

North Yorkshire Council

Pension Fund Committee

30 June 2023

Governance Arrangements

Report of the Treasurer

1.0 PURPOSE OF REPORT

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

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

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

2.0 BACKGROUND

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

3.0 GOVERNANCE ARRANGEMENTS FOR NYPF

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

3.2 Governance documents to be included in the Annual Report

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

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

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

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

3.3 Other Governance Documents

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

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

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

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

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

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

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

- 3.3.3 The **Risk Management Policy** for the Fund was last approved in 2020. The Council's Risk Management team has recommended that this document is reviewed every three years or more frequently if significant changes are required. The updated Policy is attached as **Appendix 7**. The table in paragraph 5.3 has been updated to reflect the new approach to impact and likelihood categories. Previously there were four categories for each. ***Members are asked to approve this document.***
- 3.3.4 The **Pensions Administration Strategy**, attached as **Appendix 8**, sets out the administration protocols between employers and the Fund. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.5 The **Administering Authority Discretions Policy**, attached as **Appendix 9**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. The administering authority name and both the logos have been changed. ***Members are asked to approve this document.***
- 3.3.6 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 10**, sets out how scheme members can resolve problems or complaints they may have about their pension benefits. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.7 The **Governance Roles and Responsibilities**, attached at **Appendix 11**, sets out the governance arrangements for the Fund. It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS. Minor tracked wording changes have been made. ***Members are asked to approve this document.***
- 3.3.8 The **Charging Policy**, attached at **Appendix 12** and should be read in conjunction with the Pensions Administration Strategy. It sets out the Fund's policy on charging employers for poor quality data, late submissions of information required to calculate member benefits and late payments of contributions or submission of accompanying paperwork. Changes have been made to clarify the approach, including when charges may commence from, and the discretion available on whether charges will always be imposed in practice. ***Members are asked to approve this document.***
- 3.3.9 The **Breaches Policy**, attached at **Appendix 13**, sets out the Fund's policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice". Minor tracked wording changes have been made. ***Members are asked to approve this document.***

- 3.3.10 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 14**, sets out how and why NYC processes personal data in relation to the Fund. This Notice follows that of the administering authority in order to ensure compliance. Minor tracked wording changes have been made and the auditor has been updated to Mazars. **Members are asked to approve this document.**
- 3.3.11 The **GDPR Memorandum of Understanding**, attached at **Appendix 15**, sets out for employers the statutory basis on which data will be shared between the parties and NYPF's expectations of employers during their participation in the Fund. This again follows the approach taken by the administering authority. Minor tracked wording changes have been made. **Members are asked to approve this document.**
- 3.3.12 The **NYPF Training Policy** attached as **Appendix 16**, sets out the training arrangements of the Pension Fund Committee and the Pension Board. Minor tracked wording changes have been made. **Members are asked to approve this document.**
- 3.3.13 The **Cashflow Policy** attached as **Appendix 17**, describes how the Fund will manage its cashflow requirements. This is an area of increasing importance as the Fund approaches cashflow negative territory. **Members are asked to approve this document.**
- 3.3.14 The **Responsible Investment (RI) Policy** attached as **Appendix 18a**. It has been updated to reflect the climate change scenario analysis work undertaken as part of the investment strategy review in 2022/23 and expected developments on carbon reporting. **Members are asked to approve this document.**
- 3.3.15 Attached at **Appendix 18b** is the **Climate Change Statement**. This document expands on the Fund's approach in this area. **Members are asked to approve this document.**

3.4 NEXT STEPS

- 3.4.1 It has been the Committee's practice to have the governance documents of the Fund reviewed by an independent party every few years. The last review was carried out in 2020. A review was due in 2022 but was deferred on the expectation that the DLUHC (Department for Levelling up, Housing and Communities) would be introducing guidance on good governance. The intention was to have a review after this guidance was available and after changes had been made to the Fund's arrangements.
- 3.4.2 There have been several occasions over the last few years when it has appeared that guidance was imminent. It is possible that it will emerge before the summer recess but there is a significant likelihood that it will not. DLUHC has decided to stop giving indicative timescales.
- 3.4.3 The regulations and guidance relating to governance arrangements have not changed materially since the last review was carried out, but the approaches taken by some LGPS funds will have changed to some extent. For example, regulations and guidance on TCFD (Taskforce for Climate Related Financial Disclosures) reporting are expected in the near future, but a small proportion of funds have been reporting based on their assessment of what the requirements will be.
- 3.4.4 Members are therefore asked for their views on whether a review should be undertaken later this year, or whether they would prefer to wait until DLUHC's guidance has been published and the Fund has responded to it. Following the retirement of the Fund's Independent Professional Observer a suitable person is being sought to undertake a review, whenever it is needed.

4.0 NYPF DRAFT STATEMENT OF ACCOUNTS

- 4.1 The statutory deadline for the Council to publish its unaudited accounts, which includes NYPF's accounts is 31 May each year. The deadline to publish its final (audited) accounts is 30 September. The responsibility to approve the Council's draft accounts resides with its S151 Officer, and its Audit Committee has the responsibility to approve its final accounts.
- 4.2 Due to phasing of work and internal priorities, the Council's draft accounts including the NYPF's accounts was published on 12 June 2023. The extract of the NYPF accounts is attached as **Appendix 19**.
- 4.3 The deadline for the publication of the NYPF Annual Report, which includes the Fund's accounts is 1 December 2022. It is the PFC's responsibility to approve this document. It will therefore be brought to the PFC for approval at its meeting on 24 November 2023.

5.0 RECOMMENDATIONS

Members are asked to:

- 5.1 Approve the changes made to the following governance documents:
- Investment Strategy Statement (Appendix 1)
 - Governance Compliance Statement (Appendix 2)
 - Funding Strategy Statement (Appendix 3)
 - Communications Policy (Appendix 4)
 - Admissions and Terminations Funding Policy (Appendix 5)
 - Risk Register (Appendix 6)
 - Risk Management Policy (Appendix 7)
 - Pension Administration Strategy (Appendix 8)
 - Administering Authority Discretions Policy (Appendix 9)
 - IDRPs Guide (Appendix 10)
 - Governance Roles and Responsibilities (Appendix 11)
 - Charging Policy (Appendix 12)
 - Breaches Policy (Appendix 13)
 - GDPR Privacy Notice (Appendix 14)
 - GDPR Memorandum of Understanding (Appendix 15)
 - Training Policy (Appendix 16)
 - Cashflow Policy (Appendix 17)
 - Responsible Investment Policy (Appendix 18A)
 - Climate Change Statement (Appendix 18B)
- 5.2 Note the draft 2022/23 NYPF Statement of Accounts (Appendix 19).

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14 June 2023