

**North Yorkshire Council**

**Pension Fund Committee**

**28 June 2024**

**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 Management Policy
- 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) Knowledge and Skills Policy (formerly Training Policy)
- p) Cashflow Policy
- q) Responsible Investment Policy and Climate Change Statement

1.2 To provide Members with the NYPF draft 2023/24 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 has been updated to reflect changes to the investment management arrangements over the last year and is attached as **Appendix 1**. **Members are asked to approve this document.** A review of the investment strategy is planned in 2024/25, ahead of the 2025 valuation.

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 wording changes have been made to the document. **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 will be updated at the next triennial valuation and is attached as **Appendix 3**. **Members are asked to note 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** is updated every six months and is normally brought to this meeting for review. Unfortunately, due to other work commitments the review meeting was delayed until 24 June and therefore was not in time for this meeting. Both the updated Risk Register and Risk Register Summary will be brought to the September meeting instead.

3.3.3 The **Risk Management Policy** for the Fund was last approved in 2023. The Council's Risk Management team has recommended that this document is reviewed every three years or more frequently if significant changes are required. There have been no changes made since 2023. The policy is attached as **Appendix 6**. **Members are asked to note the contents of this document.**

3.3.4 The **Pensions Administration Strategy**, attached as **Appendix 7**, 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 8**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. Minor tracked wording changes have been made **Members are asked to approve this document.**

- 3.3.6 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 9**, 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 10**, 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 11** 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. Minor tracked wording changes have been made. **Members are asked to approve this document.**
- 3.3.9 The **Breaches Policy**, attached at **Appendix 12**, sets out the Fund's policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in The Pensions Regulator's new General Code of Practice. Tracked changes have been made to ensure the Fund meets the requirements of the new code. **Members are asked to approve this document.**
- 3.3.10 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 13**, 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. **Members are asked to approve this document.**
- 3.3.11 The **GDPR Memorandum of Understanding**, attached at **Appendix 14**, 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 **Knowledge and Skills Policy** attached as **Appendix 15**, sets out the requirements for knowledge and understanding within the NYPF as set out in the Pensions Regulator's (tPR) General Code of Practice. The policy has been updated to reflect the requirements of the new code. **Members are asked to approve this document.**
- 3.3.13 The **Cashflow Policy** attached as **Appendix 16**, 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 17a**. It remains aligned with Border to Coast's suite of responsible investment policies, being the Responsible Investment Policy, the Climate Change Policy and the Corporate Governance and Voting Guidelines document. **Members are asked to approve this document.**
- 3.3.15 Attached at **Appendix 17b** 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. In 2023 the Committee agreed to defer the review for another year for the same reason. Although it is understood that the guidance is imminent, the general election will have delayed its publication, and the delay could be significant.
- 3.4.2 However, there is another requirement covering governance arrangements that has been recently published, the Pension Regulator's new General Code. This expands on the previous Code of Practice 14. It is comprised of five main areas:
- The governing body
  - Administration
  - Communications and disclosure
  - Funding and investment
  - Reporting to TPR
- 3.4.3 Each of these areas includes requirements for an "effective system of governance" which are the policies and procedures that should be in place, proportionate to the size and complexity of the scheme. The Code does not prescribe what is needed in every case, recognising that different approaches may be appropriate depending on the circumstances.
- 3.4.4 Officers have made a preliminary assessment of the Fund's compliance with the Code and a number of actions are being pursued. Once this work has been completed it may be appropriate to arrange for an independent review of the Fund's governance arrangements, irrespective of whether DLUHC has published their good governance guidance by then.
- 3.4.5 A workshop on the General Code has been arranged for members of the Committee on 27 June 2024.

### 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 has not (at the time of writing) been published. The extract of the NYPF accounts is attached as **Appendix 18**.
- 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 22 November 2024.

## 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)
- Pension Administration Strategy (Appendix 7)
- Administering Authority Discretions Policy (Appendix 8)
- IDRP Guide (Appendix 9)
- Governance Roles and Responsibilities (Appendix 10)
- Charging Policy (Appendix 11)
- Breaches Policy (Appendix 12)
- GDPR Privacy Notice (Appendix 13)
- GDPR Memorandum of Understanding (Appendix 14)
- Training Policy (Appendix 15)
- Cashflow Policy (Appendix 16)
- Responsible Investment Policy (Appendix 17A)
- Climate Change Statement (Appendix 17B)

5.2 Note the contents of the following governance document:

- Risk Management Policy (Appendix 6)

5.3 Note the draft 2023/24 NYPF Statement of Accounts (Appendix 18).

Gary Fielding  
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18 June 2024