

North Yorkshire County Council

Pension Fund Committee

1 JULY 2022

Governance Arrangements

Report of the Treasurer

1.0 PURPOSE OF REPORT

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

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

1.2 To provide Members with an update on the draft 2021/22 Statement of Accounts.

2.0 BACKGROUND

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

3.0 GOVERNANCE ARRANGEMENTS FOR NYPF

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

3.2 Governance documents to be included in the Annual Report

3.2.1 The **Investment Strategy Statement (ISS)** sets out the Fund's approach to investing. The document was last approved in July 2021 following a review of the investment strategy earlier that year, and is attached as **Appendix 1** for information only. Another review of the investment strategy will be carried out once the Valuation position is clear. Subsequently, Members will be asked to approve the updated ISS.

3.2.2 The **Governance Compliance Statement** describes the governance arrangements of the Fund. The latest version of this document is attached as **Appendix 2**. Minor tracked changes have been made but it will be fully reviewed and updated when the amended constitution has been approved at full Council. It will be brought back to a later meeting for Member approval.

3.2.3 The **Funding Strategy Statement** describes how employers' pension liabilities are to be met going forward, how employer contributions will be kept as stable as possible, and a prudent long-term view of those liabilities. The document approved in September 2021 is attached as **Appendix 3** for information only. This document will be reviewed as part of the 2022 Triennial Valuation. It will be brought to a later meeting for Member approval following any updates made as a result of the Valuation.

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

3.3 Other Governance Documents

3.3.1 The **Admissions and Terminations Funding Policy** outlines the Fund's policy on admissions into the Fund and the methodology for assessing an exit payment when an employer leaves the Fund. This document is attached as **Appendix 5** for information only. The policy was reviewed in August 2021 by the Fund's actuary following MHCLG (now DLUHC) guidance on how to use new employer flexibilities. A general review and update was also completed including the position regarding entry and exit of academies.

3.3.2 The **Risk Register (Appendices 6 & 7)** has recently been updated and is attached for approval. The register describes the key risks faced by the Fund. There are three risks ranked as red, five as amber and three as green. The assessment of the two highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.

One of the red risks is on the LGPS Pooling Arrangements. It is a major change to the way in which the Pension Fund is managed with significant impact on the way in which the Fund implements its investment strategy.

Pension Fund solvency also remains a red risk, despite the latest funding level update, due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based.

The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.

Members are asked to approve these documents.

- 3.3.2 The **Pensions Administration Strategy**, attached as **Appendix 8**, sets out the administration protocols between employers and the Fund. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.4 The **Administering Authority Discretions Policy**, attached as **Appendix 9**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. There have been no changes made to this document.
- 3.3.5 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 10**, sets out how scheme members can resolve problems or complaints they may have about their pension benefits. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.6 The **Governance Roles and Responsibilities**, attached at **Appendix 11**, sets out the governance arrangements for the Fund. It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.7 The **Charging Policy**, attached at **Appendix 12**, should be read in conjunction with the Pensions Administration Strategy and sets out the Fund's policy on charging employers for poor quality data, late submissions of information required to calculate member benefits and late payments of contributions or submission of accompanying paperwork. Minor tracked changes have been made and the ability for senior Officers to suspend charging has been added. ***Members are asked to approve this document.***
- 3.3.8 The **Breaches Policy**, attached at **Appendix 13**, sets out the Fund's policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice". Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.9 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 14**, sets out how and why NYCC processes personal data in relation to the Fund. This Notice follows that of the administering authority in order to ensure compliance. The document has been amended to include changes for the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. ***Members are asked to approve this document.***
- 3.3.10 The **GDPR Memorandum of Understanding**, attached at **Appendix 15**, sets out for employers the statutory basis on which data will be shared between the parties and NYPF's expectations of employers during their participation in the Fund. This again follows the approach taken by the administering authority. Minor tracked wording changes have been made. ***Members are asked to approve this document.***

- 3.3.11 The **NYPF Training Policy attached as Appendix 16**, sets out the training arrangements of the Pension Fund Committee and the Pension Board. The policy has been updated to reflect the new pension fund branding and to include reference to the Hymans Online LGPS Learning Academy. **Members are asked to approve this document.**
- 3.3.12 The **Cashflow Policy attached as Appendix 17**, describes how the Fund will manage its cashflow requirements. This is an area of increasing importance as the Fund approaches cashflow negative territory. Members are asked to note the policy.
- 3.3.13 The **Responsible Investment (RI) Policy attached as Appendix 18**, was last updated in 2021 to include additional information on risk areas, climate change and voting. Members are asked to note the policy. Given the change in membership of the PFC, a review of the Fund's approach to responsible investment is expected to take place in the near future. Subsequently, Members will be asked to approve the updated RI policy.

3.4 NEXT STEPS

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

4.0 NYPF DRAFT STATEMENT OF ACCOUNTS

- 4.1 The statutory deadline for the County Council to publish its unaudited accounts, which includes NYPF's accounts is 31 July each year. The deadline to publish its final (audited) accounts is normally 30 September, however for 2021-22 the Government has extended this to 30 November to support the local audit market stability in response to the Redmond Review. The responsibility to approve the County Council's draft accounts resides with its S151 Officer, and its Audit Committee has the responsibility to approve its final accounts.
- 4.2 Normally we would provide a draft of the NYPF statement of accounts but due to phasing of work and internal priorities, this has not been possible for the normal committee deadlines. A verbal update will be provided to the Committee and a draft NYPF statement of accounts will be provided in between Committee meetings alongside an opportunity to review.
- 4.3 The deadline for the publication of the NYPF Annual Report, which includes the Fund's accounts is 1 December 2022. It is the PFC's responsibility to approve this document. It will therefore be brought to the PFC for approval at its meeting on 25 November 2022.

5.0 RECOMMENDATIONS

Members are asked to:

5.1 Approve the changes made to the following governance documents:

- Communications Policy (Appendix 4)
- Risk Register (Appendices 6 & 7)
- Pension Administration Strategy (Appendix 8)
- IDRP Guide (Appendix 10)
- Governance Roles and Responsibilities (Appendix 11)
- Charging Policy (Appendix 12)
- Breaches Policy (Appendix 13)
- GDPR Privacy Notice (Appendix 14)
- GDPR Memorandum of Understanding (Appendix 15)
- Training Policy (Appendix 16)

5.2 Note the following governance documents:

- Investment Strategy Statement (Appendix 1)
- Governance Compliance Statement (Appendix 2)
- Funding Strategy Statement (Appendix 3)
- Admissions and Terminations Funding Policy (Appendix 5)
- Administering Authority Discretions Policy (Appendix 9)
- Cashflow Policy (Appendix 17)
- Responsible Investment Policy (Appendix 18)

5.3 Note the update on the 2021/22 NYPF Statement of Accounts.

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NYCC
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23 June 2022