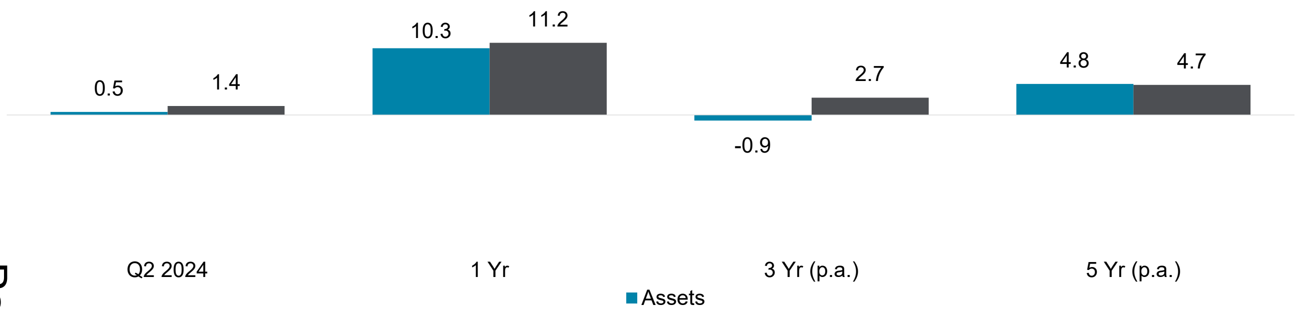
- £15m Redemption from Sales of Hermes Property Unit Trust on 10/04/2024
- £30m Payment for Unit Purchase within Threadneedle Property Fund on 17/06/2024 funded from Cash

4. Fund performance

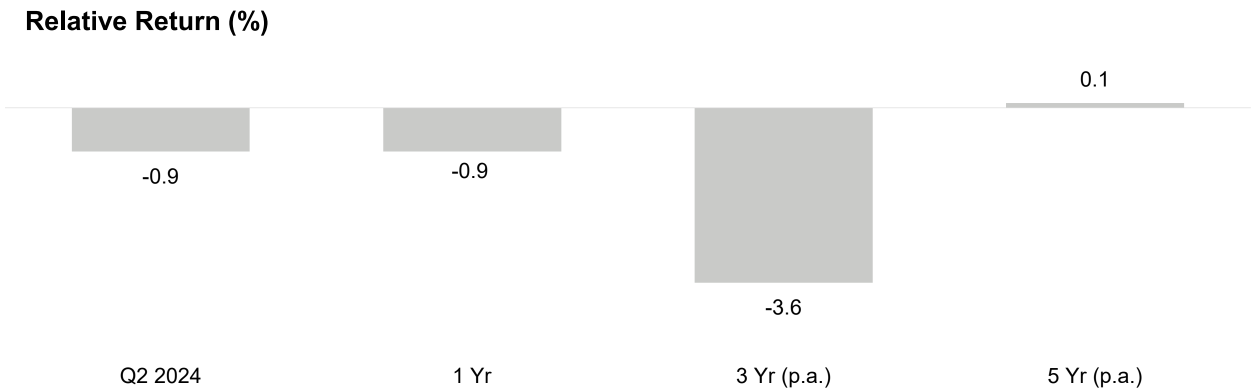
A review of your investment performance

Total Fund performance – Snapshot

Fund performance & benchmark



Relative performance



Quarterly (relative)

-0.9%

The Fund underperformed the benchmark returning 0.5% vs 1.4% over the quarter.

3 year (relative)

-3.6%

Over 3 years the Fund has underperformed the benchmark returning -0.9% vs 2.7%.

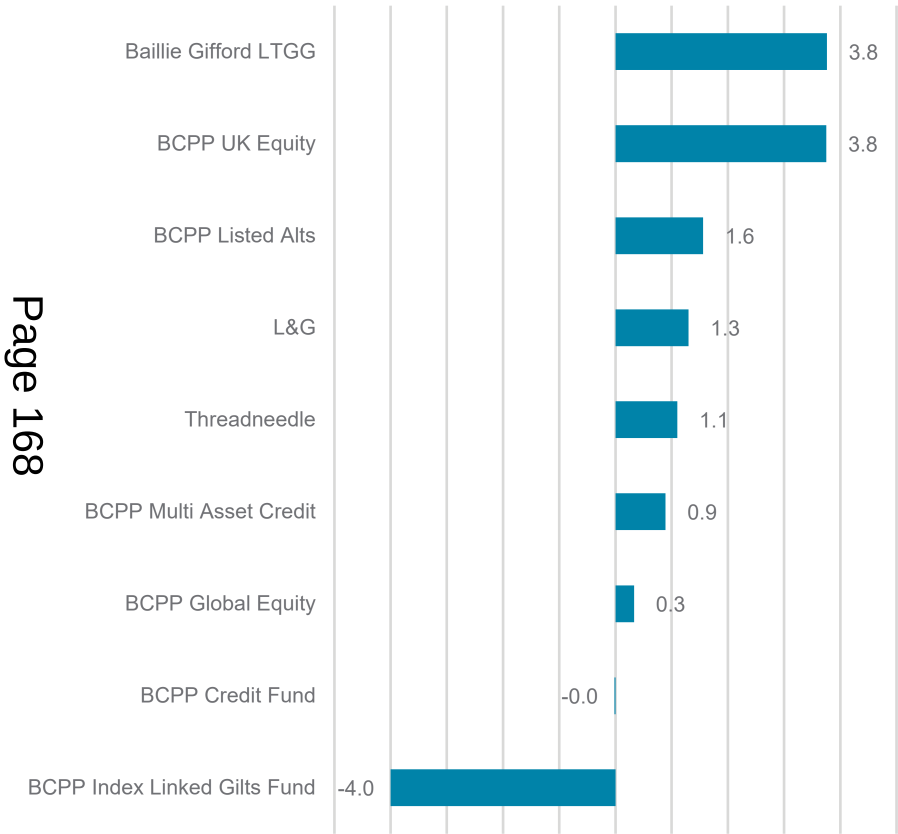
Comments

Total Fund performance is ahead of the composite benchmark over the 5 year period but behind over the quarter, 1 year and 3 year periods to 30 June 2024.

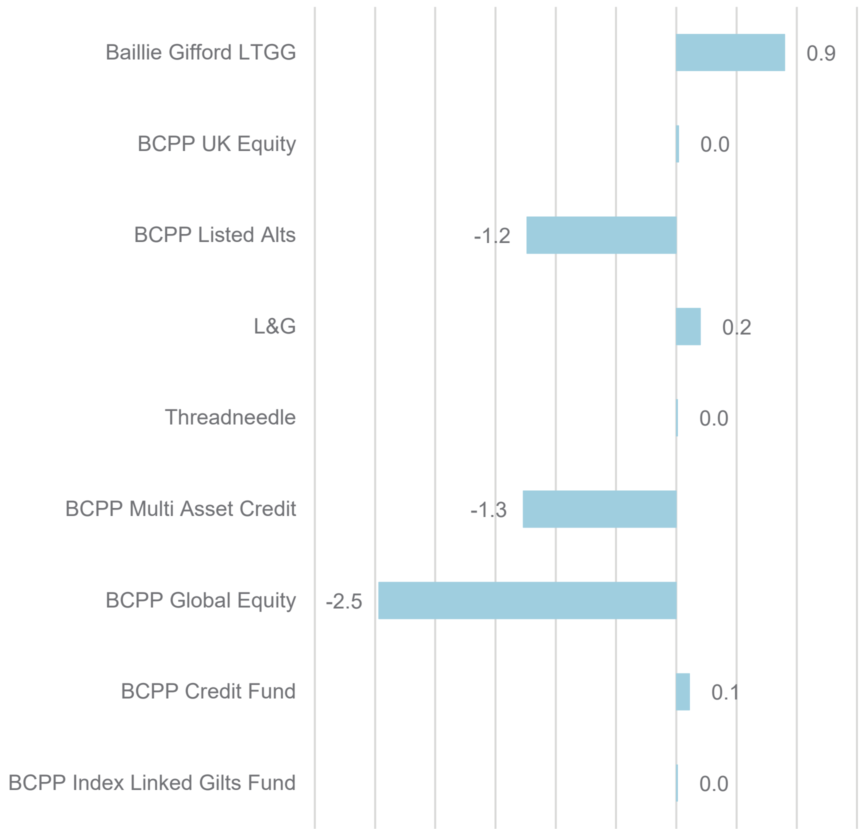
Source: Northern Trust, Aon

Manager performance – Quarter Snapshot

Absolute performance



Relative performance



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Source: Northern Trust, Managers, Aon.
Note: L&G, Threadneedle; MSCI data was used for fund performance and benchmarking purposes, total fund performance calculated using Northern Trust data.

Manager performance – Longer term

	1 Year (%)			3 Years (% p.a.)			5 Years (% p.a.)			Since inception			
	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Perf	B'mark	Rel	Inception date
Equity													
UK Equity													
BCPP UK Equity	9.8	13.0	-3.2	2.7	7.4	-4.7	4.0	5.5	-1.5	4.0	5.5	-1.5	Jun-19
Global Equity													
BCPP Global Equity	15.9	20.1	-4.2	7.3	8.7	-1.4	-	-	-	10.7	11.7	-1.0	Oct-19
Baillie Gifford LTGG	23.7	20.4	3.3	-5.1	9.1	-14.2	15.0	11.4	3.6	14.9	10.0	4.9	Sep-06
Property													
L&G	2.2	0.1	2.1	1.7	0.6	1.1	2.0	1.5	0.5	-	-	-	Dec-12
Threadneedle	0.8	0.1	0.7	1.3	0.6	0.7	1.8	1.5	0.3	-	-	-	Jun-12
Infrastructure													
BCPP Listed Alts	13.0	20.1	-7.1	-	-	-	-	-	-	1.7	9.3	-7.6	Feb-22
Investment grade credit													
BCPP Investment Grade Credit	10.6	9.7	0.9	-3.0	-3.9	0.9	-	-	-	-1.8	-3.0	1.2	Aug-20
Non-investment grade credit													
BCPP Multi-Asset Credit	2.7	4.4	-1.7	8.9	8.8	0.1	-	-	-	0.5	-	-	Nov-21
Gilts													
BCPP Index Linked Bonds	-5.6	-5.8	0.2	-19.8	-20.0	0.2	-	-	-	-16.1	-16.9	0.8	Oct-20
Total	**10.3**	**11.2**	**-0.9**	**-0.9**	**2.7**	**-3.6**	**4.8**	**4.7**	**0.1**	**7.0**	**7.3**	**-0.3**	**Jan-02**

Source: Northern Trust, Managers, Aon. Numbers may not sum due to rounding.
Note: L&G, Threadneedle; MSCI data was used fund performance and benchmarking purposes. Performance for Leadenhall is not shown as mandates only hold residual assets.

Border to Coast Pensions Partnership – Private Markets Performance Summary

BCPP Infrastructure

Fund	Q2 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A	**98.7%**	**84.6%**	**15.8%**	**8.0%**	**1.18x**
Series 1B	**98.7%**	**67.1%**	**3.7%**	**7.2%**	**1.13x**
Series 1C	**100.0%**	**79.7%**	**12.6%**	**9.7%**	**1.17x**
Series 2A	**99.7%**	**49.1%**	**1.2%**	**-**	**-**
Series 2B	**99.9%**	**27.6%**	**0.0%**	**-**	**-**
Series 2C	**0.0%**	**0.0%**	**0.0%**	**-**	**-**

BCPP Private Credit

Fund	Q2 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Series 1A/B	**99.5%**	**85.6%**	**24.8%**	**10.6%**	**1.19x**
Series 1C	**99.5%**	**70.1%**	**16.9%**	**11.3%**	**1.13x**
Series 2A	**100.0%**	**33.6%**	**4.5%**	**-**	**-**
Series 2B	**99.1%**	**12.6%**	**1.1%**	**-**	**-**
Series 2C	**0.0%**	**0.0%**	**0.0%**	**-**	**-**

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 March 2024

Border to Coast Pensions Partnership – Private Markets Performance Summary (cont.)

BCPP Climate Opportunities

Fund	Q2 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
Climate Opps Series 1 (Series 2A/B)	**99.9%**	**40.5%**	**0.9%**	**-**	**-**
Climate Opps Series 2 (Series 2C)	**19.6%**	**5.1%**	**0.0%**	**-**	**-**

BCPP UK Opportunities

Fund	Q2 2024 Position				
	Capital Committed	Capital Drawn	Capital Distributed[1]	IRR[2]	TVPI[2]
UK Opps (Series 2C)	**0.0%**	**0.0%**	**0.0%**	**-**	**-**

Source: BCPP. [1]Includes recallable distributions. [2]Performance metrics are as at 31 March 2024

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Border to Coast Pensions Partnership – Private Markets Commitments Summary

Strategy	Total NYPF Commitments							
	Series 1	1A	1B	1C	Series 2	2A	2B	2C
Private Credit	**£195m**	**£75m**		**£120m**	**£210m**	**£70m**	**£70m**	**£70m**
Infrastructure	**£320m**	**£70m**	**£50m**	**£200m**	**£360m**	**£120m**	**£120m**	**£120m**
Climate Opportunities	**N/A**	**N/A**			**£260m**	**£140m**		**£120m**
UK Opportunities	**N/A**	**N/A**			**£50m**	**N/A**		**£50m**

Source: BCPP, Aon, 30 June 2024.

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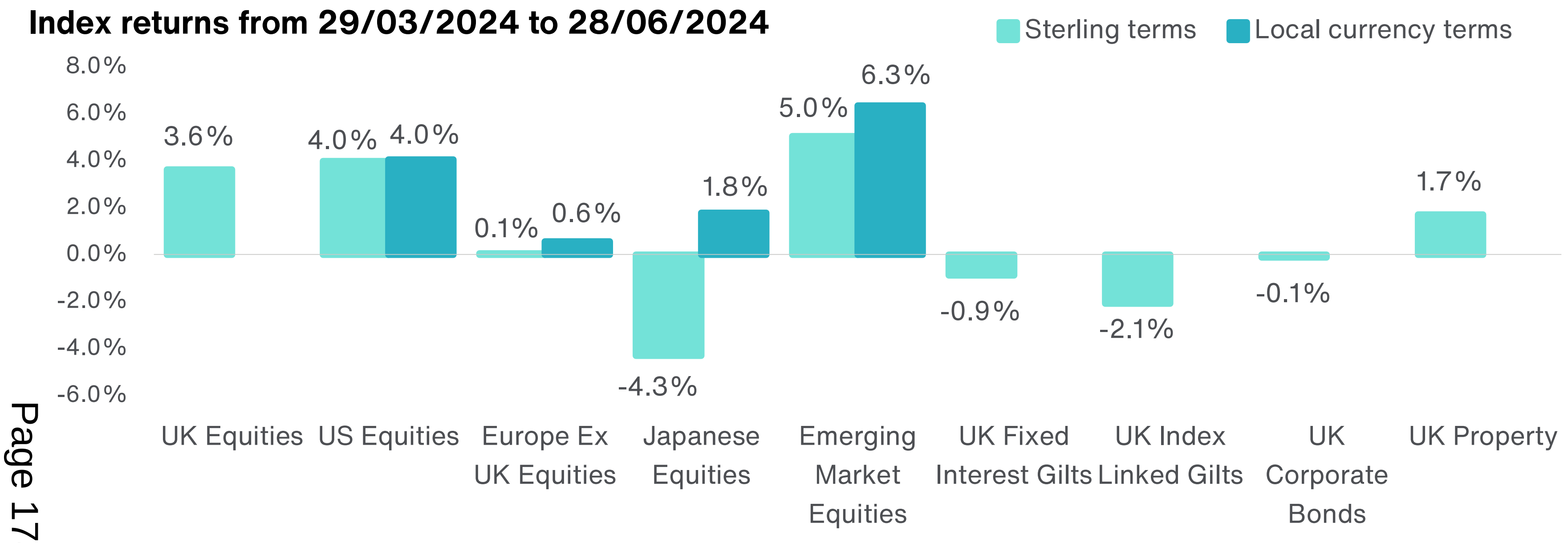
5. Market background and investment outlook

Aon's views on the market outlook and snapshot of investment markets and key economic data

Market – Background Q2 2024



Sources: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

Equities

In Q2 2024, global equity markets rose. Over the quarter, the MSCI ACWI rose 3.5% in local currency terms. However, sterling appreciation against the euro and yen pushed down returns in sterling terms to 2.9%.

Bonds

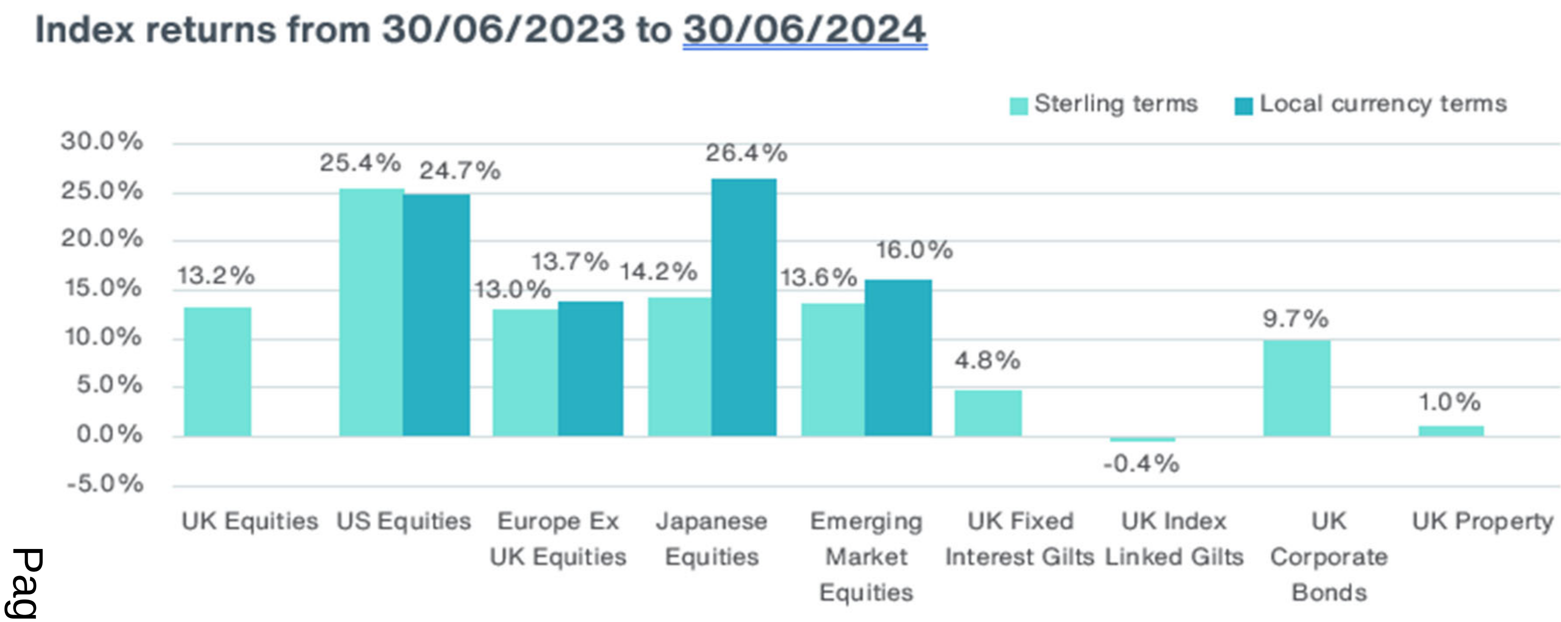
UK investment grade credit spreads rose by 0.01% to 1.09%, based on the IBoxx Sterling Non-Gilts index. Higher-quality bond credit spreads narrowed whilst, lower-quality counterparts widened, with AAA-rated non-gilt spreads falling by 0.03% to 0.26% and BBB-rated non-gilt spreads widened by 0.04% to 1.61%. The IBoxx Sterling Non-Gilts Index posted a return of -0.1%. Global investment grade credit spreads rose by 0.02% to 1.03% over the quarter.

Gilts

The UK nominal gilt curve shifted upwards over the quarter as yields rose across maturities.

The index-linked gilt yield curve also shifted upwards over the quarter as yields rose across maturities.

Market – Background 12 month



Sources: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

Equities

Global equity markets rose over the last twelve months. The MSCI ACWI rose 21.3% in local currency terms. Inflation began to moderate in most major economies as the global economy proved more resilient than previously anticipated. The Information Technology (39.2%) and Communication Services (33.5%) sectors were the major contributors to rallying the market over the past year.

Bonds

The UK credit market performed positively over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed by 0.46% to 1.09%. The index rose 9.7% over the year.

Gilts

The UK nominal gilt curve had a mixed performance over the past twelve months as the gilt curve fell at shorter and medium-term maturities but rose at longer-term maturities. In Q3 2023, the UK nominal gilt curve fell at the short to medium maturities but rose at the longer end of the curve. In Q4 2023, the UK nominal gilt curve shifted downwards as yields fell sharply across maturities. In the first half of 2024, the UK nominal gilt curve shifted upwards as yields rose across maturities.

Quarterly Investment Outlook – August 2024*

- US GDP growth will likely slow over the second half and approach trend levels. However, we don't think that the US will be tipping into recession this year. The rest of the world looks to be holding up well with the UK recovering from last year's technical recession.
- For growth assets this will create two counteracting forces, slower US growth may mean that punchy sell-side profit forecasts could disappoint, but it also might see the Fed joining the ECB in cutting rates sooner rather than later, which could help risk assets.
- Credit spreads in public markets are looking particularly compressed. Whilst there has been attention on the potential for stress in direct lending, spreads here are sufficiently wide to more than compensate for a cyclical increase in credit costs.
- Rallies in cryptocurrency, and the performance of 'meme' stocks suggests that there is a lot of froth in markets. At a two-to-three-year horizon we think risk-adjusted returns will be disappointing in traditional growth assets and we encourage diversification into other return generators.

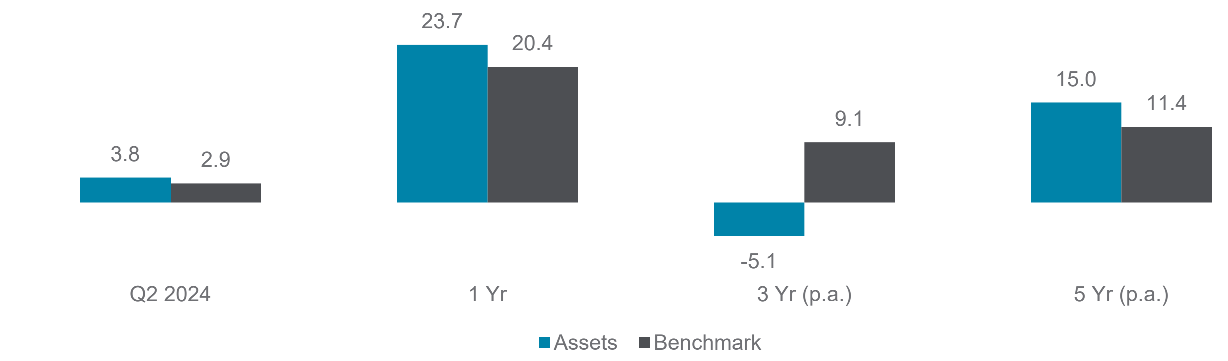
Note: *The opinions referenced are as of the date of publication (1 August 2024) and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

6. Manager review

Aon ratings and understanding manager performance

Baillie Gifford - LTGG

Fund performance & benchmark



Performance comments

The strategy marginally outperformed over the period and was well positioned for the AI theme with strong contributions from NVIDIA and Spotify, as well as Pinduoduo (PDD) Holdings.

NVIDIA's share price increased a further ~40% over the quarter, boosted by its leadership in AI technology, resulting in record growth and earnings and expanding gross margins. This, however, was not without volatility as the stock experienced a 13% drawdown in mid-June ahead of a quick correction. Baillie Gifford have been mindful to trim the position where appropriate, as while the long-term upside could be vast, NVIDIA operates in a cyclical industry and is likely to remain volatile over the short term.

Spotify performed well over the period, with the market rewarding the company for successfully increasing subscription prices, the first increase in its 13-year history.

PDD reported strong year-on-year results which undid some of the drawdown the stock experienced in the first quarter of the year. However, investor aversion toward China continues to create volatility in the shares. The LTGG team retain conviction that PDD is one of the world's preeminent e-commerce companies.

On the negative side, the quarter's gains were partially offset by negative contributions from Adyen, Dexcom and Workday.

Buy

Reviewed: August 2024

Ratings detail

ODD:	A1 pass	**Risk:**	●●○○
Business:	●●●●	**Perf:**	●●●○
Staff:	●●●○	**Terms:**	●●●○
Process:	●●●○	**ESG:**	Integrated

Key info

Appointed: 29 September 2006

Vehicle: Baillie Gifford Long Term Global Growth (+3% over 5-10yrs)

Mandate: Global Unconstrained Equities

Benchmark: FTSE All World Index from 31 March 2008

Target: To outperform the benchmark by 3% p.a. over rolling three-year periods.

Source: Aon, Northern Trust, data for periods longer than 12 months are annualised.

Baillie Gifford – LTGG (cont.)

Adyen's performance over the quarter was hurt due to take rate compression. However, Baillie Gifford retain strong conviction in the long term future growth opportunities for this stock.

While Dexcom exceeded earnings expectations, the market remains focused on competitive pressures and the company's ability to continue to make inroads in the larger Type II diabetes market.

Workday also posted positive results but was hurt by market dislocation.

Positioning and Transactions

During the period the team initiated three new positions: e.l.f. Beauty, Kweichow Moutai 'A' and Titan Company Ltd.

e.l.f. Beauty was an idea initiated from the risk team's 'missed growth' analysis and is a name that has been growing rapidly over recent years thanks to the rising popularity of its low-priced, cruelty-free cosmetics and the company's very distinctive social media presence.

Kweichow Moutai is a Chinese manufacturer of premium baijiu (a white alcohol) which is embedded in Chinese culture and fits into the portfolio's view of the growth potential of luxury goods.

Titan is India's leading jewellery retailer. The domestic jewellery market in India is the largest in the world, with strong demand driven by cultural celebrations and weddings. Historically, the market has been dominated by informal, local retailers, however, Baillie Gifford believe Titan is set to be a chief beneficiary of structural changes as the market undergoes premiumisation driven by rising income levels.

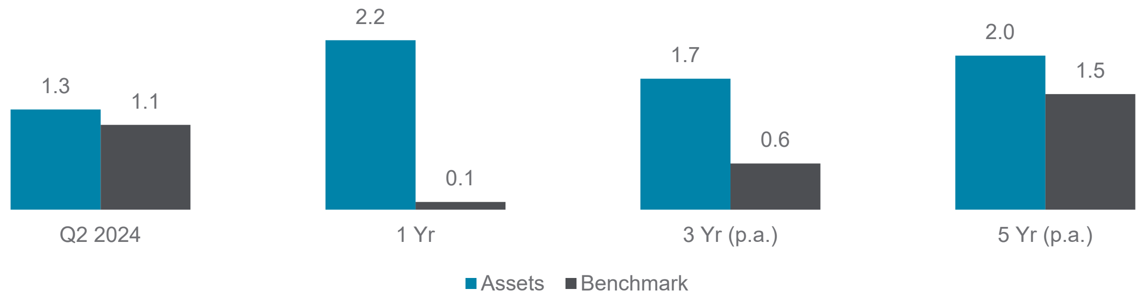
These purchases were partially funded by the sale of Ginko Bioworks Holdings. This was a small holding in the R&D bucket where the LTGG team was losing conviction due to a shift in the company's business strategy.

The team trimmed AI exposed names such as NVIDIA, though it remains a top holding.

The strategy remains concentrated (41 holdings), with significant exposure to tech-related businesses.

LGIM – Managed Property Fund

Q2 Fund performance & benchmark



Buy

Reviewed: May 2024

Q1 2024 Monitoring comments

As of Q1 2024, the Fund was overweight to the alternatives sector compared to the benchmark (18.4% vs 13.5%), and had a strong cash position of (10.6% vs 7.8%). Cash has been accretive to returns. The Fund has benefitted from a large amount of DC pension inflows (average net inflows of £18 million per month over the trailing 12 months). Compared to the benchmark, the Fund is underweight to the industrial, office and retail sectors. The underweight position to the office sector, which continues to see significant stress, is worthy of note.

The manager has highlighted that the office exposure will be further reduced through strategic sales. Moreover, despite the manager’s cautious outlook on retail, especially high street and shopping centres, the manager remains relatively positive on retail warehousing, which is proving to be resilient.

The manager also has a positive view on leisure assets, especially those located in core locations, with the Fund gaining exposure through the LGIM leisure Fund. LGIM forecasts that this segment will outperform All Property over the next 3 years and offer an attractive yield profile, also presenting opportunities for asset management initiatives. The Fund’s void rate has risen marginally since last quarter (12% vs 11.7%). However, 1.6% is strategic void, 2.0% is under refurbishment and 3.6% is under offer.

Key info

Appointed: 1 November 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark by over three year rolling periods.

Source: MSCI data was used for fund performance and benchmarking purposes

AON

LGIM – Managed Property Fund (cont.)

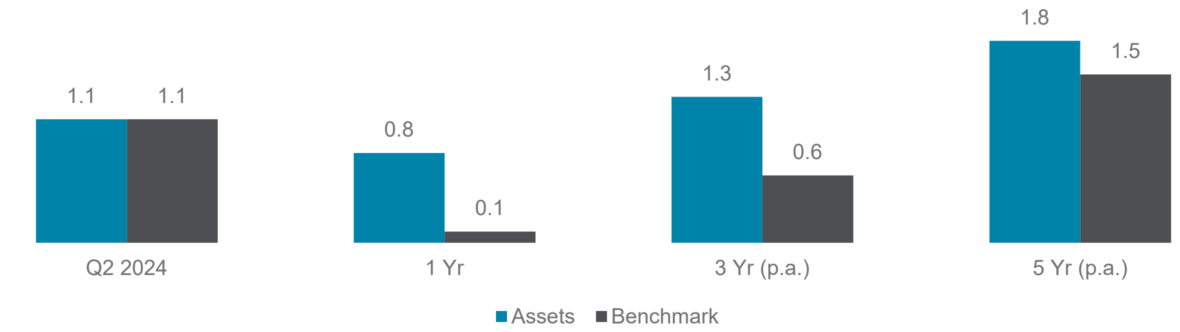
Q1 2024 Transactions

There were several transactions that occurred over the quarter, across all sectors, both indirect and direct, totalling c.£100 million.

The Fund acquired a Tesco Supermarket in Poole, Dorset, for £46.1 million, reflecting a net initial yield of 7.75% and a capital value ps sf of £435. The asset is leased to Tesco Plc for a further 7 years at £3.66m p.a., and benefits from annual RPI indexation (collar and cap 1-4%). The manager is forecasting an 8% IRR assuming a 5-year hold period. The Fund also acquired the remaining 50% interest of the North Tower (Manchester, Residential Build to Rent ('BTR')) for £49 million. The asset was originally purchased in 2020 as a forward commitment and has 276 apartments. The asset has delivered strong performance to date and rental growth continues to be a key driver of returns, with market rents c.11% higher than the current passing rent. The manager is forecasting a 7-9% IRR over the next 5 years. In line with the Funds' strategy to increase its exposure to the residential sector, the Fund has made an additional commitment to the LGIM BTR Fund, totalling c.£25 million, taking the total allocation to c.£73 million. The Fund is forecasting a net total return of 7-9%. The Fund also purchased 1 Temple Row (Birmingham, office) for c.£10 million, reflecting a net initial yield of 14.5% and a capital value psf of £95. The property comprises 104,000 sq ft across 14 floors, multi-let to 22 different occupiers and adjoins the existing holding, giving the Fund complete control of a strategic two-acre island site. The site is near the proposed HS2 terminus and is a longer-term redevelopment opportunity. The manager is forecasting a 14-18% IRR over 5 years.

Threadneedle – TPEN

Q2 Fund performance & benchmark



Buy

Reviewed: May 2024

Q1 2024 Monitoring comments

The positive quarter and year returns indicate that it is likely that the UK property market for most sectors and better-quality assets is reaching its nadir. Transaction volumes however remain well below historical levels, debt costs remain unattractive for most properties and headwinds remain in the office sector, especially for weaker offices.

The Fund remains overweight to industrial assets (45.5% versus 40.0%), which should benefit performance over the short and medium terms given the expected continued rental growth in this sector and reversion in the portfolio. The Manager will continue to dispose of industrial assets where capex requirements outweigh the investment upside. The Fund also maintains a meaningful allocation to the retail warehouse sector versus the benchmark (15.0% versus 12.7%) which is providing attractive income and is a sector benefiting from increased transactions and buyer sentiment.

The Fund does have an overweight position to offices at 23.1% (benchmark, 20.3%), with the Manager actively looking to reduce this overweight position. Recent changes to permitted development, the ability to convert an office to residential, will make it easier to reposition weaker offices and sell with planning permission in place and this will be the exit strategy for several of the Fund's offices.

14 assets have been sold over the past 12 months, totalling £84.5 million, £20.2 million being sold over the quarter. Sales have been used to pay redemptions and maintain a cash balance for liquidity. Cash in the Fund stood at 4.9%, lower than the benchmark's 7.8% and the lower cash balance has been a drag on relative performance given strong cash returns versus property over the past year. The Manager is targeting a c. 10% cash position. Over the year on a like for like basis, the rent in the fund increased by £11 million from new lettings and renewals.

Key info

Appointed: 21 June 2012

Vehicle: Property Fund

Mandate: UK Property Pooled Fund

Benchmark: IPD All Balanced Property Fund Index

Target: To outperform the benchmark by 1 to 1.5%.

Source: MSCI data was used for fund performance and benchmarking purposes

Threadneedle – TPEN (cont.)

Major Developments

Columbia Threadneedle announced that TPEN has changed its documentation to allow investment in the residential sector, no investor vote was required. Globally, residential is a mainstream sector for diversified core funds to invest in with the UK being an outlier in this regard with much lower allocations to residential investments or funds not allowing investment in the sector, like TPEN. In the context of the Fund changes, residential includes student housing, build- to- rent homes and senior living.

The residential asset class has matured in recent years in the UK with sectors such as purpose-built student housing (PBSA) and the private rented sector (PRS) becoming institutionalized, and this has led to diversified funds making allocations to the residential sector and specialist residential funds launching. Aon is comfortable with diversified funds adding residential investments to their portfolios as a diversifier, it is a more defensive investment and currently it is a sector likely to outperform most others given the strong supply-demand dynamics and likely continued strong rental growth prospects.

TPEN will build up its allocation over time and is targeting a c. 5% allocation over the medium term. The Fund will look to make investments in PBSA assets where they can add-value through asset management and single-family housing (i.e. not large PRS blocks). The Fund will not take on operational risk and will not be directly involved in the operational management of the residential assets.

Redemptions have now normalised with no major outstanding redemptions remaining. At the end of the quarter the NAV stood at £1.5 billion.

BCPP – Quarterly high-level monitoring (Q2 2024)

Changes to views of External and Internal Managers

- **BCPP Global Equity Alpha**
  - Loomis Sayles: The manager was first placed on the Watchlist in Q1 2023 due to a material level of turnover within the analyst pool. BCPP have held several engagements with the CEO, CIO and the investment team at Loomis around their thoughts on challenges in recruitment and retention. The risks associated with recruitment, retention and resourcing have now crystallised. BCPP's Annual Review in June 2024 has maintained Loomis Sayles on the Watchlist as they believe it is too early to assess the team following the recent hiring of new analysts.

- **BCPP UK Equity Alpha**
  - Redwheel: The manager was placed on the Watchlist during December following the UK Value team's launch of a new Global Value strategy. Whilst the UK Value team will increase from 5 to 8, with three additional analyst resources, who are moving internally to the UK Value team, BCPP are concerned that this may not adequately compensate for the additional time required to manage a global strategy as well as maintaining the current level of focus on the UK strategy. BCPP's Annual Review in June 2024 has maintained Redwheel on the Watchlist, and they will be closely monitoring developments over the next 12 months.
  - BCPP have negotiated a fee saving arrangement, equating to a 10% saving in year 1.

Source: Aon, BCPP External Quarterly Reports (UK and Global Equity Alpha, and Fixed Income Q2 2024), BCPP Quarterly investment Report (NYPF) Q2 2024.

Border to Coast Pensions Partnership – RI Quarterly Report Snapshot

UK Equity Alpha Fund

Fund	Q2 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
UK Equity Alpha	**42.4**	**7.8**
Benchmark (FTSE All Share)	**85.8**	**7.8**

Global Equity Alpha Fund

Fund	Q2 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Global Equity Alpha	**54.0**	**7.2**
Benchmark (MSCI ACWI)	**115.5**	**6.9**

Sterling Investment Grade Credit Fund

Fund	Q2 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Sterling Investment Grade Credit	**56.6**	**7.3**
Benchmark (iBoxx Sterling Non Gilt Index)	**64.0**	**7.5**

Listed Alternatives Fund

Fund	Q2 2024 Position	
	Weighted Average Carbon Intensity	Weighted ESG Score
Listed Alternatives	**157.0**	**7.6**
Benchmark (MSCI ACWI)	**115.5**	**6.9**

[1]This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form* and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

*In accordance with the Licence Agreement between Border to Coast Pensions Partnership Limited and MSCI ESG Research (UK) Limited

Source: BCPP/MSCI[1]

7. Further information

Key reference information about your Fund

Explanation of Ratings – Overall ratings

Overall ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Explanation of Ratings – Overall ratings

ESG Factor

The ESG factor is assigned a rating and can be interpreted as follows:

Rating	Key
Advanced	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited	The fund management team has taken limited steps to address ESG considerations in the portfolio.

Method

The funding update has been prepared in accordance with the framework below.

- This funding update is consistent with the calculations for the results of the actuarial valuation as at 31 March 2022. The assumptions used have been modified only insofar as is necessary to maintain consistency with the approach set out in the latest Funding Strategy Statement, reflecting the change in the effective date and in relevant market conditions.
- The funding update is projected from the results of the actuarial valuation as at 31 March 2022 valuation and is therefore approximate. Since the update is not based on up-to-date membership data, it becomes more approximate the longer the period of time that has elapsed since the last actuarial valuation.
- The funding update takes account of the following over the period since the last formal actuarial valuation:
  - Cashflows into and out of the Fund estimated based on the 2022 valuation results;
  - Actual price inflation and its impact on benefit increases.
- Demographic experience since the last formal actuarial valuation has been assumed to be in line with the assumptions set out in the 2022 Valuation report.
- This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.
- It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the investment strategy or economic outlook.
- For the purpose of this funding update, we have used an un-audited value of the assets as at 30 June 2024 provided by the Administering Authority.
- The whole of fund total employer contribution rates shown in this funding update allow for a recovery period ending 31 March 2041 and allow for any surplus in excess of 110% to be recovered as set out in the Funding Strategy Statement
- The assumptions used in this funding update are as follows:

	Discount rate	Pay growth	Pension increases *	Discount rate – Low risk funding target	CPI inflation – Low risk funding target
31 March 2022	4.20%	3.55%	2.30%	1.7%	3.4%
31 March 2024	4.60%	3.35%	2.10%	4.2%	3.0%
30 June 2024	4.70%	3.35%	2.10%	4.4%	3.0%

* Plus an allowance for short term inflationary increases

Risk/Return Assumptions

- The table to the right sets out the 10-year median returns and volatility assumptions in absolute terms used in the modelling.
- Assumptions are based on Aon's Capital Market Assumptions as at 30 June 2024
- Allocations modelled are those set out in the main body of this presentation. Allocations are assumed to be annually rebalanced.
- Allowance for active management is made in some of the assets classes, in particular where there is no real passive version of the asset, for example private equity funds.
- Unless stated otherwise, all returns are net of underlying manager fees.

High level asset class	Expected Return	Expected Volatility
Equities	6.8%	18.9%
Property	6.6%	12.6%
Infrastructure	8.5%	16.4%
Listed alternatives	6.8%	19.6%
Illiquid credit	8.4%	6.7%
Investment grade credit	5.4%	9.8%
Non-investment grade credit	6.5%	8.9%
Absolute Return	9.0%	5.5%
Gilts	3.5%	9.7%
Cash	4.1%	1.4%

Note: all statistics are 10 year median expected returns/volatility of returns.

Correlation Table

High level asset class	Equities	Property	Infrastructure	Listed Alternatives	Illiquid credit	IG Credit	Non-IG Credit	Absolute Return	Gilts	Cash
Equities	100%	37%	61%	100%	23%	1%	54%	22%	-8%	-3%
Property		100%	19%	36%	22%	3%	28%	8%	-2%	7%
Infrastructure			100%	62%	12%	2%	23%	22%	-3%	1%
Listed Alternatives				100%	22%	1%	53%	23%	-8%	-3%
Illiquid credit					100%	58%	59%	15%	6%	23%
IG Credit						100%	25%	15%	49%	39%
Non-IG Credit							100%	18%	1%	9%
Absolute Return								100%	9%	33%
Gilts									100%	30%
Cash										100%

Data and assumptions

Date of calculation	30 June 2024
Number of simulations	5000
Time horizon	10 years
Asset value	£ 4,631,667,017

- Infrastructure is modelled as a blend of 37.5% EU and 62.5% US Infrastructure in line with BCPP's mandate.
- Listed Alternatives are modelled as passive global equities (including emerging markets).
- Private Credit modelled as combination of 2/3 Senior Direct Lending (for Arcmont and Permira) and 1/3 Whole Property Debt (for BCPP).
- Gilts are modelled as a 62.9% 15 year index-linked gilts and 37.1% 20 year index-linked gilts.
- Property is modelled as UK Property.
- Liquid IG Credit modelled as UK corporate bonds (A-rated with average duration of 10 years)
- Liquid Non-IG Credit modelled as high yield multi-asset credit.
- Absolute Return is modelled as Leadenhall Insurance Linked Securities modelled as an equal blend of Aggressive, Conservative and Moderate ILS.
- The Fund has an allocation to Equities which make up 50% of the long term allocation.
- For modelling purposes (and for consistency with the approach taken by the Actuary) we do not allow for any outperformance from active management (alpha).
- We have not allowed for the impact of equity protection on the risk and return of the portfolio
- Equities have been modelled using region splits in line with the long term allocation:

Passive UK Equity	10%
Passive Global Equity (including Emerging Markets)	90%

Purpose, key assumptions and judgements of the model

The purpose of this analysis is to consider and monitor the return and risk characteristics of the current and long term investment strategy of the Fund. The key assumptions and judgements of the model are set out below and we believe are reasonable for the intended purpose.

- The calculation considers (5000 stochastic) simulations of annual absolute returns over the period modelled. The simulations are constructed using Aon's Stochastic Asset Model, further details and assumptions are outlined in this appendix.
- A liability proxy is not considered.
- Allocations are assumed to be annually rebalanced, in practice this may not always be possible for illiquid assets.
- The calculations do not take into account any cashflows payable.

Limitations

Material risks to the Fund include covenant, longevity, market, inflation, contributions, expenses and liquidity.

- Our stochastic scenarios include market risk only, and this risk is present in the distribution of returns and is reflected in the risk metrics shown. Market risk has been calculated on an asset only basis.
- This modelling does not cover liability basis, inflation, covenant, longevity, contributions, expenses and liquidity risk. When using the modelling analysis, the user should consider how these risks apply and whether they are material to the decisions under consideration.

There are other factors that could materially affect the Fund's funding and strategy decisions, or the exposure or realisation of the risks above:

- These other factors include external factors such as climate change or political, regulatory and legislative change.
- The general risk factors of economic or technological change are reflected in our economic assumptions and the prevalence of extreme events in our economic model, but not all specific risks can be captured (e.g. disruptions to the financial system, or technological change leading to improvements in longevity).
- There are other risks to which the Fund is exposed that we assume are not material to long-term funding and investment strategy decisions, such as timing of member options or operational risks.

Limitations (continued)

There are necessarily some limitations associated with the stochastic scenarios calibrated to Aon's Capital Market Assumptions used for asset-liability modelling.

- **CMAs and asset-liability modelling**. Asset-liability projections rely on views of the future and whilst median projections are our Aon-house views (intended to reflect no bias), we do not know what will materialise in practice (for example it cannot be predicted exactly how the equity market and bond market will develop over the next year). To help build up a more complete picture of possible outcomes, we project assets and liabilities stochastically with the aim of capturing the uncertainty associated with the projections. This approach is designed to be coherent with each asset being calibrated to target a CMA median return, volatility and set of interdependencies (correlations) assumptions. Nevertheless, there remain some limitations, including but not limited to those set out below.
- Whilst Aon's CMA assumptions are supported by historical data, current financial market prices and expert views there are necessary some limitations in the analysis, including, but not limited to, the following:
  - **Long-term versus short-term.** The stochastic scenario calibration primarily seeks to capture a realistic long-term distribution of outcomes but is also mindful of short-term risk behaviours. These, sometimes competing, objectives can lead to some trade-offs within stochastic scenario calibration and the requirement for significant expert judgement. Where significant focus is applied to an individual asset class, particularly for more extreme outcomes, the user should bear this limitation in mind, and/or may wish to consider the use of deterministic scenarios.
  - **Only 5,000 scenarios are produced**. There is necessarily a trade-off between running more scenarios and spurious accuracy. Notably as you approach extreme tails, i.e., 1-200 this is an area of the distributions where there is insufficient market information to apply rigorous statistical analysis to explicitly calibrate models to, as such seeking to define the model outcome with a high degree of confidence is to some extent spurious and will be heavily driven by model selection.
  - **Data used for the CMAs may be limited and/or be subject to interpretation for relevance today**. The issues that arise from a lack of or poor historical data may be compounded by changing context. For example, for part of the last 100 years the UK was either on the gold standard or a quasi-gold standard, which is a very different economic framework than floating currencies. This obviously creates significant issues for the relevance of any cash rate and bond yield data.
  - **Defined randomness rather than chaotic behaviour**. The model, by necessity, assumes an underlying distribution of returns and yields. This presumes the underlying asset returns are random in nature rather than deterministic and chaotic. In a deterministic and/or chaotic framework the concept of a 1-in-X event has no meaning and so is not used in this modelling.
  - **Some extreme events are not modelled.** Our model is built on the premise that the current monetary and political framework will continue and presumes that there will not be a breakdown of civil order, a major natural disaster, UK government default or a significant global armed conflict. We view these risks as being outside the typical use case, however where very extreme scenarios are considered these may be relevant and should be addressed through deterministic scenario analysis.
  - **Unknown unknowns.** The model deals with known risks and therefore does not allow for "black swan events" or "unknown unknowns", while our model does have fat tails, it is not possible to fully allow for these types of unknown risks.
  - **Volatilities and correlations**. Volatility and the correlation of assets are only observable after the fact and can change over time. Within the stochastic scenario calibration, volatility and correlations vary for each of 5,000 scenarios, with the distribution of outcomes largely a function of the chosen economic models and the median long-term volatility and correlation targets. Some correlation behaviour is introduced in the tails e.g., large equity falls with more downward credit transitions.

Capital Market Assumptions

Aon's Capital Market Assumptions (CMAs) are our asset class return, volatility, and correlation assumptions. The return assumptions are "best estimates" of annualised returns. Below we set out the key features and approach taken in setting these assumptions.

- **Aon's CMAs.** Market risk is the primary risk considered as part of the CMA setting process.
  - The return assumptions are Aon's "best estimate" returns, with the uncertainty around the expected return represented by the volatility (annualised standard deviation of returns over the projection period) assumptions. Correlation assumptions allow for the interconnectedness of the risks facing different asset classes.
  - By 'best estimate' we specifically refer to the median annualised return. That is, there is a 50/50 chance that outcomes will be above or below the assumptions.
  - Assumptions are set by Aon's Global Asset Allocation Team and represent the long-term (10 and 30 year) market outlook.
  - Our long-term assumptions are based on historical results, current market characteristics, our professional judgment, and forward-looking consensus views.
- **Consideration of other approaches.** Alternative approaches include using generalized global models, such as the Capital Asset Pricing Model (CAPM) or a fixed risk premia approach, but we believe these approaches over-simplify the analysis and do not capture as much of the intricacies around each asset class.
- **Climate risks**. We consider the impacts of climate change when setting our assumptions. Making direct adjustments is challenging and subject to a high degree of subjectivity, as climate change effects are extremely 'non-linear'. Aon's capital market assumptions (CMAs) are based on long-term consensus views of what is priced into the market, and therefore indirectly capture the climate risk that is currently captured in current market conditions. **A separate range of deterministic scenarios focusing on climate change scenarios can be used to inform and help aid decisions.**
- **Other risks**. The effects of other internal or external environmental factors, such as technological, economic, political and geopolitical, regulatory and legislative changes, are also indirectly captured, in consensus views on the economic outlook and market pricing, which feed into our return assumptions.

Aon’s Stochastic Scenario Generator (SSG) Model

Aon’s Stochastic Scenario Generator (SSG) Model is a set of 5,000 stochastic scenarios, calibrated quarterly to Aon’s Capital Market Assumptions. These stochastic scenarios can be used to evaluate the risk and return characteristics of a Fund’s assets versus its liabilities.

Asset-liability modelling

- **Stochastic scenarios.** Aon’s Capital Market Assumptions CMAs are used as targets to calibrate a set (typically 5,000) of stochastic scenarios for each economic variable. This allows us to perform stochastic asset-liability studies i.e. project portfolios of assets and liabilities many times into the future, building up a coherent picture of possible outcomes. Allowing for the interactions of asset and liabilities stochastically impacts median outcomes and enables percentile outcomes and probabilistic metrics to be considered.
- **Consistent framework**. All the major markets and asset classes are modelled within a consistent framework allowing for the interactions between them to be properly taken into account.
- **Model choice**. When setting assumptions, we have opted to use different economic models for different asset classes (listed on this slide), as we believe this would be the best way to capture the specific characteristics associated with each asset class.

Key economic models used

- **Nominal yields** are modelled using an extended displaced Black-Karasinski model, which enables us to model full yield curves. Yields are positively skewed, and the model can fit the starting curve. In the current calibration, average nominal yields are assumed to broadly follow the market for the first c.20 years of the projections.
- **Real yields** are modelled using a Hull-White model, this enables us to model unbounded full yield curves. The model can fit the starting curve. In the current calibration, average real yields are assumed to broadly follow the market for the first c.20 years of the projections
- **Inflation** is taken as the difference between nominal and real short rates, and the positive skew of the nominal yield model ensures realised inflation is positively skewed. For realised inflation a ‘surprise’ element is allowed for making inflation more volatile that purely predicted by the short rates.
- **Investment grade corporate bonds** are modelled using an extended Jarrow-Lando-Turnbull framework which assumes bonds can be modelled based on their credit rating and anticipated cashflows. This ensures positive credit spreads with positive skew and ratings transitions which broadly reflect historically observed transitions.
- **Return-seeking assets** are modelled using exposures to factors, where each factor can contain stochastic volatility and/or jump diffusion process. This gives the flexibility to capture more complex tail behaviour than is typically observed in simpler log-normal models.
- **Other assets** generally use outputs from the models above and exposure to some degree of idiosyncratic element in order to capture desired properties for the asset being considered.

TAS compliance

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This report should be read in conjunction with:

- The Report on the actuarial valuation of the North Yorkshire Pension Fund as at 31 March 2022 dated 29 March 2023.
- The latest Funding Strategy Statement.

If you require further copies of any of these documents, please let me know.

Third party disclaimer – 1 of 3

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NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

13 SEPTEMBER 2024

INVESTMENT ARRANGEMENTS WITH BORDER TO COAST

Report of the Treasurer

1. PURPOSE OF REPORT

1.1. To set out the legal requirement to pool pension fund assets and how North Yorkshire Council is addressing this through Border to Coast.

1.2. To update the Committee on Government pronouncements on fund consolidation, domestic investment, and other aspects of the LGPS.

1.3. To present annual reviews of the Global Equity Alpha fund and the UK Equity Alpha fund, in which North Yorkshire Pension Fund invests.

2. BACKGROUND

2.1 In November 2015, the Government issued an Investment Reform Criteria and Guidance document inviting proposals for pooling. This required all LGPS administering authorities to submit to Government initial and detailed proposals by 19 February 2016 and 15 July 2016 respectively.

2.2 On 1 November 2016, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force. These Regulations mandate that the separate Local Government Pension Scheme Funds in England and Wales combine their assets into a small number of investment pools.

2.3 The Secretary of State has direction and intervention powers if not satisfied that an administering authority is complying with its obligations in relation to the Regulations.

2.4 In order to meet the requirements of these regulations, North Yorkshire Council was involved in the creation of Border to Coast Pensions Partnership Limited (Border to Coast).

2.5 Border to Coast is an alternative investment fund manager, authorised by the Financial Conduct Authority (FCA) and wholly owned by eleven Local Government Pension Scheme (LGPS) administering authorities, including North Yorkshire Council.

2.6 Border to Coast operates investment funds for these local authorities to invest pension fund assets, to assist in the implementation of their investment strategies and asset allocation requirements. The assets under management across the eleven partner funds are valued at approximately £60 billion.

2.7 In 2019 the Ministry of Housing Communities and Local Government (MHCLG) consulted with selected interested parties on updated guidance. The response on this consultation was never published.

2.8 Another consultation was published by the Government on 11 July 2023, *Local Government Pension Scheme (England and Wales): next steps on investments*. The Fund submitted a response by the deadline of 2 October 2023, a copy of which was included in the agenda for the 15 September 2023 Pension Fund Committee meeting.

2.9 On 22 November 2023 the Government published *Local Government Pension Scheme (England and Wales): next steps on investments – government response*. This reflected on the 152 responses received and set out their plans to:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled

- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation

- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy

- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark

- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling

- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan

- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity

2.10 Barring a few minor details, these intentions are in line with the consultation document. New guidance was expected to be published before the summer recess, but this did not happen.

2.11 On 28 March 2024 the Government published *Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds April 2024*. This guidance document introduced a range of new requirements including those aimed at addressing some of the aims detailed in the pooling consultation. They include reporting on investments inside and outside of pooling arrangements, the proportion of assets invested in private equity, and the proportion of assets supporting the government's Levelling Up agenda.

2.12 Under pooling arrangements, this Pension Fund Committee remains responsible for setting the funding strategy and the high-level investment strategy, including the appropriate asset allocation for the Fund. The main difference with pooling is that the Fund will not be directly making its own investments unless it is not possible to do this through Border to Coast. Instead, the Fund will be monitoring the performance of the investments in the Pool.

2.13 The work on developing Border to Coast continues and this report provides an update to the Committee.

3 RECENT DEVELOPMENTS

3.1 On 15 May 2024, DLUHC (Department for Levelling Up Housing and Communities, which was renamed MHCLG between September 2021 and July 2024) wrote to LGPS administering authorities asking them to comment on the themes of economies of scale, efficiency and governance. The Minister's letter was circulated to Pension Fund Committee members and is attached as **Appendix 1**.

3.2 Although there has been a change of Government, it was considered appropriate to reply. The letter to the new Minister is attached as **Appendix 2**. It was approved by the Fund's Treasurer and the Chair of this Committee.

3.3 This reply is broadly consistent with the replies from the other partner funds in Border to Coast, and with a reply sent by the Joint Committee.

3.4 On 17 July 2024 the King's Speech included a few issues which might be relevant, although there was no specific mention of the LGPS.

- The National Wealth Bill will be aimed at delivering growth and a greener economy. A £7.4 billion capital injection was mentioned. Other than a reference to the UK Infrastructure Bank there was no information on where the funding would come from.

- The Pension Schemes Bill will "enable consolidation and more productive investment of funds". The focus is to be on private pensions market consolidation.

3.5 On 20 July 2024 the Government issued a press release "big bang on growth" on boosting investment and savings and tackling waste in the pensions system. The key points were:

- action will be taken to unleash the £360 billion of LGPS investments and make it an engine for UK growth

- pooling would enable investment in a wider range of UK assets and further mandating of pooling will be considered if insufficient progress is made by March 2025 (which is the same deadline posed by the previous Government)

- further consolidation would be explored, with the focus seemingly on funds rather than pools

- fees and costs would also be explored

3.6 On 7 August 2024 the Chancellor met with representatives of the major Canadian public pension funds. In a statement ahead of the meeting the Chancellor said "the size of Canadian pension schemes means they can invest in far more productive assets like vital infrastructure than ours do. I want British schemes to learn lessons from the Canadian model and fire up the UK economy".

3.7 Hymans Robertson has published a useful policy briefing note, The Canadian Model. It's interesting to note that that the arrangements were established with certain principles including alignment of interest and collaboration between stakeholders without political interference.

3.8 However, there is an ongoing heated debate in Canada between the Government and the funds about the low level of domestic investment, which is amongst the smallest domestic allocations in the world. The Financial Times article Canada's pension spat exposes global institutional capital fight illustrates this.

3.9 On 16 August 2024 the Terms of Reference for Phase 1 of the Government's Pensions Review was released. This will focus on defined contribution schemes and the LGPS, and findings are expected to be reported this year, ahead of the introduction of the Pension Schemes Bill. The aims are aligned with the Government's pronouncements above.

3.10 The second phase of the review is expected to start later this year, with a focus on improving pension outcomes alongside investment, including assessing retirement adequacy. It is not known whether the LGPS will be in scope.

4. GOVERNANCE – JOINT COMMITTEE

4.1 As part of the Governance arrangements for Border to Coast, a Joint Committee has been established. The primary purpose of the Joint

Committee is to exercise oversight over investment performance of the funds managed by Border to Coast.

4.2 The Joint Committee is comprised of one member from each of the eleven partner funds. They are typically the Pensions Committee Chairs, but not in every case. Councillor George Jabbour from North Yorkshire was appointed as the Chair at the last meeting, on 20 June 2024. Councillor Jabbour has therefore vacated the position of Vice Chair, so a replacement will be determined at the meeting in September. Also, on the Joint Committee, but in a non-voting capacity, are two scheme member representatives nominated by the eleven partner fund Pension Boards.

4.3 The Joint Committee arrangements are hosted by South Yorkshire. The most recent meeting was on 20 June 2024. Agenda papers and minutes are available at https://meetings.sypensions.org.uk/mgGeneric.aspx?MD=bordertocoast&bcr=1&zTS=D. The confidential papers have been circulated to Pension Fund Committee members separately.

5. GOVERNANCE – THE COMPANY

5.1. The current Board of Directors of the company is made up as follows.

- Chris Hitchen, Non-Executive Chair
- Rachel Elwell, Chief Executive Officer (CEO)
- Fiona Miller, Chief Operating Officer (COO)
- Kate Guthrie, Non-Executive Director (NED)
- Tanya Castell, Non-Executive Director (NED)
- Andrew November, Non-Executive Director (NED)
- Richard Hawkins, Non-Executive Director (NED)
- John Holtby, Non-Executive Director (NED)
- David Coupe, Non-Executive Director (NED)

5.2. Councillor John Holtby (East Riding), and Councillor David Coupe (Teesside) are the two Partner Fund nominated Non-Executive Directors (NEDs) on the Board. The appointments to these two positions followed recommendations by the Joint Committee, approval by the Board of Border to Coast, and approval by the Financial Conduct Authority (FCA).

5.3. North Yorkshire Council, as the administering authority of the North Yorkshire Pension Fund, is the named shareholder in Border to Coast, owning a 1/11th share of the company.

6. WORKING GROUPS AND OTHER ARRANGEMENTS

6.1. Where appropriate, working groups have been created to provide support to the arrangements to pool assets and to ensure appropriate engagement with the funds. North Yorkshire is represented in all areas where arrangements may impact on the Fund's investments.

6.2. Until now, Border to Coast has reported on the quarterly performance of each fund at each Joint Committee meeting. Going forward, this is changing to there being an annual review for each fund, with three or four funds being reported at each meeting. Matters arising each quarter will be reported on an exception basis. These annual reports will then be available to report to partner fund committees.

6.3. The first batch of reports is comprised of annual reviews of the Global Equity Alpha fund and the UK Equity Alpha fund, in which North Yorkshire invests, as well as the Emerging Markets Equity fund. They were presented at the Joint Committee meeting on 20 June 2024. Border to Coast's report to the Joint Committee is attached as **Appendix 3**. This report is restricted by virtue of paragraph 3 of Part 1 of Schedule A of the Local Government Act 1972.

6.4. On 12 September 2024 there is a workshop where Border to Coast will present on Global Equity Alpha, exploring the annual review and other issues relating to this fund.

6.5. The issues raised in the UK Equity Alpha fund have a relatively low significance, as the allocation to this fund is small (4% of the total value of the Fund) and because the Committee has already decided to remove this allocation from the strategy, pending a suitable alternative being identified. This is expected to happen as part of the next review of the investment strategy.

6.6. Reviews for the Alternatives programme and Listed Alternatives are underway.

7. NORTH YORKSHIRE'S INVESTMENTS WITH BORDER TO COAST

7.1. To date, the Fund has invested approximately 76% of the total value of the Fund with Border to Coast, as detailed below.

Border to Coast fund	Investment Inception	31 June 2024 £ million
UK Equities	April 2019	187
Global Equities	October 2019	1,377
Private Credit	October 2019	154
Infrastructure	July 2019	330
Climate Opportunities	April 2022	54
UK Opportunities	-	0
Listed Alternatives	February 2022	271
Multi Asset Credit	November 2021	243
Corporate Bonds	March 2020	338
Index Linked Bonds	October 2020	553
Total		3,507

7.2. Cumulative private markets commitments of £680 million to Infrastructure, £405 million to Private Credit, £260 million to Climate Opportunities and £50 million to UK Opportunities have been made. This is £1.395 billion in total. Annual commitments can be made to Border to Coast for these asset classes in the first quarter of each calendar year, with the exceptions of Climate Opportunities and UK Opportunities which operate on longer cycles.

7.3. As expected with these private markets asset classes, it will take many years for these commitments to be called by Border to Coast and for the money to be fully invested.

8. FUTURE INVESTMENTS WITH BORDER TO COAST

8.1. Private markets commitments to Border to Coast will next be considered in the first quarter of 2025 for Infrastructure and Private Credit.

8.2. Border to Coast is working towards launching a UK Property fund in late 2024. It will primarily be invested in segregated properties, with an allocation of approximately 15% in specialised property funds such as for residential property. The initial phase of investments will involve only three of the partner funds in Border to Coast, being those funds transferring directly held commercial property to Border to Coast. The second phase, potentially involving North Yorkshire, is expected to commence in the first half of 2025.

8.3. In November 2022 the Committee reviewed Border to Coast's proposals on UK Property. The conclusion was that Members were comfortable with the arrangements, and subject to officers and advisers completing the remaining due diligence steps, investment could go ahead. However, a formal decision was not made at that time. Due diligence work will be completed in the coming weeks. A report with a recommendation will be brought to the Committee meeting on 22 November 2024.

8.4. Partner funds have been working with Border to Coast on the possible launch of a Sustainable Bonds fund. Sustainable Bonds are used to finance a range of green and social projects and activities. The launch of a fund in 2025 has been discussed. A workshop will be arranged for the Committee once the proposals have been sufficiently developed.

8.5. Discussions with partner funds on listed impact equities have, at this stage, failed to generate interest. However, discussions with Border to Coast are ongoing, on whether this could be considered at a later date, if not in the short term. This asset class will also be noted as part of the investment strategy review, due to commence shortly.

8.6. All of the Fund's investments with Border to Coast produce income in one form or another, for examples coupon payments on bonds. Currently all of this income is reinvested. Income distribution options are being explored, which may be needed to meet the Fund's cashflow requirements as the membership profile matures.

9. CONCLUSION

9.1. The launch of new funds continues broadly in line with expectations. Border to Coast has been focussing resources on developing a small number at any one time, rather than try to do too much too quickly. Understandably, the pace of fund launches has slowed, with Border to Coast now managing approximately £40 billion of partner fund assets.

9.2. The change in Government is expected to impact on the timing and content of updated guidance on pooling investments. However, at this stage, compliance with the requirements is not expected to lead to material changes to the approach North Yorkshire has been taking with Border to Coast.

10. RECOMMENDATIONS

10.1. Members are recommended to note the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
County Hall
Northallerton
4 September 2024

Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

Chief Executives and Section 151 Officers of Administering Authorities in England

By email

15th May 2024

Dear Colleagues,

Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds

I wrote to all chief executives on 16 April setting out my expectations for the productivity plans to be developed by each authority as announced at the local government finance settlement. In this, I asked for plans covering service transformation, better use of technology and data and reduction of wasteful spend as well as views on barriers which government could remove (letter at annex A).

I am now writing to you to ask you to set out your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool in a separate letter. I am interested in what is happening across local government to deliver efficiencies in the management of the £359 billion of pension assets you hold, and in your administration of pension benefits for the 6.6 million members.

Since taking on ministerial responsibility for the LGPS I have been grateful for the generous engagement I have received, and I have been struck by the generally strong financial position of the scheme, as well as the strong commitment to serving scheme members. However, it is clear that there is also a need for improvements, including to meet the expectations set out on asset pooling and investments set out at the Autumn Statement. More efficiencies in fund administration and management should also be achieved: across the scheme in 2022-3 investment management costs were £1.7 billion and £280 million on administration and governance.

Your response should consider the following themes on pensions.

1. **How your fund will complete the process of pension asset pooling to deliver the benefits of scale.**

- What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
- Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy ? What is your expenditure on pensions investment consultancy ?
- Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight ? If not, what steps are you taking to make your pool's governance more effective?

2. **How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.**

- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
- Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?

As set out in my previous letter I do not wish to impose excessive burdens. I expect your letter to be no more than two pages in length. Your plans must be returned by 19 July 2024, by email to lgpensions@levellingup.gov.uk. We will review your responses and consider the issues emerging and the implications for future national policy.

I look forward to working with you to deliver the best outcomes.

[redacted]

SIM[redacted]
Minister for Local Government

North Yorkshire Council
Resources
County Hall
Northallerton
North Yorkshire

Ministry of Housing, Communities and Local Government
2 Marsham Street
London
SW1P 4DF
By email: lgpensions@levellingup.gov.uk

14 July 2024

Dear Minister

This letter responds to the issues raised in the previous Minister's letter of 15th May 2024, titled *Efficiencies in Local Government and the Management of the Local Government Pension Scheme*.

Introduction

North Yorkshire Council is the administering authority of the North Yorkshire Pension Fund. As of 31 March 2024, the Fund had assets of around £4.6 billion, with 100,000 members and 130 contributing employers. The Council is one of 11 partner funds that make up the Border to Coast Pensions Partnership pooling arrangement.

We believe that the Border to Coast pool is an example of best practice in partnership working. It has required commitment and dedication from across our partnership to achieve this. We also recognise this in an ongoing journey. Indeed, this year we refreshed our partnership principles which guide how we work together, reflecting our approach to continuous improvement.

Pooling progress

As of 31st March 2024, 75% of the Fund's assets had been pooled with Border to Coast. The majority of investments which have not been pooled are in assets classes where Border to Coast does not yet have an equivalent investment vehicle. A minority is invested in legacy private market holdings, which will be gradually recycled into Border to Coast over the next few years.

Governance

The pool's governance arrangements reflect the best practice model identified in the Government's 2023 consultation. They are periodically reviewed, with Border to Coast and the partner funds working together on this.

We are currently undergoing a review of the Fund's governance arrangements and the extent to which they meet the principles of the new General Code of Practice. The evidence so far is very positive. A further review will take place once the Government has concluded the long-awaited Good Governance

Review, following recommendations having been made by the Scheme Advisory Board several years ago.

Advice

It is recognised that the success of an investment strategy is primarily attributed to asset allocation. Pooling investments allows the Fund to concentrate on this, while utilising Border to Coast to deliver through implementation of the strategy. It is essential that the Fund retains responsibility for the strategy, asset allocation and oversight of Border to Coast, which inevitably carries a cost. The Fund spends approximately £180,000 each year on external advice to support this work. This is 0.004% of the value of the Fund's investments.

Border to Coast is looking to develop the capacity to advise on and support the development of investment strategies, which is something we are supportive of, with appropriate safeguards to manage any potential conflict of interest.

Mergers

We continue to be open to working collaboratively with other LGPS funds to deliver efficiencies, both as part of our Border to Coast partnership and in separate arrangements. Mergers between pools or funds may provide cost benefits, however further consolidation early in the investment pooling journey has the potential to damage some of these developing arrangements.

Yours sincerely

Gary Fielding
S151 Officer and Corporate Director, Resources

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

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Investment strategy review

Overview of aims, considerations and proposed timescales

Prepared for: North Yorkshire Pension Fund

Prepared by: Aon

4 September 2024

Investment strategy review – key considerations and aims

What are overall objectives?

- Stabilise Primary Employer contribution rate by maintaining the investment strategy on assets supporting accrued and future liabilities? This would be expected to grow surplus faster if same strategy applied to surplus assets.
- Or, reduce investment risk (and return) to give higher Primary contribution rate but with more certainty at future actuarial valuations?
- Consider if investment objectives for surplus assets should differ from assets supporting liabilities.

Actuarial position and risks

- Required, best estimate and assumed investment returns based on the completed 2022 actuarial valuation, rolled forward to a current date, and any changes the Fund actuary envisages for the 2025 actuarial valuation.
- Impacts on the strategic asset mix in longer term strategic asset allocation.

Key risks

- Identify key risks that could worsen funding position in the future.
- Consider ways those risks can be managed

Medium term assets outlook

- Incorporate views on current attractiveness of different asset classes.

Fund's cashflow requirements

- Asset income should be aligned to meet net shortfall between benefit outgo and contributions.

The investment strategy review analyses current and alternative strategies against these aims, taking account of the basis and rolled forward results of the completed 2022 actuarial valuation.

Initially we propose using the actuarial position, and market outlook, as at 30 September 2024 as the base point for our strategy review work.

We are seeing increased focus on employer specific investment strategies as some employers look to 'lock in' improved actuarial funding positions.

Stages and timescales - overview

Discover and Develop

Recap on Committee's and Officers' investment beliefs, constraints, Fund specifics and investment objectives to be factored into the strategy review.

Q3 and Q4 2024

Deliver initial strategies

Aon undertake modelling of expected returns, expected financial risks of current and alternative investment strategies for initial discussion with Officers and Committee. This stage will include **Climate risk modelling** and **implementation considerations** to ensure all strategy changes considered are implementable e.g. via Border to Coast.

Q4 2024

Deliver final strategy

Following the Q4 discussions, Aon make any required refinements to strategies modelled to reflect Officers' and Committee views for further discussion with, and approval by, Officers and Committee.

Q1 2025

Implement strategy

Agreed strategy including Border to Coast and asset class specific considerations

Q2 2025 onwards

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Stages and timescales – more detailed

Item	Scope
Stage 1 Discover and Develop	▪ Initial training and discussions on aims of review at **12/13 September 2024 Workshop and Committee meeting** ▪ RI-Viewpoints and Wider Beliefs Officers and Committee survey to follow after this meeting ▪ Results of the survey discussed at **21/22 November 2024 Workshop and Committee meeting** look at differences, compare with current strategy and agree objectives and beliefs. ▪ The aim at this stage is to achieve clarity on the funding and investment objective. At this stage our focus is on the total Fund. If you wished to consider different objectives/strategies for different employers that would be a separate project.
Stage 2 Deliver initial strategy, including climate risk modelling and strategy implementation considerations	**At 22 November 2024 Committee meeting,** discuss initial strategy work and modelling, covering: ▪ Recap on link between investment, funding and contributions ▪ Recap of previous investment strategy review, beliefs and principles and changes to asset allocation agreed. ▪ What has happened since March 2022 valuation including capital market assumptions, funding (discount rate, funding level and estimated contributions) and market outlook ▪ Show current strategic asset allocation, relevant funding statistics (funding level, discount rate, contributions) and risk, including attribution of VaR and economic scenario risk ▪ Given considerably higher bond yields and the surplus funding position, the Fund may have the opportunity to de-risk. Therefore, a decision is required regarding funding strategy and what return/risk is required from the investment strategy. For example, we can consider lower risk strategies, with higher allocations to bonds, that aim to lock into current funding and contributions but with lower growth potential ▪ Compared with higher risk strategies, aiming to increase the surplus in order to reduce future contributions by a greater amouint if successful (with the risk of increasing contributions if not). ▪ Show same information for alternative strategic asset allocations taking account of beliefs, objectives, market outlook, etc. ▪ Using stochastic modelling to compare the risk and return of different portfolios. ▪ Output from meeting is to agree in principle favoured investment strategies for further work in Q1 2025 to refine these for final approvals. ▪ Include qualitative consideration of any ESG / climate objectives. ▪ Compare how different portfolios would perform using climate scenario modelling. ▪ Explore implementation options available, including Borders to Coast funds and ESG fund considerations
Stage 3 Deliver final strategy	**At 28 February 2025 Committee meeting**: ▪ Make proposals, for approval, for the future strategic asset allocation based on outcomes of discussions with Committee at Stage 2.
Stage 4 Implement strategy	The final stage would be to agree an implementation plan for the asset allocation over **March 2025**, and to potentially commence implementation in **Q2 2025**.

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