

**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)
- IDRPs 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  
Treasurer to North Yorkshire Pension Fund  
NYC  
County Hall  
Northallerton

18 June 2024

This page is intentionally left blank

# North Yorkshire Pension Fund



**Style Definition:** TOC 1: Tab stops: 1.16 cm, Left + 15.9 cm, Right, Leader: ...

## Investment Strategy Statement



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

## Contents

<a href="#">1.0 Introduction .....</a>	<a href="#">3</a>
<a href="#">2.0 Objectives of the fund.....</a>	<a href="#">3</a>
<a href="#">3.0 Investment of money in a wide variety of investments .....</a>	<a href="#">3</a>
<a href="#">4.0 The suitability of particular investments and types of investments.....</a>	<a href="#">6</a>
<a href="#">5.0 The approach to risk, including the ways in which risks are to be measured and managed .....</a>	<a href="#">8</a>
<a href="#">6.0 The approach to pooling investments, including the use of collective investment vehicles and shared services.....</a>	<a href="#">9</a>
<a href="#">7.0 How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.....</a>	<a href="#">10</a>
<a href="#">8.0 The exercise of rights (including voting rights) attaching to investments.....</a>	<a href="#">11</a>



## 1.0 Introduction

- 1.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS). This document is the ISS of the North Yorkshire Pension Fund (NYPF, or the Fund) for which North Yorkshire Council (the Council) is the administering authority.
- 1.2 The Council has delegated all its functions as the administering authority of NYPF to the Pension Fund Committee (PFC, or the Committee). The Corporate Director Resources, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities.
- 1.3 The Committee determines the investment policy of the Fund and has ultimate responsibility for the investment strategy. The Committee undertakes its responsibilities after taking appropriate advice from external advisers.
- 1.4 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.
- 1.5 The Fund has consulted on the contents of the Investment Strategy Statement with such persons it considers appropriate. This document is reviewed annually as part of the Fund's annual governance review.

## 2.0 Objectives of the fund

- 2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The funding position will be reviewed at each Triennial Valuation with adjustments to the investment strategy, asset allocation and to investments with investment managers as required.
- 2.2 The investment objective of the Fund is to provide for sufficient income and capital growth of the Fund's assets in a range of market conditions, supplemented by employee and employer contribution income, to meet the cost of benefits as they fall due. It is translated into a suitable strategic asset allocation benchmark designed to address the nature of the Fund's liabilities, and deliver a return over the long term including through periods of volatility in financial markets.

## 3.0 Investment of money in a wide variety of investments

- 3.1 It is the PFC's policy to invest the assets of the Fund to spread risk by ensuring a reasonable balance between different categories of investments. The PFC takes a long term approach and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Fund and meet the cost of its liabilities.
- 3.2 The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled funds. The Fund may also make use of derivatives, either directly or in pooled funds, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.
- 3.3 The Committee reviews the investments of the Fund on a regular basis, with particular regard to suitability and diversification. On each occasion, the Committee receives advice from its Investment Consultant and Independent Adviser.

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

3.5 A review of the investment strategy took place in the first quarter of 2021, when a number of changes were made. [This review was supported by investment beliefs agreed by the Committee:](#)

- [Equity should be the main driver of risk and returns](#)
- [Active management can add value \(particularly in equities\)](#)
- [Avoid diversification for diversifications sake](#)
- [Only add suitable new assets when there is a clear benefit and here has been appropriate training](#)
- [As a long-term investor some volatility in assets can be afforded](#)
- [As a long-term investor some illiquidity can be afforded if it adds value](#)

~~3.53.6~~ Illiquid credit other than Private Credit, and Absolute Return were dropped from the strategy, and Property was reduced. There were corresponding increases to the allocations to Equities, Infrastructure, Corporate Bonds and Government Bonds. Overall, the changes were intended to improve the efficiency of the strategy, through reducing risk but maintain return expectations. The investment strategy was again reviewed in 2023, including an assessment under a range of climate change scenarios. The conclusion was that no further changes were required.

~~3.63.7~~ The changes to the private markets allocations of Infrastructure and private credit will be implemented over several years. To help align the current asset allocation closer to the strategy while these illiquid allocations grow over time, Listed Alternatives is being used on a temporary basis.

~~3.73.8~~ The Fund’s current long-term strategic asset allocation is set out in the table below.

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

~~3.93.9~~ Actual allocations are considered with reference to the benchmark allocations by the Committee each quarter. Based on tactical views, rebalancing activity is carried out as required. 3% thresholds below and above the allocations to the global equity managers assist with the approach to rebalancing.

~~3.93.10~~ Historically and where possible, investments at the asset class level have been sub-divided into two or more mandates with different investment managers operating to different benchmarks, further increasing the diversification of the Fund’s investments. As assets are gradually being transferred to Border to Coast (see section 6) this is being replaced by a different approach. Investments are typically in funds which employ two or more external investment managers. Therefore although the approach is changing, diversification is maintained and in some cases increased.

~~3.103.11~~ Each investment manager operates to a specific benchmark and to specific mandate restrictions appropriate to their process and style, so that in aggregate, their activities are aligned to the overall performance requirements and risk appetite of the Fund. Each manager holds a range of

underlying investments which reflects their views relative to their respective benchmarks, as permitted by their mandates.

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

Manager	Mandate	Objective
Border to Coast	UK Equities	To outperform the FTSE All Share Index by 2% pa over the long term
Border to Coast	Global Equities	To outperform the MSCI All Countries World Index by 2% pa over the long term
Baillie Gifford	Global Equities (Long Term Global Growth)	To outperform the FTSE All World Index by 3% over the long term
Border to Coast	Listed Alternatives	MSCI All Country World Index (Net) over the medium term
Border to Coast	Infrastructure	IRR of 8% (net)
Border to Coast	Climate Opportunities	IRR of 8% (net)
<a href="#">Border to Coast</a>	<a href="#">UK Opportunities</a>	<a href="#">IRR of 8% (net)</a>
<a href="#">Hermes</a>	<a href="#">UK Property</a>	<a href="#">To outperform the IPD Other Balanced Property Funds Index by 0.5% over the medium term</a>
Legal & General	UK Property	To outperform the <del>MSCI</del> All Balanced Property Funds Index over the medium term
Threadneedle	UK Property	To outperform the <del>MSCI</del> All Balanced Property Funds Index by 1% to 1.5% over the medium term
Arcmont	Private Debt	IRR of 9% gross (7% net) including 4.5% cash yield
Permira	Private Debt	IRR of 9% gross (8% net) including 5% cash yield
Border to Coast	Private Debt	IRR of 6% (net)
Border to Coast	UK Corporate Bonds	To outperform the iboxx Sterling Non-Gilts Index by 0.6% over the long term
Border to Coast	UK Government Bonds	To outperform the FTSE UK Index Linked Gilts over 15 Years Index by 0.2% over the long term
NYC Treasury Management	Cash	To outperform the Bank of England base rate

Manager	Mandate	Objective
Northern Trust	Cash	To outperform the Bank of England base rate

3.123.13 Although there is not an allocation to cash in the strategy, there will inevitably be a small allocation in practice, to satisfy the Fund's cash flow management requirements.

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

#### 4.0 The suitability of particular investments and types of investments

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

<b>UK Equities</b>	provide a share in the assets and profitability of public companies floated on UK stock exchanges. Capital gains and losses arise as share prices change to reflect investor expectations at the market, sector and stock levels. Income is derived from dividends.
<b>Overseas Equities</b>	are similar to UK Equities but allow greater diversification amongst markets, sectors and stocks. Valuations are affected by exposure to movements in the relative value of the foreign currencies in which investments are made against sterling. Exchange rates are likely to reflect differentials in inflation so should not affect returns materially over the long term, but over the short term currency movements may significantly add to or subtract from returns. Equities are expected to provide high returns compared to other asset classes (the "equity-risk premium").
<b>UK Bonds</b>	are debt instruments issued by the UK Government and other borrowers. Bonds provide a fixed rate of interest and are usually redeemed at a fixed price on a known future date. Valuations primarily reflect the fixed level of interest, the period to redemption and the overall return demanded by investors. They are vulnerable to rising inflation and correspondingly benefit from falling inflation.
<b>Index Linked Bonds</b>	are bonds that provide interest and a redemption value directly linked to a measure of inflation, usually the Retail Price Index or a similar index. The returns from this asset class act as a useful proxy for movements in liability values.
<b>Multi-Asset Credit</b>	Multi-Asset Credit strategies offer investors exposure to a diverse range of credit premia, by investing across a range of geographies, asset classes and credit instruments, in order to protect against rising interest rates and changes in the credit cycle. These funds are well positioned to complement a traditional fixed income allocation, and provide portfolio diversification whilst de-risking from equities.

<b>UK Property</b>	<p style="text-align: right;"><a href="#">Appendix 1</a></p> <p>is an investment in buildings, indirectly through pooled vehicles. Capital gains and losses occur as prices fluctuate in line with rental levels and investor demand. Income is generated from rents collected from tenants. The nature of rental agreements gives property some of the characteristics of bonds, whilst growth and inflation provide some of the characteristics of equities. It is, therefore, a useful diversifying asset class.</p>
<b>Infrastructure</b>	<p>is a term for real assets which provide essential services to a community for example transport facilities, telecommunications networks and water supplies. These are long term, illiquid investments that should provide stable returns that in some cases are inflation linked and largely uncorrelated to equities, making it a diversifying asset class.</p>
<b>Private Debt</b>	<p>is loan arrangements provided directly to companies over the medium term for a return, significantly above rates charged by commercial banks. Typically they are provided through pooled fund arrangements and require that investors commit funds for a period of 5 to 7 years, with income and capital being returned throughout that time.</p>
<b>Listed Alternatives</b>	<p>is an approach to investing in infrastructure, private debt and other alternatives through UK and overseas stock exchanges. The risk and return characteristics are therefore a blend of equities and alternatives. Temporarily investing in this asset class enables exposure to alternatives to be quickly established in lieu of an allocation to private markets, which will be built up over a number of years.</p>
<b>Climate Opportunities</b>	<p>is an investment which aims to have a positive impact on climate change and supporting long-term net zero carbon emissions goals. It is comprised of investments in private equity, infrastructure and private credit. The themes are clean energy, transport, agriculture, technology, industry and sequestration.</p>
<b>UK Opportunities</b>	<p><a href="#"><u>seeks to deliver high-quality investment opportunities expected to have a positive economic impact. Investments include new build housing, commercial properties and regeneration projects; renewable energy development and supporting grid infrastructure; and finance for early stage and growth companies in the UK. As well as offering attractive returns, investments are also expected to add value to the local and wider UK economy.</u></a></p>
<b>Derivative Instruments</b>	<p>such as options and futures are mechanisms through which the Fund can be protected from sudden changes in share prices or exchange rates. Although not income producing they can result in capital gains and losses. They may be used to hedge the Fund's exposure to particular markets.</p>

## Cash

is invested in authorised institutions in accordance with the treasury management policy of the Council under the terms of a Service Level Agreement and attracts interest at market rates.

- 4.2 Each asset class has different return expectations and volatility characteristics. They are blended to produce the optimal investment return while taking an appropriate level of risk. Periodic investment reviews assess whether this blend requires adjustment, including through the addition of new asset classes, to take account of changing market conditions and the evolving asset and liability profile of the Fund. Tactical rebalancing also takes place, as required. All monitoring, reviews and rebalancing is undertaken after taking advice from the Fund's Investment Consultant and Independent Adviser.
- 4.3 The 2023 investment strategy review was concluded based on an expected return on assets of 7.2% per annum over the long term. This is higher than the expected return assumed by the 2022 Valuation of 6.1%, due to the negative returns experienced by most asset classes in 2022/23. 6.1% was 2% above the discount rate used to calculate the Fund's liabilities and reflects a "probability of funding success" as described in the Funding Strategy Statement of 80%. This is based on the Fund's current asset mix and assumes no outperformance from active management.

## 5.0 The approach to risk, including the ways in which risks are to be measured and managed

- 5.1 The Fund aims to achieve its funding objective by taking an appropriate level of risk, through investing a proportion of funds in growth assets. Ongoing monitoring of the risk profile takes place, including reassessing its appropriateness, through investment strategy reviews and at the quarterly meetings of the PFC when appropriate. Close regard is paid to the ongoing risks which may arise through a developing mismatch, over time, between the assets of the Fund and its liabilities, together with the risks which may arise from any lack of balance or diversification of the investment of those assets.
- 5.2 The risk of financial mismatch is that the Fund's assets fail to grow in line with the liabilities. It is managed by the Committee through a review of the assumptions used to calculate the Fund's liabilities at each Triennial Valuation, and an assessment by the Actuary of the Fund's asset allocation strategy of the probability of achieving funding success. This assessment forms the basis for subsequent asset allocation reviews aimed at controlling risk and further improving the funding position.
- 5.3 Longevity risk and other demographic factors are assessed at each Triennial Valuation. The Committee reviews national and Fund specific trends as part of this process.
- 5.4 Systemic risk, being the possibility that an event akin to the financial crisis occurs, is mitigated through the diversified nature of the Fund's asset allocation strategy. The Committee has taken steps since the global financial crisis in 2008 to spread investments across a larger number of asset classes which behave differently in different market conditions. The risks associated with individual asset classes, the combined nature of risks at Fund level are reassessed at each strategy review and changes made as appropriate.
- 5.5 This diversification across asset classes and across investment managers within each asset class significantly mitigates concentration risk, so that the effect of underperformance of any one asset class or investment manager is minimised. Rebalancing activity prevents material departure from the strategic asset allocation benchmark.
- 5.6 The significant majority of the Fund's assets are invested in liquid investments, so that the risk of illiquidity, being an inability to meet liabilities as a result of a lack of liquid assets, is minimal. The risk is further managed by cashflow forecasting.

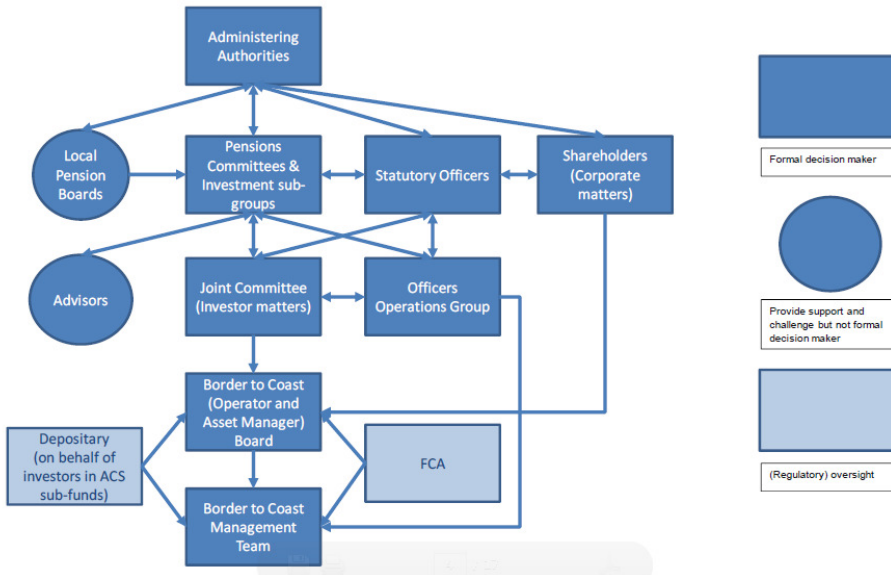
[Appendix 1](#)

- 5.7 Currency risk is that the Fund's assets, the majority of which are overseas, underperform relative to Sterling. This risk is managed through a periodic assessment of currency exchange rates including receiving advice on the suitability of hedging the major currencies the Fund's assets are denominated in.
- 5.8 Agreements with the Fund's custodian and investment managers provide protection against fraudulent losses. In addition, regular checks are undertaken by independent auditors of the custodian's and investment managers' systems. These organisations have internal compliance teams which also monitor and report on risk.
- 5.9 The Fund has its own Risk Management Policy and maintains a Risk Register which identifies the key risks, an assessment of the potential impact of each risk should it occur, and the controls and contingency plans in place to mitigate the likelihood and severity of each risk. The Risk Register is reviewed by the PFC annually and by the Pension Board semi-annually.
- 5.10 Environmental, Social and Governance (ESG) factors present financial and non-financial risks to the Fund which could impact on the ability to achieve the long term return target. The Fund's approach to managing these risks is detailed in the Responsible Investment Policy. The Climate Change Statement expands on the approach in relation to this area.

## 6.0 The approach to pooling investments, including the use of collective investment vehicles and shared services

- 6.1 In order to satisfy the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund has become a shareholder of the Border to Coast Pensions Partnership ("Border to Coast", or "the Pool"). Border to Coast is an FCA regulated Operator and Alternative Investment Fund Manager (AIFM), that became operational in July 2018.
- 6.2 Border to Coast is a partnership of the administering authorities of the following LGPS Funds:
- Bedfordshire Pension Fund
  - Cumbria Pension Fund
  - Durham Pension Fund
  - East Riding Pension Fund
  - Lincolnshire Pension Fund
  - North Yorkshire Pension Fund
  - South Yorkshire Pensions Authority
  - Surrey Pension Fund
  - Teesside Pension Fund
  - Tyne & Wear Pension Fund
  - Warwickshire Pension Fund
- 6.3 The Fund retains responsibility for determining the investment strategy and asset allocation, and delegates manager selection to the Pool. This ensures that the fiduciary duty for and democratic accountability of the Fund can be maintained, whilst facilitating the delivery of cost benefits through scale.
- 6.4 The governance structure of the Pool is as follows:

Appendix 1



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

- A shareholding in Border to Coast with voting rights of equal weight to the other ten partner funds, enabling oversight and control of the corporate operations of Border to Coast
- A representative on the Joint Committee which, as an investor, will monitor and oversee the investment operations of Border to Coast
- Officer support to the representatives above from the Officer Operations Group and the Statutory Officer Group. Day to day oversight will be provided by these officer groups.

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

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

**7.0 How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

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



- 7.2 The consideration of ESG factors are incorporated into the investment managers' investment processes. This includes acting as a responsible investor, through the considered voting of shares and engaging with investee companies in relation to corporate governance standards and best practice.
- 7.3 The Fund's approach to ESG is set out in its Responsible Investment Policy. This document details the consideration of financial and non-financial factors, the approach to stewardship and engagement and a number of other associated issues. There is a section on climate change, which is expanded on in the Fund's Climate Change Statement.
- 7.4 The Committee further considers the financial impact of ESG factors on its investments through regular reporting by the Fund's investment managers. This includes reporting on engagement with company management and voting activity.
- 7.5 The Fund is closely involved with Border to Coast in the development of company policies in relation to ESG issues. This includes annual updates to Border to Coast's Responsible Investment Policy, Corporate Governance and Voting Guidelines, and their Climate Change Policy. NYPF also works with Border to Coast on the evolving approach to investing, such as the weight given to ESG issues in investment processes and the depth of reporting.
- 7.6 NYPF is a member of the Local Authority Pension Fund Forum (LAPFF) which is the UK's leading collaborative shareholder engagement group. This organisation promotes ESG good practice on behalf of over 80 LGPS funds. Its activity acts as a complement to that undertaken by the Fund's investment managers. Any differences in approach are discussed with the Fund's investment managers so that the reasons are fully understood.
- 7.7 The Fund's managers are also involved in collaborations. For example, Border to Coast is a member of the Institutional Investor Group on climate Change (IIGCC) and Climate Action 100+, and the 30% Club Investor Group which aims to improve diversity on company boards.
- 7.8 Any evaluation of impact investments is made on the same basis as other investment opportunities, in taking into account financial and non-financial factors.

## 8.0 The exercise of rights (including voting rights) attaching to investments

- 8.1 The Committee has delegated the exercise of voting rights to its external investment managers. Voting should be undertaken where it is believed to be in the best interests of the Fund. The Fund's investment managers are required to report quarterly on their voting activities. As part of the Annual Report there will be a disclosure of voting activity.
- 8.2 A new Stewardship Code has been published. The Fund intends to report against this code in the future. The Fund adhered to the earlier Stewardship Code as published by the Financial Reporting Council and was a Tier 1 signatory. A Statement of Compliance with the earlier code will continue to be published on the Fund's website until the new report is available. As funds transfer to the Pool, the Committee will expect both Border to Coast and any investment managers appointed by it to also comply with the new Stewardship Code.
- 8.3 The Fund's collective engagement activity through the LAPFF supports the voting activity undertaken by investment managers.

June ~~2024~~2023

This page is intentionally left blank



## Governance Compliance Statement

April ~~2023~~2024



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

OFFICIAL

Index

Section

- 1 [Introduction](#)
- 2 [Governance Arrangements](#)
- 3 [Representations and Meetings](#)
- 4 [Operational Procedures](#)
- 5 [Key Policy and Strategy Documents](#)
- 6 [Compliance with Best Practice Principles](#)

## 1.0 Introduction

- 1.1 This Statement has been prepared by North Yorkshire Council (NYC, or “the Council”) as administering authority of the North Yorkshire Pension Fund (NYPF, or “the Fund”) in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013.
- 1.2 These regulations describe the governance arrangements of the Fund and assess them against a set of best practice principles, either confirming compliance or providing an explanation of the reasons for non-compliance as appropriate.

## 2.0 Governance Arrangements

### Pension Fund Committee

- 2.1 Overall responsibility for the governance of the LGPS, as it is organised and operated in North Yorkshire resides with the Pension Fund Committee (PFC), a committee of the Council, which has been delegated the following powers:
  - 2.1.1 To exercise the powers of the Council to invest monies forming part of the Fund, including:
    - to determine and periodically review the Investment Strategy, the Funding Strategy and other governance documents of the Fund
    - to appoint investment managers to manage and invest Pension-Fund monies on the Council’s behalf;
    - to determine what the Pension-Fund requires its investment pooling provider Border to Coast Pensions Partnership to provide, in order to implement its investment strategy;
    - to receive reports from the appointed investment managers setting out the action they have taken under their appointment
    - to receive reports from the Investment Advisor and the Investment Consultant regarding the investment performance of the appointed investment managers and the Pension-Fund overall
    - to receive regular budget reports regarding the administration of the Fund
    - from time to time consider the desirability of continuing or terminating the appointments of any organisations involved in the investment of the monies of the Pension-Fund
    - to receive regular reports on the budget and cash flow of the Pension-Fund;
    - to receive regular reports on the administration of benefits of the Pension-Fund covering member and employer issues;
    - to approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee;
    - to approve the Annual Report of the Pension-Fund; and
    - from time to time reporting to the Executive
  - 2.1.2 To exercise all the Council’s powers as administering authority for the North Yorkshire Pension-Fund, subject to any specific instructions that might be given from time to time by the Council.
  - 2.1.3 To carry out the Council’s functions relating to the Local Government Pension Scheme LGPS under
    - The Local Government Pension Scheme Regulations 2013;
    - The Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014;
    - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any other Regulations that relate specifically to the Council’s responsibility to administer the Local Government Pension Scheme

### Pension Board

- 2.2 To comply with regulation 106 of the LGPS (Amendment) (Governance) Regulations 2015, terms of reference to establish the Council’s Pension Board were approved at its meeting on 13 November 2019.
- 2.3 The Pension Board is responsible for assisting the Council in securing compliance with the regulations, and to ensure the efficient and effective governance and administration of the LGPS. The Pension Board will have an oversight role in the governance of the Fund.

2.4 The key points from the terms of reference are:

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

#### Independent Professional Observer

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

#### Functions Delegated to Officers

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

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

#### The North Yorkshire Pension Fund Officer Group (NYPFOG)

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

### 3.0 Representations and Meetings

#### Representation

3.1 The current membership of the PFC is as follows:

- ten elected Members representing the administering authority who each hold one vote on the PFC
- one elected Member representing the Fund's other largest employing body, the City of York Council, holding one vote.
- a number of substitute Members have been nominated to attend in the absence of each of the main Members
- three union representatives are invited to attend every meeting, in a non-voting capacity
- the Chair~~man~~ of the Pension Board is invited to attend every meeting, in a non-voting capacity
- the quorum required for meetings is three elected Members

## Meetings

- 3.2 The PFC is governed by the decision making procedures defined in the Constitution of the Council, being a full committee of the Council. These are fully compliant with the terms of the Local Government Act 2000. In addition, the PFC complies with the procedural requirements defined in LGPS regulations.
- 3.3 Papers for all meetings of the PFC are provided to all the Members identified in **paragraph 3.1** above, including substitute members and union representatives. In addition, the Investment Adviser and Investment Consultant (who also attend every meeting), Fund Managers and the Fund Actuary are given the opportunity to view all items on the public agenda of each meeting.
- 3.4 PFC papers are also publicly available on the Council's website. The Communications Policy explains in more detail the arrangements for engagement with all stakeholders.
- 3.5 The PFC convenes once each quarter. The Fund's investment managers are scheduled to attend additional meetings where the PFC specifically considers fund manager performance and related matters. Four supplementary meetings a year are normally held for this purpose. In attendance at each meeting are the Investment Adviser, the Investment Consultant, the Treasurer and representative members of his staff involved with the NYPF (e.g. Head of Pensions Administration, Head of Investments), and a Committee Clerk.
- 3.6 The PFC has also included an [additional](#) specific meeting ~~in July~~ in its programme. This is in order to consider the draft Statement of Final Accounts and undertake the annual review of the [Fund's](#) governance documents, in addition to any other business requiring attention at that time.

## 4.0 Operational Procedures

### Training

- 4.1 In the CIPFA Pensions Finance Knowledge and Skills Framework it states that "Administering Authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively". There are legal requirements set out in the LGPS regulations and other relevant legislation, as well as best practice guidance on training published by professional and regulatory bodies.
- 4.2 Both the PFC and Pension Board complete the CIPFA skills matrix questionnaire in order to identify skills gaps and training needs.
- 4.3 The Fund arranges a programme of internal and external training events and access to other resources designed to meet these requirements, recommendations and best practice guidance principles for Members of the PFC. A register of all training events is maintained and reported at each PFC meeting.
- 4.4 Members of the Pension Board must have the required knowledge and understanding of the Scheme, ~~and~~ the law and regulations relating to pensions in order to properly exercise their duties. [The Pension Board has access to the programme of internal and external training events and to other resources designed to meet these requirements.](#)
- 4.5 The costs incurred by Members of the PFC [and the Pension Board](#) in attending training sessions are met by the Fund in accordance with the policies of the administering authority.

### Reporting and Monitoring

- 4.6 The Fund has a Business Plan that is agreed at the start of each financial year which is reviewed ~~as appropriate~~ [annually](#).
- 4.7 ~~In relation to investment matters, the~~ Investment Consultant and each ~~investment~~ [Investment Manager](#) for the Fund ~~are~~ [are](#) required to submit a quarterly report to the PFC. ~~These reports summarises~~ [These reports summarises](#) the investment activities within the Fund's portfolios during the preceding quarter and ~~reporting details~~ [reports](#) the value and performance of the investments at the end of ~~each such~~ [the reporting](#) quarter.

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

4.9 Outside of this periodic reporting to the PFC:

- the activities of the administration team are regularly monitored by the Treasurer as part of the ongoing performance monitoring arrangements ~~operated within the Central Services directorate~~ of the Council. In addition, the Fund participates in benchmarking as well as value for money exercises with other Funds.
- the performance of the investment managers is monitored on an ongoing basis by the Investment Consultant and the Treasurer. Meetings are held with the investment managers on a routine basis and/or when particular issues arise (e.g. staff changes) that may affect the performance of that manager ~~on behalf of the Fund~~.

### 5.0 Key Policy and Strategy Documents

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

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



## 6.0 Compliance with Best Practice Principles

### Structure

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

### Representation

a	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>• employing authorities (including non-scheme employers, e.g. admitted bodies)</li> <li>• scheme members (including deferred and pensioner scheme members)</li> <li>• where appropriate, independent professional observers</li> <li>• expert advisers</li> </ul>	Fully compliant
b	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights	Fully compliant

### Selection and Role of Lay Members

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

### Voting

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

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

#### Training, Facility Time and Expenses

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

#### Meetings (Frequency and Quorum)

a	That an administering authority's main committee or committees meet at least quarterly	Fully compliant
b	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Fully compliant
c	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant

#### Access

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

#### Scope

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

#### Publicity

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

**North Yorkshire Pension Fund**



# **2022 Funding Strategy Statement (FSS)**



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

This Statement has been prepared by North Yorkshire Council (the Administering Authority) to set out the funding strategy for the North Yorkshire Pension Fund (the NYPF), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and the 2016 guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

## 1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) (“the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare an FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund, the Administering Authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to: -
- the guidance issued by CIPFA for this purpose.
- the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements; and
- the Investment Strategy Statement (ISS) for the NYPF published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the ISS.

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS with details on the Fund's policy on these flexibilities set out in the Admissions and Terminations Funding Policy.

Benefits payable under the NYPF are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit arrangement with principally final salary related benefits for contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution rate.

The benefits provided by the NYPF are specified in the governing legislation (the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014) and the Regulations referred to above. The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the NYPF should be set to “secure its solvency” and to “ensure long-term cost efficiency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

## 2. Purpose of the FSS in Policy Terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward.
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible.
- to ensure the regulatory requirements to set contributions to ensure the solvency and long-term cost-efficiency of the fund are met; and
- to take a prudent longer-term view of funding those liabilities

The intention is for this strategy to be both cohesive and comprehensive for the NYPF as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

## 3. Aims and Purpose of the NYPF

The aims of the Fund are to:

- enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, whilst achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the Administering Authority and employers alike
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- seek returns on investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,
- and pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## 4. Responsibilities of Key Parties

The Administering Authority should:

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the NYPF's actuary
- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties, monitor all aspects of the NYPF's performance and funding and amend the FSS/ISS accordingly
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
- enable the local pension board to review the valuation process as set out in their terms of reference.

- determine the amount of any exit credit following the exit of an individual employer from the Fund in accordance with the Fund's [Admissions and Terminations Funding Policy](#).
- ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all fund employers.

**The Individual Employer should:**

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding
- pay any exit payments on ceasing participation in the NYPF
- notify the Administering Authority of any material change in financial circumstances for the employer

**The Fund actuary should:**

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the LGPS Regulations
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs etc,
- provide advice and valuations on the exiting of employers from the NYPF
- provide advice to the Administering Authority on bonds or other forms of security against the financial effect on the fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations, in particular in relation to any review of contributions between triennial valuations under Regulation 64A
- provide views in relation to any decision by the Administering Authority to spread an exit payment under Regulation 64B
- ensure that the Administering Authority is aware of any professional guidance or other professional requirements that may be of relevance to his or her role in advising the NYPF
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the ISS.

## 5. Solvency Issues and Target Funding Levels

### Funding Objective

To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay in relation to pre-2014 benefits or where the underpin applies. In the long term, the employer rate would ultimately revert to the Primary Contribution Rate (also known as the Future Service Rate).

### Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target as at 31 March 2022 are set out in Appendix 1.

Underlying these assumptions are the following two principles:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows us to take a longer-term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to avoid material, and potentially unaffordable, increases in employer contribution requirements we will consider whether we can build into the funding plan the following: -

- stepping in of contribution rate changes. For the 2022 valuation, the Administering Authority's default approach is to step any contribution changes over a period of 3 years, although in certain circumstances a longer period may be considered, after consultation with the Actuary.
- a longer deficit recovery period than the average future working lifetime, particularly where there are a number of younger active members.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Scheme, other than where grouping of employers has been agreed in line with the policy set out in the Fund's Admissions and Terminations Funding Policy.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole (except where an employer adopts a bespoke investment strategy – see below).

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2022 actuarial valuation:

- A default recovery period of 15 years will apply for open employers that are assessed to have a deficit.
- A default recovery period equal to the average future working lifetime of the membership of the employer will apply for closed employers that are assessed to have a deficit.

- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 18 years will apply. Employers will have the freedom to adopt a recovery plan based on a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- As a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2019 funding plan for those employers where substantial deficits remain.
- For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted at the 2022 valuation as follows:
  - Where the funding level is 100 - 110% employers will pay the future service rate only.
  - Where the funding level is over 110% the default approach for Scheduled Bodies and Admission Bodies with no subsumption commitment from a Scheduled Body in the Fund (as defined in Appendix 1) will be to remove any surplus in excess of 10% over a maximum period of 18 years.
  - Where the funding level is over 110% the default approach for Admission Bodies with a subsumption commitment from a Scheduled Body in the Fund will be to remove any surplus in excess of 10% over the recovery period adopted by that Scheduled Body at the 2022 valuation.
  - If surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount.
  - The current level of contributions will be stepped down as appropriate, consistent with the approach of stepping contribution increases where appropriate.

For the avoidance of doubt, for practical purposes where employers are in surplus and contributions are to be set below the cost of future accrual this will be implemented via a reduction in the percentage of pensionable pay rate rather than via a negative monetary amount.

For any closed employers assessed to be in surplus, the above approach will generally be followed but the Administering Authority will consider the specific circumstances of the employer in setting an appropriate period to remove the surplus.

The employer contributions will be expressed and certified as two separate elements:

- a percentage of pensionable payroll in respect of the future accrual of benefit (less allowance for surplus as appropriate)
- a schedule of lump sum amounts over 2023/26 in respect of the past service deficit subject to the review from April 2026 based on the results of the 2025 actuarial valuation.

On the cessation of an employer's participation in the Fund, the actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives. A period of consultation will take place once employers have been issued with their draft contribution rates.

In determining the above objectives, the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and



- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

## Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period, and other aspects of the funding strategy, to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall.
- the business plans of the employer.
- the assessment of the financial covenant of the Employer; and the security of future income streams.
- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, it is possible that some smaller employers may be faced with contributions that could seriously affect their ability to function in the future. The Administering Authority, therefore, after specific agreement has been obtained by Fund Officers from the North Yorkshire Pension Fund Committee, would be willing to use its discretion to negotiate an **evidence based** affordable level of contributions for the organisation for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence and on the basis that it is not inconsistent with the requirements to set employer contributions so as to ensure the solvency and long-term cost efficiency of the NYPF.

## The Primary Contribution Rate (Future Service Contribution Rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “primary rate”). The method and assumptions for assessing these contributions are set out in Appendix 1.

## Amending of contributions between triennial valuations

The Administering Authority may also amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in the [Admissions and Terminations Funding Policy](#).

## Pre-payment of contributions

The Administering Authority may, after considering the advice of the Fund Actuary, permit particular employers to pay contributions early as a lump sum that would otherwise be payable over the following year (or a longer period not exceeding three years). An appropriate discount, as determined by the Fund Actuary, would be applied to the contributions to reflect the early payment. A true-up adjustment may be required if the early payment of contributions based on an estimated payroll results in lower contributions being paid into the Fund (after allowing for the discount) than would otherwise have been the case.

## 6. Link to Investment Policy set out in the Investment Strategy Statement

In assessing the value of the NYPF's liabilities in the valuation, allowance is made for a long-term investment return assumption as set out below, taking into account the investment strategy adopted by the NYPF, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches expected future benefit payments and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the NYPF's assets in line with the least risk portfolio would minimise fluctuations in the NYPF's ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the ISS dated July 2021 and reviewed in June 2023, is:

Asset Class (Summary)	%
Equities	50
Infrastructure	10
Property	7.5
Private Credit	5
Multi Asset Credit	5
Corporate Bonds	7.5
Government Bonds	15
<b>TOTAL</b>	<b>100</b>

The funding strategy adopted for the 2021 investment strategy review was based on an assumed long-term investment return assumption of 4.0% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of 5.6% as at the date of the investment strategy review.

### Bespoke Investment Strategy for individual employers

The Investment Strategy adopted by NYPF is determined for the Fund as a whole. This Strategy takes into account the characteristics of NYPF as a whole, and therefore those of the constituent employers as an aggregated entity - it does not seek to distinguish between the individual liability profiles of different employers. The Strategy adopted to date, as reflected in the current ISS, is to invest a significant proportion of the assets in equities. Such investments offer a higher expected return, but also carry a higher level of risk.

NYPF is prepared to consider offering any employer the opportunity to adopt a lower risk Bespoke Investment Strategy (e.g., 100% government bonds). However, to the extent that any Bespoke Investment Strategy will necessitate different investment return assumptions to those used by the Actuary for NYPF overall, there may be a consequential material impact on the contribution rate calculated for that employer.

In addition, if an employer opts for a Bespoke Investment Strategy, NYPF reserves the right to determine the most appropriate way of arranging for the investment of the relevant share of the assets according to that Bespoke Strategy. Employers should be aware that they would be required to meet any costs associated with the design and implementation of a Bespoke Investment Strategy

## 7. Identification of Risks and Counter Measures

The funding of defined benefits is by its nature uncertain. Funding of the NYPF is based on both financial and demographic assumptions. These assumptions are specified in the Appendices and the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the NYPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset performance between successive valuations could diverge significantly from the overall performance assumed in the long term.

The Administering Authority keeps, and regularly reviews, a risk register to identify and monitor the risks to the Fund and will, wherever possible, take appropriate action to limit the impact of these both before and after they emerge.

### What are the Risks?

Whilst the activity of managing the Fund exposes the Administering Authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

### Investment risk

The risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The Fund mitigates these risks through diversification, permitting investment in a wide variety of markets and assets, and through the use of specialist managers with differing mandates.

The majority of the Fund's investments are in pooled investment vehicles and the Fund is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Committee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

In addition, the Fund holds assets in the LGPS pooling arrangement with Border to Coast Pension Partnership ('BCPP') and will transition further assets to BCPP in the future. Through this arrangement the

Fund is exposed to the risk of failing to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy.

### Employer risk

Those risks that arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for orphaned liabilities and/or a shortfall in payments where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic is a specific risk which may have adverse consequences in relation to employers' finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers to engage with the Fund where their financial circumstances have changed, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy as set out in the Admissions and Terminations Funding Policy are met.

The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

The Administering Authority monitors the active membership of closed employers and considers what action to take when the number of active members falls below 10, such as commissioning a valuation under Regulation 64(4).

The Administering Authority commissioned the Fund Actuary to carry out a high-level risk analysis of employers in the Fund to assist the Administering Authority in setting the funding strategy for employers at the 2022 valuation of the Fund.

### Liquidity/Maturity risk

This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

- The implications of budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements.
- An increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g., where new admissions are closed).
- Public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g., to bodies which do not participate in the LGPS).
- Scheme changes and higher member contributions in particular may lead to increased opt-outs.

The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

### Climate Risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns and life expectancy under review and will commission advice from the Fund actuary on the potential effect on funding as required. At each triennial valuation the Fund actuary will undertake a scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period.

## Liability risk

The main risks include inflation, life expectancy and other demographic changes, and interest rate and pay inflation, which will all impact upon future liabilities.

The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.

If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require review of the bonds that are in place for Admission Bodies.

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A. Please see the Fund's [Admissions and Terminations Funding Policy](#), (4.29 to 4.40) for further details.

## Regulatory and compliance risk

Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law.

The Administering Authority keeps abreast of all the changes to the LGPS and will normally respond to consultations on matters which have an impact on the administration of the Fund.

There are a number of uncertainties associated with the benefit structure at the current time including:

- The timing and detail of any regulations in relation to the remedy to compensate members for illegal age discrimination following the outcome of the McCloud/Sargeant cases.

For the purposes of the 2022 valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer's fund membership. Members' benefits will be valued as required by relevant legislation as in force as at 31 March 2022, except for the following assumptions:

- i) It will be assumed that the current underpin (which only applies to those members within 10 years of their Normal Pension Age at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the 2014 Scheme without a disqualifying service gap.
- ii) The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
- iii) Where a member remains in active service beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (whichever is sooner).
- iv) Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- v) The underpin will consider when members take their benefits, so they can be assured they are getting the higher benefit.

- The outcome of the cost management process as at 31 March 2020.
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions the Administering Authority will have regard to guidance issued by the SAB, taking account of the Fund Actuary's advice. The Fund's policy for allowing for the possible cost of the McCloud judgement / Cost Management process for new employers joining the Fund and employers exiting the Fund is set out in the Fund's [Admissions and Terminations Funding Policy](#).

In addition, a consultation document was issued by MHCLG (now DLUHC) entitled "Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk" dated May 2019. This included a proposal to change the LGPS local fund valuations to quadrennial cycles. The Administering Authority will have regard to any changes in the Regulations as a result of this consultation and consider any actions required at the 2022 valuation or subsequent valuations, taking account of the Fund Actuary's advice.

## 8. Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been significant market volatility
- if there have been significant changes to the NYPF membership and/or maturity profile
- if there have been changes to the number, type or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy e.g., closure to new entrants
- where employers wish to make additional (voluntary) contributions to the NYPF
- if there has been a material change in the affordability of contributions and/or employer financial covenant strength
- to reflect significant changes to the benefit structure / Regulations

## North Yorkshire Council as Administering Authority for the North Yorkshire Pension Fund

### Actuarial Valuation as at 31 March 2022 Method and assumptions used in calculating the funding target

#### Risk Based Approach

The Administering Authority adopts a risk-based approach to funding strategy. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:

- the long-term Solvency Target (i.e., the funding objective - where the Administering Authority wants the Fund to get to);
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

#### Solvency Target

The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long-term using appropriate actuarial assumptions.

The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

For most Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume the Admission Body's assets and liabilities in the NYPF following its exit, the Solvency Target is set:

- at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
- based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pension accounts (CPI).

As at 31 March 2022 the long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed.

This then defines the Solvency Target. As at 31 March 2022 this equates to a solvency discount rate of 4% p.a.

For Admission Bodies and other bodies whose liabilities are expected to be orphaned following cessation, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds after exit.



## Probability of Funding Success

The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

With effect from 31 March 2022 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is an 80% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period)

## Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the primary contribution rates and adjustment for the surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period. The key assumptions used for assessing the Funding Target are summarised below.

Consistent with the aim of enabling the primary rate of employers' contribution rates to be kept as nearly constant as possible, contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

## Funding Targets and assumptions regarding future investment strategy

For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets.

Academies are currently considered to qualify as indefinite participants in the Fund with full taxpayer backing, as they have a guarantee from the Department for Education. The liabilities and future service (primary) contributions will therefore generally be calculated using the scheduled and subsumption body funding target. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to set the funding target for academies and any admission bodies for which an academy provides a subsumption commitment as well as the default approach taken to the notional assets transferred to academies upon conversion.

For other Scheduled Bodies, in particular the Colleges and Universities whose participation is not considered to be indefinite, the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer.
- the business plans of the employer.
- an assessment of the financial covenant of the employer.
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets,

For Admission Bodies and other bodies whose liabilities are expected to be orphaned on exit (with the exception of the colleges and universities where a different approach will be adopted at the 2022 valuation as set out below), the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

## Colleges and Universities

Due to concerns about the covenant strength of Colleges and Universities, the Administering Authority has adopted a Funding Target for Colleges and Universities which reflects the Administering Authority's views of the sector. This includes the two universities that are Admission Bodies in the Fund where there is no subsumption commitment, but which continue to admit new members to the Fund.

Whilst the Administering Authority will adopt a general approach of assuming indefinite investment in a broad range of assets of higher risk than Government bonds, a reduction will be made to the discount rate used for the long-term secure scheduled bodies to reflect concerns about the covenant strength of Colleges and Universities. This is known as the Intermediate Funding Target.

The Administering Authority may also adopt the Intermediate Funding Target for other employers where there are concerns about the covenant strength of the employer. At the 2022 valuation this decision will be informed by the high-level risk analysis of employers within the Fund carried out by the Fund Actuary. The Administering Authority will generally also adopt the Intermediate Funding Target for admission bodies that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.

At the 2022 valuation the Administering Authority will adopt a dual approach to the discount rate used for the Intermediate Funding Target. The standard position will be that Colleges and Universities will have their liabilities valued on the Intermediate funding target (standard approach). It will be open to each College and University to satisfy the Fund as to its covenant strength which may allow a move to the Intermediate funding target (strong covenant approach). This would result in lower contribution requirements.

The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

## Financial assumptions

### Investment return (discount rate)

The discount rate for the 2022 valuation is as follows:

- 4.2% p.a. for employers where the Scheduled and subsumption body funding target applies
- 3.85% p.a. for employers where the Intermediate funding target (strong covenant approach) applies
- 3.6% p.a. for employers where the Intermediate funding target (standard approach) applies
- 3.6% in service and 0.8% left service, for employers where the Ongoing orphan funding target applies.

### Inflation (Consumer Prices Index)

The CPI inflation assumption is taken to be the long-term (30 year) Capital Market Assumption at the valuation date as produced by Aon Solutions UK Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

For the 2022 valuation, past service liabilities for the Scheduled and subsumption body funding target will be increased by 10% to allow for short-term high inflation not reflected in the Capital Market Assumptions.

### Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) in the long term will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above plus an allowance for promotional increases.

### Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g., Guaranteed Minimum Pensions in respect of service prior to April 1997 for members who had a State Pension Age before 6 April 2016).

## Demographic assumptions

### Post-retirement Mortality

#### Base Rates

Normal Health: Standard SAPS S3N tables, year of birth base rates, adjusted by a scaling factor.  
 Ill-health: Standard SAPS S3 Ill-health tables, year of birth base rates adjusted by a scaling factor.

#### Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Active and Deferred Males (normal health)	115%
Active and Deferred Females (normal health)	115%
Pensioner Males (normal health)	105%
Pensioner Females (normal health)	105%
Active and Deferred Males (ill-health)	115%
Active Females (ill-health)	140%
Deferred Females (ill-health)	135%
Pensioner Males (ill-health)	110%
Pensioner Females (ill-health)	130%

Appropriate scaling factors will also apply to contingent dependants of members in the above categories.

#### Future improvement to base rates

An allowance for improvements in line with the CMI 2021, for men or women as appropriate, with a long-term rate of improvement of 1.50% p.a.,  $s_k$  of 7.0 and parameter A of 0.5.

### Pre-retirement mortality

Males: As for normal health retirements but with a 55% scaling factor  
 Females: As for normal health retirements but with a 55% scaling factor

### Retirement age

The assumed retirement age is dependent on the Group of the member and also the member's Rule of 85 age (Ro85 age).

Category of member	Assumed age at retirement
Group 2 members (taper protected)	Greater of Ro85 age and 60

Group 3 members (Ro85 age = 60)	64
Group 3 members (Ro85 age > 60)	65
Group 4 members (Joiners pre 1 April 2014)	65
Group 4 members (Joiners post 31 March 2014)	State Pension Age

Any part of a member’s pension payable from a later age than the assumed retirement age will assumed to be reduced using factors issued by GAD / DLUHC in force on the valuation date.

**Withdrawals**

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

**Retirement due to ill health**

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier)	85%
Tier 2 (middle tier)	10%
Tier 3 (lower tier)	5%

**Family details**

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

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

75% of female pensioners / non-pensioners are assumed to be married / cohabitating at age 65 / retirement or earlier death.

**Commutation**

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 80% of the permitted maximum amount permitted of their past service pension entitlements.

**Take up of 50/50 scheme**

All members are assumed to remain in the scheme they are in at the date of the valuation.

**Promotional salary increases**

Allowance is made for age-related promotional increases.

**Expenses**

0.6% of Pensionable Pay added to the cost of future benefit accrual.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “primary contribution rate”) for the 2022 actuarial valuation

Investment return / Discount Rate (secure scheduled bodies and admission bodies with a subsumption commitment from a secure scheduled body)	4.2% p.a.
Investment return / Discount Rate (intermediate funding target (strong covenant approach))	3.85% p.a.
Investment return / Discount Rate (intermediate funding target (standard approach))	3.6% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.6% p.a.
Left service	0.8% p.a.
CPI price inflation	2.3% p.a.*
Long Term Salary increases	3.55% p.a.
Pension increases/indexation of CARE benefits	2.3% p.a.

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

This page is intentionally left blank



# North Yorkshire Pension Fund

## Communications Policy

April ~~2023~~2024



Local Government  
Pension Scheme

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

OFFICIAL

**Contents**

1. Introduction ..... 3

2. Stakeholders ..... 3

3. Objectives ..... 3

4. What we communicate ..... 4

5. Strategy ..... 5

6. Key Documents ..... 5

7. Further Information ..... 5



## 1. Introduction

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

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

We will review this policy annually.

## 2. Stakeholders

**The key stakeholders for the Fund are:**

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

**Other stakeholders who support the Fund include:**

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

## 3. Objectives

**Our key objectives are:**

- to keep all stakeholders informed about the management and administration of the Fund
- to provide clear and easy to understand information to enable informed decisions
- to promote the LGPS as an important and valued part of the employment package
- to identify and use the most appropriate means of communicating with stakeholders, taking account of their different needs
- to seek continuous improvement in the way we communicate [including accessible online content](#)
- ~~to~~ use [available](#) technology ~~to provide up to date and timely information where appropriate for our members~~

#### 4. What we communicate

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

Stakeholder	Communication	When	How
<b>Pension Fund Committee</b>	Committee papers	Quarterly	Website, email, paper
	Retired members newsletter	Annually	Website, email, paper
	Workshops	As required	Webinar, video, face to face
	3 <sup>rd</sup> party training	As required	Webinar, video, face to face
<b>Local Pension Board</b>	Board reports	Quarterly	Website, email, paper
	Retired members newsletter	Annually	Website, email, paper
	3 <sup>rd</sup> party training	As required	Webinar, video, face to face
<b>Scheme Employers</b>	Periodic updates	As required	Email, website
	Technical material	Permanently available	Email, website
	Dedicated area on website	Permanently available	Website
	Bespoke training	As required	Webinar, video, face to face
	Employer <a href="#">guideprocessing guidance</a>	Permanently available	Website
	Employer forums	<a href="#">AnnuallyAs required</a>	Webinar, video, face to face
	Pensions Administration Strategy	Permanently available	Website, email
	Charging Policy	Permanently available	Website, email
	Admission <a href="#">aAgreements guide</a>	Permanently available	Website, email
	Academies guide	Permanently available	Website, email
<b>Scheme Members</b>	Scheme guides	Permanently available	Website
	Membership certificate	On joining	<del>Paper, online</del> Online, paper on request
	Estimate of benefits	When requested	Email, online, paper
	<a href="#">Risk and scam warnings</a>	<a href="#">Where appropriate</a>	<a href="#">Email, online, paper</a>
	Annual benefit statement	Annually	Online, paper <a href="#">on request</a>
	Retired members newsletter	Annually	Website, paper, email
	Membership data online	Permanently available	Online
	Electronic satisfaction surveys	At retirement	Online
	Pensioner pay advice	Monthly	Online, paper <a href="#">on request</a>
	Telephone helpline	Available during working hours	Telephone
	<a href="#">Dedicated area on wWebsite</a>	Permanently available	Website

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

## 5. Strategy

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

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

To ensure continuous development we plan to:

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

## 6. Key Documents

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

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

## 7. Further Information

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

**Email**  
[pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk)

**Website**  
[www.nypf.org.uk](http://www.nypf.org.uk)

**Telephone**  
01609 536335

**Post**  
North Yorkshire Pension Fund  
County Hall  
Northallerton  
DL7 8AL

This page is intentionally left blank



## Admissions and Terminations Funding Policy



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

OFFICIAL

## 1 Introduction

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

## 2 Admissions to the Fund

- 2.1 Admission bodies are a specific type of employer under the Regulations that do not automatically qualify for admission into the Local Government Pension Scheme (**the Scheme**) and must satisfy certain criteria set out in the Local Government Pension Scheme Regulations 2013 (as amended) (**the Regulations**). Admission bodies are required to have an 'admission agreement' with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- 2.2 North Yorkshire Council (**NYC**) as the Administering Authority for the Fund, will decide which bodies can become an admission body in the Fund. The Fund will enter into an admission agreement that is 'open' or 'closed' to new employees depending on the circumstance of the admission. Whether the admission is 'open' or 'closed' is generally at the option of the applicable transferring employer (if any) and admission body, but there might be an impact on the rate of contributions payable.
- 2.3 In general, (paragraph (1)(d) of Part 3 of Schedule 2 to the Regulations) admission bodies will be admitted on a 'fully funded' basis i.e. a funding shortfall or surplus will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall or surplus is passed to the admission body.
- 2.4 All actuarial and legal fees will be recharged to the transferring employer or the admission body. The Administering Authority will ask for confirmation of who is paying the fee before the invoice is issued.

## 3 Subsumption, guarantor or bond requirements for entry

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

---

<sup>1</sup> The FSS can be found on the Fund's website at [www.nypf.org.uk](http://www.nypf.org.uk) > [About the Pension Fund](#) > [Investments > Policies and Strategies Governance Documents](#).

- 3.2 Whilst each application is assessed on its own merits under the above criteria, the Administering Authority wishes to limit the risk to the Fund and to other employers arising from any proposed admission. The Administering Authority's expectation is that in the substantial majority of all admissions it will require the admission body to provide either a qualifying bond or guarantee. The Administering Authority further considers that the costs inherent in the provision of a third party bond by the admission body is sufficient reason why it may not be desirable for the admission body to secure a bond. Therefore, the Administering Authority will in most cases be prepared to accept that the admission instead proceeds on the basis of a guarantor being offered. This is most often the transferring employer.
- 3.3 Further, when considering applications for admission body status the Administering Authority's clear preference is that there should be a subsumption commitment from a suitable Scheme employer (as well as a guarantor from within the Fund). However, where there is no suitable party willing to give a subsumption commitment and/ or where there is no suitable and willing guarantor, the Administering Authority will still consider applications on a case-by-case basis.
- 3.4 A subsumption commitment means that a Scheme employer in the Fund (usually the transferring employer) agrees that they will take on responsibility for the future funding of the liabilities of the admission body once they have exited the Fund, and (where relevant) the admission body has paid any exit payment as determined by the actuary.
- 3.5 A guarantor provides a commitment to meet any obligation or liability of the admission body under the admission agreement.
- 3.6 The guarantor must be a party permitted to give such a guarantee under the Regulations and must be acceptable to the Administering Authority. Usually, this is the transferring employer.
- 3.7 The Administering Authority will, if it deems appropriate, accept an admission where there is no guarantee or subsumption commitment offered. This acceptance may be subject to additional conditions. Such conditions will often include the following:
- the Fund's actuary will be asked to use the low risk funding target or the ongoing orphan funding target to assess contribution requirements; and/or
  - the admission body must have a bond or indemnity from an appropriate third party in place. Any bond amount will be subject to review on a regular basis in line with the Regulations; and
  - the admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide.
- 3.8 Some relevant factors that the Administering Authority may consider when deciding whether to apply any of the conditions above, in the absence of a guarantor or subsumption commitment, are:
- uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
  - if the admission body has an expected limited lifespan of participation in the Fund;
  - the general trading risk of the proposed admission body and their financial record;
  - the average age of employees to be admitted and whether the admission is closed to new joiners.

### Admission bodies formerly known as Transferee Admission Bodies (TABs)

- 3.9 The most frequent category of admission body is those admitted under paragraph 1(d)(i) of Part 3 to Schedule 2 of the Regulations, namely that the proposed admission body is providing (or will provide) a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.
- 3.10 The settlement of commercial terms between the transferring employer and the proposed admission body (including any mitigations that might be offered to the proposed admission body in respect of the usual costs of participation as an employer in the Scheme) are a commercial matter which the Administering Authority will not be involved in.
- 3.11 Deficit recovery periods for these admission bodies will be set in line with the Fund's general policy as set out in the FSS.

### Admission bodies formerly known as Community Admission Bodies (CABs)

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

### Town and Parish Councils

- 3.13 New town and parish councils entering the Fund will be treated as follows:
- If there is a subsumption commitment from a suitable Scheme employer, then the participation will be approved with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements.
  - If there is no subsumption commitment from a suitable Scheme employer, then the town or parish council must pre-fund for termination with contribution requirements assessed using the low risk funding target or ongoing orphan funding target.
- 3.14 Deficit recovery periods will be determined consistent with the policy set out in the FSS. Alternatively, the Administering Authority may determine an employer specific deficit recovery period will apply.

### Grouped bodies

- 3.15 The Fund generally groups the following types of employers for setting contribution rates.
- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 1 April 2008, Drainage and Burial Boards).
  - Local Management of Schools (LMS) Pools (NYC LMS pool and the City of York Council (CoYC) LMS pool) admitted prior to 1 April 2019.
- 3.16 The LMS pool refers to the grouping of a number of transferee admission bodies relating to catering and cleaning contracts within schools who were admitted to the Fund prior to 1 April 2019. Employers in the LMS pool pay the same aggregate total contribution rate as that payable by NYC or the CoYC depending on which pool they are in.



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

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

#### Other scheduled bodies

3.19 New academies will be treated as indefinite participants in the Fund with full taxpayer backing, as they have a guarantee from the Department for Education. The funding target used to assess contributions will therefore generally be the Scheduled and subsumption body funding target. However, as the Department for Education guarantee is subject to review, where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to the Funding Target for new academies and any admission bodies for which an academy provides a subsumption commitment, as well as the default approach taken to the notional assets transferred to academies upon conversion.

3.20 For any other new scheduled bodies joining the Fund, the Administering Authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund; and
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

#### 4 Employer contributions, initial notional asset transfer and funding targets

- 4.1 The Fund's actuary will calculate the employer contributions payable from the start of the employer's participation in the Fund.
- 4.2 These will consist of the future service rate (FSR) or primary contribution rate, additional (secondary) contributions required to remove any funding shortfall, and an allowance for the possible cost of the McCloud judgement / Cost Management process as set out in paragraphs 4.25 to 4.28. Where the employer transfers on a fully funded basis (i.e. the level of notional assets is set to be equal to the full value of the transferring liabilities using the appropriate funding target described below) then the initial contribution rate will be equal to the FSR plus the McCloud judgement / Cost Management process allowance. This would generally be the case in an outsourcing of a service or function from a Scheme employer.
- 4.3 The FSR is net of employee contributions but includes an allowance for the lump sum death benefit payable on death in service and administration costs.
- 4.4 The actuary will also calculate the funding position of the employer at the commencement date. This shows the notional assets attributable to the employer, along with the value of liabilities using the appropriate funding target. This is needed even when the employer starts fully funded since any accounting figures or calculations at future triennial valuations will use the assets and liabilities at commencement as their starting point. In some cases the asset transfer may need to be re-calculated if the commencement date or data on transferring members is different to that used by the actuary in their initial calculations.
- 4.5 If the transferring employer is providing a subsumption commitment, the subsumption funding target will be used by the actuary when calculating the FSR and the value of liabilities. The low risk funding target can be used where explicitly requested by the transferring employer. The appropriate funding target to be adopted depends on what will happen to the liabilities of the employer once it has exited the Fund (e.g. when the last active member has left or, for admission bodies, the contract has ended).
- 4.6 Unless specific instruction to adopt a different approach is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority will determine the notional asset transfer from the ceding Council to the new academy using a 'Share of Shortfall' approach. Under this approach any shortfall in respect of the transferring members transfers to the new academy in the same proportion as the payroll of the transferring members compared with the payroll of the ceding Council. If the ceding Council is estimated to have no shortfall at the commencement date of the new academy, the assets transferring to the new academy will be capped at 100% of the transferring liabilities.
- 4.7 Where a new academy is set up as a multi-academy trust (MAT), the new MAT may elect to join the Fund under two different approaches which are set out below. When a new academy joins an existing MAT, the approach will be the same as the existing MAT.
- i) Each academy within the MAT is treated as a separate employer in the Fund. Each academy within the MAT has a separate contribution rate and shortfall amount calculated at the commencement date of the new academy.

- ii) The MAT is treated as a single employer in the Fund. At the commencement date of the MAT, the MAT will be treated as a single employer and contributions will be calculated at that date consisting of a future service (primary) rate and shortfall contributions. For any new academies joining in an inter-valuation period, the contributions for the new academy would generally be set in line with the employer contributions of the MAT calculated at the preceding triennial valuation of the Fund (or commencement date of the MAT if later).
- 4.8 Historically, the Administering Authority have also allowed MATs to adopt an alternative approach to the two approaches set out above, which is for academies within the MAT to be pooled together for the purpose of setting their future service (primary) contribution rate but then any shortfall contribution amounts are based on the position of each individual academy within the MAT. This approach is no longer available for any new MATs joining the Fund.
- 4.9 For new standalone academies the future service (primary) rate on commencement of participation will be expressed as a percentage of pay and any shortfall contributions are generally expressed as monetary amounts. The recovery period used to set any shortfall contributions on commencement will generally be set equal to that used for the ceding Council at the preceding triennial valuation of the Fund.

#### Scheduled and subsumption body funding target

- 4.10 This approach can be used for new long term secure scheduled bodies and academies, where the participation is assumed to be of indefinite duration, and for admission bodies that have a 'subsumption commitment' from a suitable secure Scheme employer (usually the transferring employer). It is used to calculate the initial assets allocated to the employer and its contributions as well as for the exit valuation (updated to allow for financial market conditions at the exit date). This approach results in the same assumptions being used to set contributions for the employer as apply to the Scheme employer letting the contract in the case of an admission body (although the assumptions are updated to allow for financial market conditions at the calculation date, whether that is the date of commencement or exit).
- 4.11 The assumptions used under the scheduled and subsumption body funding target assume investment in assets that are the same as the long term investment strategy of the Fund as a whole.
- 4.12 Therefore the potential outperformance over low risk investment in government bonds (gilts) is factored in, giving a lower contribution rate but also there is exposure to the volatility of equity based investments and the risk of the expected outperformance not being achieved and the impact on the contributions.
- 4.13 This funding target gives a lower contribution rate but less certainty that the liabilities are being fully covered compared with a new employer on the low risk funding target (see below) with assumed notional investment in government ~~bonds, and~~ [bonds and](#) can therefore lead to volatility in the FSR over the life of the employer's participation in the Fund and increases the risk of a shortfall or surplus emerging over the period of participation of the employer in the Fund.

### Intermediate funding target

- 4.14 This approach is used for certain employers that are considered by the Administering Authority to be less financially secure than the long-term tax raising Scheduled Bodies.
- 4.15 This approach would also be used to set contributions and at exit for employers that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.
- 4.16 This funding target is set with reference to government bond yields but includes an allowance to reflect the expected out-performance above government bonds of the Fund's assets. This allowance will generally be reviewed at each triennial actuarial valuation of the Fund.

### Ongoing orphan funding target

- 4.17 This approach is used where the transferring employer or another secure long-term employer in the Fund is not prepared to offer a subsumption commitment in relation to the employer. This means that no other employer exists in the Fund that would be prepared to take on future responsibility of the liabilities of the employer once the employer has exited the Fund.
- 4.18 On the exit of the employer, its liabilities will become 'orphan liabilities' in the Fund. This means that should a shortfall arise in respect of these liabilities after the employer has exited the Fund, all remaining employers in the Fund would be required to pay additional contributions to pay off this shortfall.
- 4.19 In that case, the exit valuation of the employer would be carried out on the low risk funding target in order to protect the other employers in the Fund. This assumes that after the exit of the employer the Administering Authority would wish to back the orphan liabilities with low risk investments such as government bonds.
- 4.20 The assumptions used under the ongoing orphan funding target are broadly designed to target the low risk funding target at exit of the employer but reflect the fact that exit of the employer will occur at some point in the future and allow for the possibility of the expected return on government bonds changing before the exit date.
- 4.21 Prior to the exit date it is still assumed that the assets of the employer are invested in line with the long term investment strategy of the Fund as a whole and this is reflected in the "in-service" discount rate adopted as part of the ongoing orphan funding target.
- 4.22 This funding target would generally result in a higher initial contribution rate than if a subsumption commitment existed (where the subsumption funding target would be adopted), but a lower initial contribution rate than if the low risk funding target is adopted (see below), although unlike the matched approach described below investment risk underlying the Fund's investment strategy is retained under this approach.

### Low risk funding target

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

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

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

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

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

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

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

- 4.26 When determining the notional level of assets to be allocated to the new employer no allowance will generally be made for the potential past service liabilities arising due to the McCloud judgement / Cost Management process.
- 4.27 When determining the notional level of assets to be allocated to a new employer commencing participation in the Fund on or after 23 March 2021, the Fund actuary will allow for full inflationary increases on GMPs for those reaching State Pension Age on or after 6 April 2016.
- 4.28 In determining the approach set out above, the Administering Authority has had regard to the advice of the Fund actuary. It will be kept under regular review as further information on the McCloud judgement and Cost Management process becomes available. In exceptional circumstances any future change in approach may be backdated if considered necessary in light of the specific circumstances of a particular employer. However, no changes are envisaged to asset transfers for employers that commenced participation before 1 April 2019.

#### Review of Employer Contribution Rates

- 4.29 The Regulations require a triennial actuarial valuation of the Fund. As part of each actuarial valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A.
- 4.30 The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:
- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
  - it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
  - it appears likely to the Administering Authority the Scheme employer will become an exiting employer; or
  - the Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.
- 4.31 For the avoidance of doubt, the Administering Authority will not consider a review of contributions under Regulation 64A purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.
- 4.32 In determining whether a review should take place under Regulation 64A, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):
- the circumstances leading to the change in liabilities arising or likely to arise, for example due to the restructuring of an employer, a significant outsourcing or transfer of staff, the loss of a significant contract, closure to new entrants, material redundancies, significant pay awards, or other significant changes to the membership due to ill-health retirements or voluntary withdrawals

- the materiality of any change in the employer's membership or liabilities, taking account of the Fund actuary's view of how this might affect its funding position, primary or secondary contribution rate;
- whether, having taken advice from the Fund actuary, the Administering Authority believes a change in funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, risk-sharing arrangement, or other form of indemnity in relation to the employer's liabilities in the Fund;
- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund actuary or other covenant adviser to the Fund;
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time.

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

- a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies the relevant scheme employer;
- a material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light;

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

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

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

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

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

- 4.37 It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.
- 4.38 The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also consider the timing of contribution changes following the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate as part of the valuation.
- 4.39 Where the request for a review comes from the employer, before submitting their request, the employer should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact the Administering Authority and complete the necessary information requirements for submission to the Administering Authority in support of their application.
- 4.40 The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. In addition, employers should adhere to the notifiable events framework as set out in the Pensions Administration Strategy. Employers should be aware that all advisory fees, including actuarial, legal and any other costs incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.



## 5 Termination of an employer

### Exit events

- 5.1 In accordance with Regulation 64 the LGPS Regulations 2013, when an employer (including an admission body) leaves the Fund, an exit valuation is carried out by the Fund's actuary to determine the level of any surplus or deficit in the outgoing employer's share of the Fund. All actuarial and legal fees relating to the exit will be passed on to the exiting employer unless a prior agreement is in place with the transferring employer.
- 5.2 There are a number of events that will trigger an exit:
- when a contract comes to an end;
  - when a contract is terminated early;
  - when the employer no longer has any active members in the Fund;
  - when the admission body is in breach of its obligations under the admission agreement, or the admission agreement is otherwise terminated by one of the parties;
  - the insolvency, winding up or liquidation of the admission body
  - the withdrawal of approval by HMRC to continue as a Scheme employer; or
  - the admission body fails to pay any sums due in a timely manner.
- 5.3 When an admission agreement comes to an end or a scheduled body exits the Fund, any active employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

### Basis of exit valuations

- 5.4 An exit valuation is carried out to value the liabilities of the employer at the date of exit. The basis used to calculate the liabilities depends on the circumstances of the exit and in particular who takes responsibility of any future liabilities. The Fund's policy is outlined below; however, each exit will be assessed on a case by case basis.
- 5.5 If the employer has a subsumption commitment in place from a suitable Scheme employer within the Fund, the appropriate subsumption funding target will be used as the basis of the exit valuation unless otherwise indicated below. If the transferring employer requested that the low risk funding target was adopted on admission to the Fund, the same funding target will be used as the basis of the exit valuation. The subsuming employer will, following any termination payment made by the employer, be responsible for any future liabilities that arise in relation to the former employees of the exiting employer. Any liabilities formally attributable to the exiting employer will be assessed at each Triennial Valuation and the subsuming employer's contribution rates will be adjusted to reflect this.
- 5.6 For all other exiting employers where there is no subsumption commitment in place, the Fund's policy is to use the low risk funding target as the basis of the exit calculation. This is to protect the other employers in the Fund who will become responsible for any future 'orphan liabilities' that arise in relation to the former employees of the exiting employer post exit.

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

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

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

#### Grouped Bodies - LMS Pools admitted prior to 1 April 2019

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

#### Academies

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

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

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

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

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

### Notification of termination

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

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

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

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

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

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

### Payment of exit debt

- 5.19 If the Fund actuary has calculated a deficit at the exit date the exiting employer is liable for payment of that deficit under the Regulations. The Administering Authority will usually require a lump sum payment from the exiting employer in the first instance, although the Administering Authority may allow phased payments as permitted under Regulation 64B. Where an exit payment cannot be met in full or in part by the exiting employer the Administering Authority will attempt to recover any outstanding payment from a bond or alternative indemnity that may be in place.
- 5.20 Following the use of any bonds or indemnities (if any), any remaining debt will be recovered in a lump sum payment from the guarantor (if there is one). However, where the terms of the guarantee allow it, the Administering Authority reserves the right to demand payment of any exit debt from the guarantor as a primary liability (i.e. without first seeking payment from the exiting employer)
- 5.21 If there is no guarantor any outstanding debt will be recovered from any related employer in the case of a Schedule 2, Part 3, 1(d)(i) body. The Administering Authority may request a lump sum payment or it may be agreed, if the related employer is a contributing employer of the Fund, that the rates and adjustment certificate be revised to allow for the recovery of the remaining debt over a reasonable period of time, as determined by the Administering Authority.
- 5.22 In any other case the debt will be subsumed by all other employers in the Fund. The rates and adjustment certificate for all contributing employers will be revised to allow for the recovery of any remaining exit debt over a reasonable period of time, determined by the Administering Authority, at the next triennial valuation following exit.
- 5.23 Any lump sum payments will be required within 30 days following the issue of the revised rates and adjustment certificate showing the exit payment due unless another period is specified by the Administering Authority. Any late payments will incur charges in accordance with the Fund's Charging Policy.

### Suspending payment of exit amounts

- 5.24 At the absolute discretion of the Administering Authority, a suspension notice may be awarded to an exiting employer under Regulation 64(2A) of the Regulations. This can be for a period of up to three years after the exit date (the maximum period permitted by the Regulations).
- 5.25 Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply:
- the employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice;
  - the employer is not a 'closed' employer (no new active members are permitted to join the Fund); and
  - any application for the Administering Authority to grant a suspension notice is made within three months of the exit date.

- 5.26 The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the employer.
- 5.27 If a suspension notice is awarded, the exit valuation will be deferred until the earlier of:
- the end of suspension period; or,
  - the point at which the suspension notice is withdrawn (for any reason).
- 5.28 If one or more new active members are admitted to the Fund the employer's full participation in the Fund will resume.
- 5.29 During the period of any suspension notice, the employer must continue to make contributions to the Fund as certified in the rates and adjustments certificate.

#### Spreading of exit payments

- 5.30 The starting position of the Administering Authority is that an exiting employer will be required to meet any exit liability owed as a single lump sum payment. However, the Administering Authority may allow phased exit payments as permitted under Regulation 64B.
- 5.31 It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage with the employer to consider the application and determine whether spreading the exit payment is appropriate, and the terms which should apply.
- 5.32 In determining whether to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:
- the ability of the employer to make a single capital payment;
  - whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
  - whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.
- 5.33 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment, this will normally weigh against the Administering Authority allowing the payment to be spread.
- 5.34 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.
- 5.35 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be up to 3 years but longer periods may be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

- 5.36 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that the request may not be able to be made until the results of the exit valuation are known. Where there is a guarantor or subsuming employer, the guarantor/subsuming employer will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee (or where there is one in place prior to exit, a bond) continuing in force during the spreading period.
- 5.37 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as equal annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Alternatively, monthly payments may be required, or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.
- 5.38 Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period, the annual payments due, any other costs payable including actuarial and legal costs and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.
- 5.39 The Administering Authority will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

## Surplus on Exit

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

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

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

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

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

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

- a) the extent to which there is a surplus;
- b) the proportion of the excess of assets which has arisen because of the value of the exiting employer's contribution;
- c) the representations received by the parties under paragraph 5.40 above;
- d) the date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements;
- e) (where the Administering Authority is aware of the same) whether or not the exiting employer has been exposed to the full financial risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties;
- f) where part or all of the surplus relates to an increase in the value of the assets of the Fund as at the exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;

g) any other relevant factors.

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

Factor	The Administering Authority's view on how this may influence the determination
The extent to which there is a surplus	Will not itself influence the determination in favour or against the exit credit, but the Administering Authority may decide to truncate the determination process where the surplus is so small as to make the full process administratively disproportionate;
The proportion of the excess of assets which has arisen because of the value of the exiting employer's contributions	In general, the Administering Authority considers that where the surplus exceeds the total employer contributions received over the course of the admission (plus a reasonable allowance for interest where this might be appropriate), this would weigh against the payment of the full surplus as an exit credit;
The representations received from the parties	Dependent on their content;
The date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements	In general, the Authority considers that where the arrangements pre-date the introduction into the Regulations of the concept of exit credits, and therefore the parties did not anticipate the existence of an exit credit in their negotiations or contractual arrangements, this will weigh against the payment of an exit credit (either in full or in part dependent on the circumstances), and where the arrangements post-date the concept of exit credits, this will weigh in favour of the payment of an exit credit (either in full or in part dependent on the circumstances);
Whether or not the exiting employer has been exposed to the full financial risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties	In general, the Administering Authority considers that where the exiting employer has not been exposed to the usual financial risks associated with admission by reason of its commercial arrangements with third parties (for example the scheme employer), this would weigh against the payment of an exit credit (either in full or in part dependent on the circumstances of the arrangement in question). Such a risk sharing arrangement might include for example: <ul style="list-style-type: none"> <li>• an agreement whereby the exiting employer will be protected from, or reimbursed in respect of, any deficit which arises under Regulation 64 of the Regulations, either in whole or to a material extent; and/or</li> </ul>



	<ul style="list-style-type: none"> <li>• an agreement which protects the exiting employer from variation in respect of the level of its ongoing employer contributions to the Fund, either in absolute terms, or within a defined range (often referred to as a "cap and collar" arrangement).</li> </ul> <p>The Authority also considers that where a scheme employer has given a subsumption commitment in respect of an exiting employer, this would qualify as a risk sharing arrangement, as the practical effect would be to transfer contingent risks that would usually rest with the exiting employer to the subsuming employer, thus reducing the risk to which the exiting employer is exposed. Where the Administering Authority is aware that a subsumption commitment has been given, it will prepare and will submit to the parties exit valuations prepared on both the subsumption basis and discounting the subsumption commitment, in order to more clearly demonstrate the impact of the subsumption and to enable the parties to make informed representations on the impact of the subsumption commitment on the exit surplus;</p>
Where part or all of the surplus relates to an increase in the value of the assets of the Fund as at exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;	In general, the Administering Authority considers that where the exit took place at a time when the value of assets held by the Fund were unexpectedly high, and subsequently declined, or appear to the Administering Authority reasonably likely to decline in the short or medium term, then this will weigh against the payment of an exit credit (either in full or in part dependent on the circumstances). Where the Authority relies on this factor in making a determination, it will provide the parties with details of why it considers that is the case; and
Any other relevant factors.	Dependent on the factor in question.

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

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

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

- six months after the date of the exit event; or
- such later date as the Administering Authority and the exiting employer may agree.

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

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

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

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

#### Deferred Debt Agreements (DDAs)

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

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



## Risk Management Policy



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

## Index

Index .....	<b>Error! Bookmark not defined.</b>
1.0 Introduction.....	3
2.0 Risk management definition.....	3
3.0 Risk objectives of the fund .....	3
4.0 Benefits of risk management.....	4
5.0 Approach to risk management .....	4
5.6 Review .....	5
5.7 Risk Appetite.....	5
5.8 Responsibilities .....	5

## 1.0 Introduction

- 1.1 North Yorkshire Council (NYC, the Council) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF, the Fund), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration are overseen by the Pension Fund Committee (PFC), which is a committee of the Council.
- 1.2 The primary objective of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. Investments of the Fund are selected with the aim of fully funding these benefit requirements over an extended number of years.
- 1.3 The day to day running of the Fund is delegated to the Treasurer, who is also the Corporate Director Resources of the Council. The Treasurer is responsible for implementing the decisions of the PFC and is supported by specific teams within the Council. All aspects of the day-to-day management of investment funds are undertaken by external fund managers.
- 1.4 Risk, uncertainty and change create challenges to the Fund meeting its objectives. Risks, whether recognised or unforeseen, create a threat to achieving performance targets and change. Uncertainty and change, when considered thoroughly however, can also provide the opportunity to introduce new, innovative and effective ways to manage the Fund.
- 1.5 This Risk Management Policy has been developed by officers of the Fund and sets out the Fund's strategic approach to effective risk management. The Policy is to be approved at least every 3 years by the PFC, as responsibility for the Fund's risk management rests with them.

## 2.0 Risk management definition

- 2.1 A 'risk' is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.
- 2.2 'Risk Management' is the approach to managing all of the Pension Fund's key service risks and opportunities with the aim of maximising service delivery effectiveness and efficiency. Risk management is critical to the overall management of the Pension Fund, including the management of staff, physical assets and financial resources.
- 2.3 Risk management is not about being 'risk averse', it is about being 'risk aware'. The Fund recognises that it is not necessary to eliminate risk entirely, risks are necessary to achieve the objectives of the Fund, for example, investment return targets. It is important to weigh up the risk against the opportunities that can be gained.

## 3.0 Risk objectives of the fund

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

## 4.0 Benefits of risk management

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

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

## 5.0 Approach to risk management

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

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

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

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

Probability	Risk Ranking				Category	
High	6	4	2	1	1	Very High
Med	6	5	4	2	2	High
Low	6	5	5	3	3	High Medium
Nil	6	6	6	6	4	Low Medium
	Nil	Low	Med	High	5	Low
	Highest Impact				6	Closed/Complete

5.4 Each risk is ranked based on the following:

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

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

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

## 5.6 Review

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

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

## 5.7 Risk Appetite

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

## 5.8 Responsibilities

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

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

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

This page is intentionally left blank





# North Yorkshire Pension Fund

## Pensions Administration Strategy

April 2024~~3~~



Local Government  
Pension Scheme

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

OFFICIAL

OFFICIAL

V1.76\_April 2024

**Index**

<b>Section</b>	<b>Content</b>
1	<a href="#"><u>Purpose of Strategy</u></a>
2	<a href="#"><u>Regulatory Background</u></a>
3	<a href="#"><u>Review of the Strategy</u></a>
4	<a href="#"><u>Performance Levels</u></a>
5	<a href="#"><u>Responsibilities and Duties of the Employer</u></a>
6	<a href="#"><u>Responsibilities and Duties of NYPF</u></a>
7	<a href="#"><u>Contribution Rates and Administration Costs</u></a>
8	<a href="#"><u>Communications</u></a>
9	<a href="#"><u>Notifying Employers of a Change in Policy</u></a>

## Pensions Administration Strategy

### 1.0 Purpose of Strategy

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

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

### 2.0 Regulatory Background

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

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

- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- the Local Government Pension Scheme Regulations 2013
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
- the Local Government Pension Scheme (Administration) Regulations 2007
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2007
- the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
- the Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and any amendments thereto)
- the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (and any amendments thereto)
- the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
- the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ("the Disclosure Regulations")
- the Pensions Act 1995
- the Pensions Act 2004
- the Pensions Act 2008
- the General Data Protection Regulation 2018
- [the Finance Act 2004](#)
- [the Finance Act 2024](#)
- [the Finance Act 2024](#)
- the Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 including amendments to any of these Regulations

### 3.0 Review of the Strategy

This Strategy will be kept under review by the NYPF.

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

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

### 4.0 Performance Levels

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

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

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

### 5.0 Responsibilities and Duties of the Employer

#### 5.1 Contact Person

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

#### 5.2 Authorised Signatories

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

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

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

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

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

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

5.4 **Employee's Scheme information for employees**[Guide](#)

Under the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, ~~the employer must ensure that~~ all new employees eligible to join the LGPS ~~must be signposted to the~~[receive a copy of the Employees' 'A Brief Guide to LGPS' the scheme document](#) as follows:

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

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

5.5 **Member details – Employer performance levels**

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

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

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

5.6 **Year end information**

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

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

OFFICIAL

V1.76\_April 2024

5.7 **Contribution deductions**

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

5.8 **Payment of contributions to the NYPF**

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

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

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

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

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

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

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

5.9 **Additional Voluntary Contributions (AVCs)**

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

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

5.10 **Discretionary Powers**

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

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

5.11 **Employer Decisions**

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

5.12 **Independent Registered Medical Practitioner**

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

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

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

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

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

5.14 **General Data Protection Regulation**

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

5.15 **Internal Dispute Resolution Procedure**

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

5.16 **Fines imposed on the NYPF**

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



5.17 **Charges to the employer**

The NYPF, ~~may under certain circumstances, will consider giving give~~ written notice to ~~an~~ employers under regulation 70, ~~due to their~~~~because of the employer's failure to meet the~~~~unsatisfactory performance in carrying out its scheme functions when required measured against levels of performance levels as set out established under in~~ **paragraph 5.5** above. The written notice may include charges ~~imposed by the NYPF~~ for chasing employers for outstanding information as detailed in the NYPF [Employer Charging Policy](#).

5.18 **Notifiable Events**

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

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

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

6.0 **Responsibilities and Duties of the NYPF**

6.1 **Regulatory Issues**

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

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

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

6.2 **NYPF Performance Levels**

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

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

### 6.3 Support to Employers

The NYPF will support employers in running the LGPS by:

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

See the [Communications Policy](#) for full details.

### 6.4 Independent Registered Medical Practitioner

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

### 6.5 Services to Members

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

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

In addition, the NYPF will communicate with members through appropriate media and always encourage the use of member self-service facilities. Full details are provided in the [Communications Policy](#).

### 6.6 Multiple Language Literature

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

### 6.7 Data Protection Act 2018

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

### 6.8 Internal Dispute Resolution

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

## 7.0 Contribution Rates and Administration Costs

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

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

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

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

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

## 8.0 Communications

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

## 9.0 Notifying Employers of a Change in Policy

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

This page is intentionally left blank



# North Yorkshire Pension Fund

## Administering Authority Discretions for North Yorkshire Council April 202~~4~~3



Local Government  
Pension Scheme

OFFICIAL

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

Discretions from 1 April 2014 in relation to post 31 March 2014 active members (excluding councillor members) and post 31 March 2014 leavers (excluding councillor members), under: R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356) TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) A = LGPS (Administration) Regulations 2008 (SI 2008/239 B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166) T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238) L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to agree to an admission agreement with a body applying to be an admission body	R3(1A) R3(5) & RSch 2, Part 3, para 1	Admin. Authority	The administering authority will enter into admission agreements to allow certain non-local government employers to participate in the fund with the agreement of the Pension Fund Committee providing all criteria of the administering authority can be met. The criteria include supplying financial protection to the Pension Fund in the form of a guarantor or bond and subsumption commitment. However, if the employer is a 'transferee admission body' and there is an obligation to enter into an admission agreement one will be set up providing the criteria are met.
Whether to agree to an admission agreement with a Care Trust, NHS Scheme or Care Quality Commission	R4(2)(b)	Admin. Authority	Applications will be considered by the Pension Fund Committee following the provision of all required information from the relevant body including actuarial advice. The potential admission body must cover the cost of obtaining information and advice.
Whether to agree that an admission agreement may take effect on a date before the date on which it is executed	RSch2, Parts 3, para 14	Admin. Authority	An admission agreement will take effect from the date it is executed at the earliest. Requests to backdate an admission agreement will be looked at on a case by case basis.
Whether to terminate an admission agreement in the event of insolvency, winding up or liquidation of the body + breach by that body of its obligations under the admission agreement + failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	RSch2, Part 3, para 9(d)	Admin. Authority	A decision will be made following receipt of actuarial and legal advice. The principles in the NYPF Admissions and Terminations Policy will be applied when carrying out calculations to assess the funding levels.

Discretion	Regulation	Exercised by	Agreed Discretion
Define what is meant by “employed in connection with”	RSch2, Part 3, para 12 (a)		Mainly or wholly employed in connection with the relevant service area relating to the original outsourcing contract or transfer agreement.
Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	R16(1)	Admin. Authority	The administering authority will not impose a level but will instead allow individual Scheme employers to determine what is achievable on individual payroll systems. The administering authority reserves the right to impose a single lump sum payment where lost pay is less than 1% of gross annual pay.
Whether to require a satisfactory medical before agreeing to an application to pay an APC/SCAPC	R16 (10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee.
Whether to turn down an application to pay an APC/SCAPC if not satisfied that the member is in reasonably good health	R16(10)	Admin. Authority	The administering authority has determined that any election to pay an APC/SCAPC (to buy additional pension) must be subject to the employee passing a medical examination carried out by a medical practitioner approved by the Pension Fund. The cost of the medical examination is to be met by the employee. If the employee does not pass the medical examination the application will be turned down.
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	Admin. Authority	The administering authority will make payment in line with the action to be taken for the payment of the main scheme death grant payable.

Discretion	Regulation	Exercised by	Agreed Discretion
Pension account may be kept in such form as is considered appropriate	R22(3)	Admin. Authority	The administering authority will maintain a pension account for each LGPS member using the Fund's software provider's administration module, based on information supplied by the relevant Scheme employer.
Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated	TP10(9)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	R30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid on flexible retirement.
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership)	R30(8)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction on benefits paid which a member voluntarily draws before normal pension age
Whether to require any strain on Fund costs to be paid "up front" by employing authority following payment of benefits under R30(6) (flexible retirement), R30(7) (redundancy/business efficiency), or the waiver (in whole or in part) under R30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement	R68(2)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.



Discretion	Regulation	Exercised by	Agreed Discretion
Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).	TPSch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1 April 2014 and post 31 March 2014 membership): a) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006, b) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive, c) on compassionate grounds (pre 1 April 2016 membership) and in whole or in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, d) on compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive	TP3(1) TPSch 2, para 2(1), B30(5) and B30A(5)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to require any strain on Fund costs to be paid “up front” by employing authority if the Scheme employer “switches on” the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1)	TPSch 2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	R32(7)	Admin. Authority	The time limit will not be extended unless there is evidence of administrative shortcomings.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pensions credit members where the effective date of the PSO is after 31 March 2014 and the debited member has some post 31 March 2014 membership of the scheme)	R34(1)(a)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	R34(1)(b)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme)	R34(1)(c)	Admin Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Approve medical advisors used by employers (for ill health benefits)	R36(3)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner	R38(3)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	R38(6)	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).
Decide to whom death grant is paid	TP17(5) to (8) & R40(2), R43(2) & R46(2)	Admin. Authority	<p>In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.</p> <p>The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	R49(1)(c)	Admin. Authority	The administering authority will apply the method which is most beneficial for the member.

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to set up a separate admission agreement fund	R54(1)	Admin. Authority	A separate admission agreement fund will not be maintained.
Governance Compliance Statement must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state:- the frequency of any committee or sub- committee meetings - the terms, structure and operational procedures appertaining to the delegation and- whether representatives of employing authorities or members are included and, if so, whether they have voting rights The policy must also state:- the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying and- the terms, structure and operational procedures appertaining to the Local Pensions Board	R55*	Admin. Authority	A separate Governance Compliance Statement has been formulated and is kept under review by the North Yorkshire Pension Fund. The policy can be found on the NYPF website:  <a href="https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/">https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/</a>
Whether to decide on funding strategy for inclusion in Funding Strategy Statement	R58*	Admin. Authority	The decision on the funding strategy is made by the Pension Fund Committee and can be found in the Investment Strategy Statement and the Funding Strategy Statement on the NYPF website:  <a href="https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/">https://nypf.org.uk/member-info/about-the-pension-fund-policies-strategies/</a>
Whether to have a written Pensions Administration Strategy and, if so, the matters it should include	R59(1) & (2)	Admin. Authority	The NYPF has produced a Pensions Administration Strategy which is kept under review. All employing authorities are asked to agree the Strategy and to submit suggestions to improve any aspect of the Strategy at any time. The Strategy can be found on the NYPF website:  <a href="https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/">https://nypf.org.uk/member-info/about-the-pension-fund-policies-strategies/</a>

Discretion	Regulation	Exercised by	Agreed Discretion
<p>Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers</p>	<p><b>R61*</b></p>	<p>Admin. Authority</p>	<p>A Communications Policy has been formulated and is kept under review by the NYPF. The policy can be found on the Pension Fund website:  <a href="https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/">https://nypf.org.uk/member-info/about-the-pension-fund/pension-fund-policies-strategies/</a></p>
<p>Whether to extend the period beyond 6 months from the date an employer ceases to be a Scheme employer, by which to pay an exit credit</p>	<p><b>R64(2ZA)</b></p>	<p>Admin. Authority</p>	<p>The administering authority will agree to extend the period beyond 6 months on a case by case basis</p>
<p>Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension</p>	<p><b>R64(2A)</b></p>	<p>Admin. Authority</p>	<p>Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply;</p> <ul style="list-style-type: none"> <li>• The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice</li> <li>• The employer is not a 'closed' Admitted Body (no new active members are permitted to join the Fund).</li> <li>• Any application for the Administering Authority to grant a suspension notice is made within three months of the exit date.</li> </ul> <p>The Administering Authority reserves the right to withdraw a suspension notice if the terms of the agreement to award a suspension notice are not being upheld by the Scheme employer.</p>

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	<b>R64(4)</b>	Admin. Authority	The administering authority will be guided by an initial assessment made by the Fund Actuary. A certificate may be obtained following advice from the Fund Actuary and, if appropriate, the Fund Legal Adviser.
Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	<b>R69(1)</b>	Admin. Authority	<p>All funds due to the NYPF in respect of employer and employee pension contributions must be cleared in the NYPF bank account by 19<sup>th</sup> of each month (or the last working day if the 19<sup>th</sup> is not a working day) following the month the contributions relate to. The administering authority has determined that all other sums due to the Fund shall be paid within 30 days of invoice or notification.</p> <p>A penalty system will apply for employers failing to meet the deadlines referred to under regulation R69(1), with a one month grace period for a 'first offence'.</p> <p>The penalty is based on the number of days after the 19th of the month that the payment due is received in the NYPF bank account. This will take the form of a fixed penalty (£100 for each month payment is delayed) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.</p>

Discretion	Regulation	Exercised by	Agreed Discretion
Decide form and frequency of information to accompany payments to the Fund	R69(4)	Admin. Authority	<p>The administering authority has determined that the intervals of the annual/monthly contribution returns must be ahead of the payment dates and that standard forms are used which are completed and sent electronically. Year end information is also required electronically in a standard format to be supplied within a timeframe set each year by the administering authority.</p> <p>A fixed penalty of £100 will apply where the monthly return is delayed or not provided as described above. For persistent breaches of this protocol, the employer could be reported to the Pensions Regulator.</p>
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 & TP22(2)	Admin. Authority	<p>The policy for the payment of additional costs is contained in both the NYPF Pensions Administration Strategy and the Employer Charging Policy.</p> <p>Any over payment made by the NYPF resulting from inaccurate information supplied by the employer shall be recovered by the NYPF from the employer.</p> <p>In the event of the NYPF being fined by the Pensions Regulator, the fine will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above) caused the fine.</p> <p>If NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work.</p> <p><a href="https://nypf.org.uk/employers-only/governance-of-the-fund/">https://nypf.org.uk/employers-only/governance-of-the-fund/</a></p>

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Whether to charge interest on payments by employers which are overdue	<b>R71(1)</b>	Admin. Authority	The administering authority will charge interest at 1% above the base rate on any employer payments unpaid one month after the due date. Details can be found in the NYPF Pensions Administration Strategy and the Employer Charging Policy.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be Administering Authority exercised	<b>R76(4)</b>	Admin. Authority	Any stage two IDRP application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision (or lack of a decision)	<b>R79(2)</b>	Admin. Authority	An appeal will be made when it is believed that action or inaction by a Scheme employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the Scheme employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	<b>R80(1)(b) &amp; TP22(1)</b>	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.



Discretion	Regulation	Exercised by	Agreed Discretion
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes.
Agree to bulk transfer payment	R98(1)(b)	Employer / Admin. Authority	A decision will be made based on advice obtained from the Fund Actuary in relation to each case where a bulk transfer is being proposed.
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	R100(6)	Employer and Admin. Authority	The time limit will not be extended unless there are exceptional circumstances and/or if there is evidence of administrative shortcomings.
Allow transfer of pension rights into the Fund	R100(7)	Admin. Authority	Transfers will be allowed into the Fund but will be subject to the employer-led time limits.

Discretion	Regulation	Exercised by	Agreed Discretion
Where a member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.
Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008)	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & TSch 1 & L23(9)	Admin. Authority	The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.
Decide to treat a child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break	RSch1 & TP17(9)(a)	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of nominated of cohabiting partner and scheme member	RSch1 & TP17(9)(b)	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.
Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	TP3(13) & A70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However, where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.

Discretion	Regulation	Exercised by	Agreed Discretion
Extend time period for capitalisation of added years contract	TP15(1)(c) & TSch 1 & L83(5)	Admin. Authority	The administering authority has determined that a member with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Decide whether to delegate any administering authority functions under the Regulations	R105(2)	Admin. Authority	A decision will be made by the Pension Fund Committee on whether the delegation of functions is appropriate and the nature of the arrangement for doing so.
Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State)	R106(3)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide procedures applicable to the local pension board	R106(6)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
Decide appointment procedures, terms of appointment and membership of local pension board	R107(1)	Admin. Authority	The administering authority will make decisions via the appropriate committee process.
*These are mandatory and the administering authority must have a written policy			

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

A = LGPS (Administration) Regulations 2008 (SI 2008/239)

B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)

T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)

TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)

R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)

L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Extend time period for capitalisation of added years contract where the member leaves his employment by reason of redundancy	TR15(1)(c) & TSch 1 & L83(5)	Admin. Authority	The administering authority has determined that a member retiring on the grounds of redundancy/efficiency with an added years contract may have up to 3 months from the date the necessary information is given to the employee to opt to capitalise a whole cost contract.
Outstanding employee contributions can be recovered as a simple debt by deduction from benefits	A45(3)	Admin. Authority	Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension)	A56(2)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide procedure to be followed by admin authority when exercising its stage two IDRPs and decide the manner in which those functions are to be exercised	TP23 & R76(4)	Admin. Authority	Any stage two IDRPs application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.

Discretion	Regulation	Exercised by	Agreed Discretion
Whether administering authority should appeal against employer decision (or lack of a decision)	TP23 & R79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	TP23 & TP22(1) & R80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Decide policy on abatement of pensions following re-employment	TP3(13) & A70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Whether a member to whom B10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	B10(2)	Admin. Authority	An election will be made on behalf of the member to provide the most beneficial result.
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	B27(5)	Admin. Authority	The administering authority will consider payment of a child's pension to a guardian. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the child.

Discretion	Regulation	Exercised by	Agreed Discretion
Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	A52(a)	Admin. Authority	The administering authority will consider using this provision only in exceptional cases where it is thought impractical for the national schemes to be used to obtain either Lasting Power of Attorney or Court of Protection. A decision will be made in relation to each case based on advice obtained from the Fund's Legal Adviser, where thought necessary. A declaration will be obtained from the Scheme member's doctor to confirm that the Scheme member is incapable of managing their own affairs. A declaration will be obtained from the person to receive the benefits to confirm that they will use the pension benefits for the benefit of the Scheme member. This provision is not to be used to replace the national schemes to obtain either Lasting Power of Attorney or Court of Protection and it is only in exceptional circumstances that this provision should be used instead of the national schemes
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	TPSch2, para 1(2) & 1(1)(c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any employee voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 (member)	B30(5), TPsSch2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Whether to “switch on” the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	TPSch 2, para 1(2) & 1(1) (c)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for any pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Whether to waive on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A (pensioner member with deferred benefits)	B30A(5), TPsSch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction and will pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age
Whether to require any strain on Fund costs to be paid “up front” by Scheme employer if the Scheme employer “switches on” the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds under TPsSch2, para 2(1)	TPSch2, para 2(3)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement. However the payment of costs by admission bodies will usually be required in full as a one off sum at retirement.
Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	B31(4)	Employer (or Admin. Authority where Employer has	The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).

	become defunct)		
<b>Discretion</b>	<b>Exercised by</b>	<b>Regulation</b>	
Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	Employer (or Admin. Authority where Employer has become defunct)	<b>B31(7)</b>	
Decide to whom death grant is paid	Admin. Authority	<b>B23(2) &amp; B32(2) &amp; B35(2) &amp; TSch 1 &amp; L155(4)</b>	<p>In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.</p> <p>The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
<b>Agreed Discretion</b>			
The administering authority will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP).			





Discretion	Regulation	Exercised by	Agreed Discretion
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	<b>RSch 1 &amp; TP17(9)(b)</b>	Admin. Authority	Documentary evidence will be requested at the time payment of benefits is due to confirm, to the satisfaction of the administering authority, dependence or interdependence. This could be done, for example, by obtaining documents confirming that there was a bank account or mortgage in joint names.
Decide to treat a child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	<b>RSch1 &amp; TP17(9)(a)</b>	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004	<b>B39(1)(a) &amp; T14(3)</b>	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	<b>R39(1)(b)</b>	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members)	<b>R39(1)(c)</b>	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member.
Decide, in the absence of an election from the member, which benefit is to be from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	<b>B42(1)(c)</b>	Admin. Authority	The administering authority will apply the regulation which will result in the most beneficial outcome for the member.

Discretion	Regulation	Exercised by	Agreed Discretion
<p>Make an election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1 April 2008</p>	<p>TSch 1 &amp; L23(9)</p>	<p>Admin. Authority</p>	<p>The administering authority will make an election on behalf of the member which will result in applying the final pay which is most beneficial for the member.</p>
<p><b>*These are mandatory and the administering authority must have a written policy</b></p>			

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

LGPS Regulations 1997 (as amended) (SI 1997/1612)

T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)

A = LGPS (Administration) Regulations 2008 (SI 2008/239)

TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)

R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to “switch on” the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	TPSch2, para 1(2), 1(1)(f) & R60*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not switch on the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60
Waive, on compassionate grounds the actuarial reduction applied to deferred benefits paid early	31(5) & TPSch 2, para 2(1)*	Employer (or Admin. Authority where Employer has become defunct)	The administering authority will not waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Decide to whom death grant is paid	38(1) & 155(4)	Admin. Authority	<p>In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.</p> <p>The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break	TP17(9)(a) & RSch 1	Admin. Authority	<p>The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits.</p>
Apportionment of children's pension amongst eligible children	47(1)	Admin. Authority	<p>Each eligible child will receive the same level of pension.</p>
Pay child's pension to another person for the benefit of the child	47(2)	Admin. Authority	<p>Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.</p>

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pre 1 April 2008 leavers or Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	49(1) & T14(3)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on the request of the Scheme member.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004	49(1)	Admin. Authority	The administering authority has determined that where the total pension is within HMRC limits small pensions will be commuted on request of the member's beneficiary.
Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme)	50 and 157	Admin. Authority	The option to commute benefits will be given in relevant cases.
Whether to require any strain on Fund costs to be paid "up front" by an employing authority following early voluntary retirement of a councillor, or early payment of a deferred benefit on health grounds or from age 50 and prior to age 55 with employer consent	80(5)	Admin. Authority	Any cost will be paid by the Scheme employer over a period agreed between the administering authority and the Scheme employer. Payment can be made in full as a one off sum at retirement or in instalments over 3 years or over 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement.
Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch2, para 2(1)	TPSch2, para 2(3)	Admin. Authority	Any cost will be paid by the employing authority over a period agreed between the administering authority and the employing authority. Payment can be made in full as a one off sum at retirement or in instalments over 3 or 5 years. The cost will be increased in line with guidance from the Fund Actuary where payment is not made as a single sum at the time of retirement.

<b>Discretion</b>	<b>Regulation</b>	<b>Exercised by</b>	<b>Agreed Discretion</b>
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	89(3)	Admin. Authority	Each case will be considered and, based on the circumstances of the case, suitable options will be offered which may include recovery as a simple debt or a deduction from benefits.
Timing of pension increase payments by employers to fund	91(6)	Admin. Authority	Payments should usually be made one month from the date on which the pension increase becomes due.
Approve medical advisors used by employers	97(10)	Admin. Authority	The administering authority must give approval to a Scheme employer as to their choice of medical practitioner.
Decide procedure to be followed by admin authority when exercising its stage two IDRPs and decide the manner in which those functions are to be exercised	TP23 & R76(4)	Admin. Authority	Any stage two IDRPs application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.
Whether administering authority should appeal against employer decision, or lack of a decision	TP23 & R79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	TP23 & TP22(1) & R80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
Date to which benefits shown on annual deferred statement are calculated.	106(A)(5)	Admin. Authority	Benefits are calculated to the first Monday in April each year after the start of the tax year (the 'Pensions Increase' date)

Discretion	Regulation	Exercised by	Agreed Discretion
Abatement of pensions following re-employment	TP3(13), A70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Retention of Contributions Equivalent Premium (CEP) where member transfers out	118	Admin. Authority	The administering authority reserves the right to retain the CEP should this be thought appropriate.
Discharge Pension Credit liability	147	Admin. Authority	Appropriate pension rights will be awarded to the pension credit member under the scheme but a payment of a transfer value can be paid out to an appropriate provider should the pension credit member request this.

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



<p>Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge.</p>			
<p><b>Discretions in relation to scheme members who ceased active membership before 1 April 1998 under: LGPS Regulations 1995 (SI 1995/1019) TL = LGPS (Transitional Provisions) Regulations 1997 (SI 1997/1613) L = LGPS Regulations 1997 (as amended) (SI 1997/1612) A = LGPS (Administration) Regulations 2008 (SI 2008/239) TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) R = Local Government Pension Scheme Regulations (LGPS) 2013 (SI 2013/2356)</b></p>			
<p><b>Discretion</b></p> <p>Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds.</p>	<p><b>Regulation</b></p> <p>TP3(5A)(vi), TL4, L106(1) &amp; D11(2)(c)</p>	<p><b>Exercised by</b></p> <p>Employer (or Admin. Authority where Employer has become defunct)</p>	<p><b>Agreed Discretion</b></p> <p>The administering authority will not grant applications for early payment of deferred benefits between the ages of 50 and 55. Over the age of 55, the administering authority will consider on a case by case basis.</p>
<p>Decide to whom death grant is paid</p>	<p>E8</p>	<p>Admin. Authority</p>	<p>In assessing who should receive any death grant, the administering authority will make reasonable efforts to identify potential beneficiaries and to gather relevant information. Potential beneficiaries can be a member's nominees, personal representatives, relatives or dependants.</p> <p>The administering authority will take into account all information that it receives in making a decision, but most importance will be attached to the member's nomination where one exists. The administering authority will however not always follow the nomination. In particular (but without limitation), the administering authority may decide to award the death grant to someone else where the member's circumstances have materially changed after the nomination was made, or where there are other factors which (in the view of the administering authority) indicate that this would not be appropriate.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>

Discretion	Regulation	Exercised by	Agreed Discretion
Whether to pay spouse's pensions for life (rather than ceasing during any period of remarriage or co-habitation)	F7	Admin. Authority	The administering authority will pay a pension for life.
Decide to treat child (who has not yet reached age 23) as being in continuous education or vocational training despite a break	TP17(9)(a) & RSch 1	Admin. Authority	The administering authority has determined when paying a child's pension that breaks of a year or less will be ignored. The Pension Fund Committee will consider other cases on their merits
Apportionment of children's pension amongst eligible children	G11(1)	Admin. Authority	The administering authority has determined that it will equally apportion children's pensions amongst all the eligible children.
Pay child's pension to another person for the benefit of the child	G11(2)	Admin. Authority	Payment will be made after establishing the appropriate beneficiary and obtaining a declaration that the pension will be used for the benefit of the child.
Apportionment of pensions following re-employment	TP3(13), A70(1) & A71(4)(c)*	Admin. Authority	The administering authority will not reduce pension payments as a result of re-employment. However where pensioners have been awarded additional service as compensation by their former employer the extra pension from this service may be abated due to re-employment with a Scheme employer under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended.
Decide procedure to be followed by admin authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised	TP23 & R76(4)	Admin. Authority	Any stage two IDRPs application will be referred to the Corporate Director, Strategic Resources to assess the appropriateness of the stage one decision when making a determination under stage two.

Discretion	Regulation	Exercised by	Agreed Discretion
Whether administering authority should appeal against employer decision, or lack of a decision	TP23 & R79(2)	Admin. Authority	An appeal will be made when it is believed that action or inaction by an employer is incorrect under law and is material. This will usually only be done where the administering authority has explained the effect of the action or inaction and the employer has been given an opportunity to remedy the situation but has failed to do so.
Specify information to be supplied by employers to enable administering authority to discharge its functions	TP23 & TP22(1) R80(1)(b)	Admin. Authority	The Scheme employer responsibilities are set out in the NYPF Pensions Administration Strategy, standard forms and guidance notes.
<b>*These are mandatory and the administering authority must have a written policy</b>			

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

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

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

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

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



**A guide to the Internal Dispute  
Resolution Procedure**  
April ~~2023~~2024



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

OFFICIAL

## Introduction

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

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

### Informal Enquiry

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

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

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

### The IDRP process is for disputing pension decisions only

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

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

### What type of complaints does [the IDRP cover](#)?

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

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

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

### Who can use [the IDRP](#)?

You can use [the IDRP](#) if you are one of the following or have been in the last 6 months:

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

### How does the IDR work?

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

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

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

### Stage 1

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

- Complete the **Stage 1 Internal Dispute Resolution form** which is available to download at <https://nypf.org.uk/home/nypf-guides/> or from the NYPF. You should add specific details about what you are disputing and include any documentation that supports your case.
- Make the complaint within **6 months** of when you were told of the decision you want to complain about.

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

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

### What happens next?

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

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

**Or**

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

### Stage 2 - Taking your complaint further

You can take your complaint to stage 2 if:

- ~~You have had a decision from the stage 1 nominated person but you disagree with it. You are unhappy with the stage 1 decision. You have six months from the date of the decision to make your stage 2 appeal.~~
- You have ~~not~~ had an interim reply to your stage 1 dispute but no decision under stage 1 within 3 months of making your complaint. You have seven months from the expected date of the decision to make your stage 2 appeal.
- You have not had an interim reply or decision for your stage 1 dispute, within 1 month of the date you were given by the nominated person. You have nine months from the date you raised your stage 1 dispute to make your stage 2 appeal.

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

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

OFFICIAL

V1.56\_April 20232024

### What happens next?

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

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

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

**Or**

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

### The Pensions Ombudsman

#### The Early Resolution Service

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

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

Phone: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

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

#### Formal Adjudication

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

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

You can contact TPO at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
E14 4PU

~~Telephone~~Phone: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

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

OFFICIAL

V1.56\_April 20232024



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

MoneyHelper  
Holborn Centre  
120 Holborn  
London  
EC1N 2TD

Telephone: 0800 011 3797

Website: <https://moneyhelper.org.uk>

Webchat: <https://www.moneyhelper.org.uk/PensionsChat>

#### Contact NYPF

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

**Email:** [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk)

**Telephone:** 01609 536335

Our phone lines are open Monday to Friday 10am to 4pm except Wednesdays, weekends and bank holidays when they are closed all day.

#### In writing:

North Yorkshire Pension Fund  
County Hall  
Northallerton  
North Yorkshire  
DL7 8AL

OFFICIAL

V1.56\_April 20232024

This page is intentionally left blank



# North Yorkshire Pension Fund

## Governance Roles and Responsibilities

April ~~2023~~2024



Local Government  
Pension Scheme

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

OFFICIAL

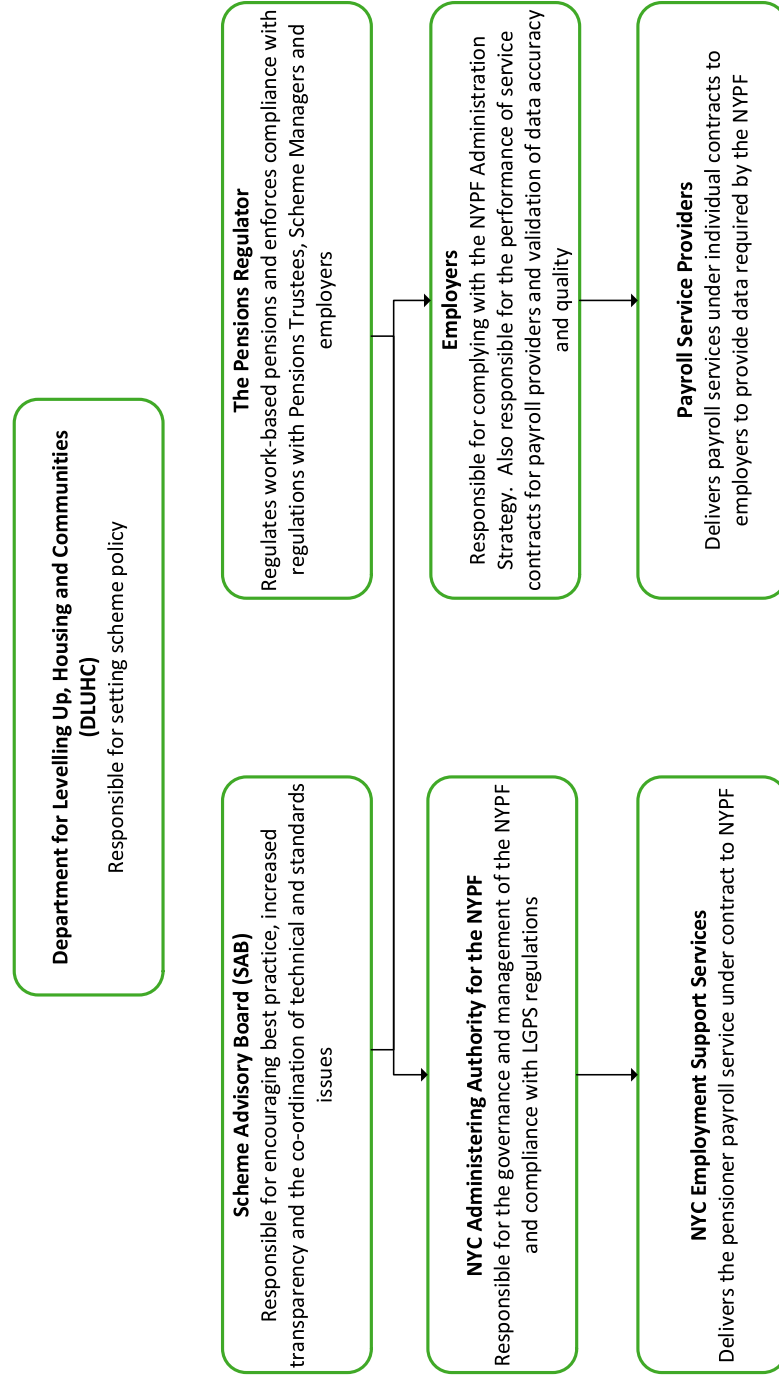
[V1.6 April 2024](#)

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

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

**Roles and Responsibilities**

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



Body	Responsibility	Delivered by
<b>Department for Levelling Up, Housing and Communities (DLUHC)</b>	Setting out scheme policy	<ul style="list-style-type: none"> <li>Set out scheme policy in regulations, including the role of the scheme manager, Pension Board and Scheme Advisory Board</li> </ul>
<b>Scheme Advisory Board (SAB)</b>	Responsible for encouraging best practice, increased transparency and the co-ordination of technical and standards issues.	<ul style="list-style-type: none"> <li>Considers items passed from DLUHC, the SAB's sub committees and other stakeholders as well as items formulated within the SAB</li> <li>Liaison role with the Pensions Regulator</li> <li>Creation of guidance and standards for local scheme managers and Pension Boards</li> </ul>
<b>The Pensions Regulator</b>	<p>Regulates the governance and administration of work-based pensions and enforces compliance with regulations with Pensions Trustees and employers.</p> <p>The Pensions Regulator's objectives are to:</p> <ul style="list-style-type: none"> <li>improve confidence in work-based pensions.</li> <li>promote good administration.</li> <li>maximise employer compliance with regulations and employer duties</li> </ul>	<ul style="list-style-type: none"> <li>Providing regulatory guidance and codes of practice setting out requirements</li> <li>Working with central government to embed regulatory changes for pension reforms</li> <li>Supporting the development of policy initiatives</li> <li>Monitoring performance</li> <li>Enforcing compliance</li> <li>Applying sanctions and or penalties on Trustees and employers for non-compliance</li> </ul>
<b>North Yorkshire Council (Administering Authority for the North Yorkshire Pension Fund)</b>	Responsible for the governance and management of the NYPF and compliance with LGPS regulations. Responsible for investment decision making including managing Pooling arrangements. Also responsible for the performance of the pensioner payroll service contract with NYC's Employment Support Services.	<ul style="list-style-type: none"> <li>Managing and governing the Pension Fund through NYC's Pension Fund Committee and Pension Board</li> <li>Providing a framework of policies and procedures for compliance with the LGPS regulations</li> <li>Reporting on compliance and performance to the Pensions Regulator</li> <li>Monitoring performance of NYC's Employment Support Services contract</li> <li>Monitoring performance of employers</li> <li>Applying sanctions and or penalties on employers for non-compliance</li> <li>Reporting breaches of regulations to the Pensions Regulator</li> </ul>
<b>North Yorkshire Council Employment Support Services</b>	Responsible for delivering pensioner payroll services to the NYPF under a service contract.	<ul style="list-style-type: none"> <li>Delivering the pensioner payroll service under contract to the NYPF</li> <li>Providing pensioner payroll guidance and support to the NYPF and Scheme members</li> </ul>

Body	Responsibility	Delivered by
<b>Scheme Employers</b>	Responsible for working within the NYPF's policies and procedures to ensure compliance with LGPS regulations. Also responsible for the performance of service contracts for payroll services and validation of data quality.	<ul style="list-style-type: none"> <li>Complying with the policies and procedures for the administration of the LGPS scheme for employees</li> <li>Monitoring performance of outsourced service contracts providing data to the NYPF</li> <li>Validating the quality of data submitted to the NYPF</li> <li>Ensuring outsourced service contractors meet the quality standards and submission deadlines</li> </ul>
<b>Payroll Service Providers</b>	Deliver payroll services under individual service contracts to employers	<ul style="list-style-type: none"> <li>Provide payroll services in compliance with the service contract with the employer</li> <li>Ensure that employer instructions are actioned for the provision of data to the NYPF</li> <li>Ensure that data provided meets quality standards and is submitted within deadlines</li> <li>Ensure that the employer validates the data before submission to the NYPF</li> </ul>

**Escalation Procedures**

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

<b>North Yorkshire Council (Administering Authority for the North Yorkshire Pension Fund)</b>	<ul style="list-style-type: none"> <li>The Administration Strategy sets out performance standards for the Administering Authority and employers including chargeable penalties</li> <li>The NYPF will support employers to meet performance standards</li> <li>In the event that employers do not engage proactively to meet performance standards and deadlines then penalties will be imposed on employers for non-compliance</li> <li>For significant performance issues and breaches of the law, the NYPF will report events to the Pensions Regulator</li> </ul>
---	---



## Employer Charging Policy

April 2024<sup>3</sup>



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

**Contents**

1.0 Introduction .....	<u>43</u>
2.0 Approach to Managing Performance .....	<u>43</u>
3.0 Charging Policy .....	<u>64</u>
4.0 Charging Scales .....	<u>76</u>



3

OFFICIAL

v1.56\_April 2023<sup>4</sup>

## 1.0 Introduction

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

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

## 2.0 Approach to Managing Performance

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

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

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

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

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

In addition, employers must make both employee and employer contributions to the Fund, in accordance with the rates and adjustment certificate. All monies due to the Fund in respect of employees and employers' contributions must be **cleared** in the Fund's bank account by the ~~22<sup>nd</sup> 19<sup>th</sup>~~ of the month (or the last working day before ~~the 22<sup>nd</sup>~~ where ~~the 22<sup>nd</sup> the 19<sup>th</sup>~~ is not a working day) following the month the contributions relate to.

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

[Charges for late payments and late submission of supporting documentation may be applied at the discretion of the Fund.](#) Where persistent and ongoing issues occur and no improvement is demonstrated by the employer,

and/or no willingness is shown by the employer to resolve the identified issues, ~~further~~ action will be taken as detailed in this policy.

### 3.0 Charging Policy

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

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

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

The Fund will issue employers with contribution spreadsheets at the start of each financial year which sets out when the payments and accompanying information is due, in line with the PAS. The Fund's policy is to chase any late payments or accompanying documentation once overdue.

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

An invoice will be issued to employers detailing any additional costs, including interest, ~~reflecting the time and resources used in resolving the issues~~, in accordance with the charging scale set out in this policy. ~~This will reflect the time and resources used in resolving the issues~~. Should there be sufficient concerns over one or more employers failing to meet their obligations, the PFC will be informed of this and any associated charges.

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

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

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

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

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

#### 4.0 Charging Scales

Item	Charge	NYPF Charge Code
<b>Starter information</b>		
Chase for missing information where one request has already been made	£5.00 per record, per chase	C1
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C2
<b>Employer estimate (Estform1)</b>		
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C13
<b>ADNOT (Advanced Notification of Retirement)</b>		
Chase for missing <del>ADNOT form</del> where one request has already been made	£5.00 per record, per chase	C5
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C6
<b>Death in service</b>		
Chase for missing <del>SUS-leaver form</del> where one request has already been made	£10.00 per record, per chase	C7
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C8
<b><del>SUS-leaver form</del></b>		
Chase for missing form where one request has already been made	£10.00 per record, per chase	C3
Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase	C4
<b>Employer Authorisation (ill health and redundancy/efficiency)</b>		
Request for missing employer authorisation	£10.00 per record, per chase	C9
Request for missing cost codes (NYC only)	£10.00 per record, per chase	C10

7

v1.56\_April 2023~~4~~

OFFICIAL

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

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

**Commented [TM1]:** Should this be changed to say "...for late payments and late submission of supporting documentation", rather than say it can be late by up to a month before there's a cost?

**Commented [JFW2R1]:** Changed, the original wording came from Finance...

This page is intentionally left blank





# North Yorkshire Pension Fund

## Breaches Policy

April 20243



Local Government  
Pension Scheme

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

## Contents

Breaches of the law .....	3
Background.....	3
Overview.....	3
What is a breach of the law? .....	4
What is non-compliance under the LGPS Regulations? .....	4
Responsibilities in relation to breaches.....	4
Requirement to report a breach of the law .....	5
When should a breach be reported to the Regulator? .....	5
Assessing “reasonable cause” .....	5
Deciding if a breach is “materially significant” and should be reported to the Regulator.....	<del>76</del>
Process for reporting breaches .....	<del>97</del>
Responsibilities of the Monitoring Officer .....	<del>97</del>
How should a breach be reported to the Regulator?.....	<del>107</del>
How are records of breaches maintained? .....	<del>118</del>
Whistleblowing.....	<del>118</del>
Training.....	<del>118</del>
Appendix A.....	<del>129</del>
Deciding if a breach is “materially significant” and should be reported to the Regulator.....	<del>129</del>
Appendix B.....	<del>134</del>
Examples of breaches .....	<del>144</del>
Example 1 .....	<del>Error! Bookmark not defined.10</del>
Example 2 .....	<del>Error! Bookmark not defined.10</del>
Example 3 .....	<del>Error! Bookmark not defined.10</del>
Example 4 .....	<del>Error! Bookmark not defined.10</del>
Appendix C.....	<del>Error! Bookmark not defined.11</del>
Form to report a breach to the Monitoring Officer .....	<del>Error! Bookmark not defined.11</del>
Appendix D.....	12
Example Record of Breaches.....	12

## Breaches of the law

### Background

The North Yorkshire Pension Fund (“the Fund”) has prepared this document to set out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in the Pensions Regulator’s (“the Regulator”) General Code of Practice (“the Code of Practice”).

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

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

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

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

### Overview

The identification, management and reporting of breaches is a requirement of the Code of Practice. Failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties. [Guidance can be found on the Regulator’s website at https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/communications-and-reporting-detailed-guidance/complying-with-the-duty-to-report-breaches-of-the-law](https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/communications-and-reporting-detailed-guidance/complying-with-the-duty-to-report-breaches-of-the-law).

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

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

Where a breach has occurred it should be identified as either an area of non-compliance under the LGPS regulations, a breach under pension law as defined within section 13 of the 2004 Pension Act or the Regulator’s Code of Practice.

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

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

- Paragraph 2 of Schedule 18 to the Pensions Act 2014 (c 19)
- The Pension Schemes Act 2015

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

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

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

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

#### What is a breach of the law?

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

- to do anything required under overriding legislation, applicable statutory guidance or codes of practice
- to maintain accurate records
- to act on any omission or fraudulent act that is identified
- of an employer to pay over employee and employer contributions on time
- to pay member benefits either accurately or in a timely manner
- to issue annual benefit statements on time
- or non-compliance with the Regulator's Code of Practice.

#### What is non-compliance under the LGPS Regulations?

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

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

#### Responsibilities in relation to breaches

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

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

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

### Requirement to report a breach of the law

Breaches of the law which affect pension schemes should be considered for reporting to the Regulator. The decision whether to report an identified breach depends on whether:

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

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident. ~~to The Regulator. The Regulator will not usually regard a breach arising from an isolated incident as materially significant.~~

~~Reporters should consider other reported and unreported breaches that they are aware of. However, they should use historical information with care, particularly where changes have been made to address breaches already identified. Those reporting a breach should consider general risk factors, such as the level of funding or how well the scheme appears to be run. Some breaches that occur in a poorly funded and/or poorly administered scheme will be more significant to the Regulator than if they occurred in a well-funded, well administered scheme.~~

All incidents of breaches identified should be recorded in the Fund's breaches log. This log will be reviewed on an on-going basis to determine any trends that might indicate any serious failings or fraudulent behaviour. Where such failings or fraudulent behaviour are identified, immediate action will be taken to agree a plan of action to rectify the matter and prevent a recurrence in the future.

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

### When should a breach be reported to the Regulator?

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

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

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

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

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

### Assessing "reasonable cause"

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

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

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with others who are able to confirm what happened. However, it would not be appropriate to alert those implicated in potential serious offences involving dishonesty, such as theft or fraud. In such cases, due to the immediate risk to scheme assets, reporters should bypass the usual checks making only those they deem necessary and not cause undue delay to the report being made.

### Deciding if a breach is “materially significant” and should be reported to the Regulator

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

- **cause** - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law
- **effect** - e.g. a significant proportion of members are affected, scheme benefits are significantly affected, there is a pattern of recurrence, lack of knowledge and understanding, unmanaged conflicts of interest, systems of governance or internal controls are not established or operated. Risks are not properly identified and managed or the right money is not being paid to or by the scheme at the right time, inaccurate information is being provided, records are not being maintained, scheme assets are misappropriated.
- ~~effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring~~
- **reaction** - e.g. taking prompt and effective action to investigate and resolve a breach and notifying scheme members where appropriate will usually mean the Regulator does not consider the breach to be materially significant. However, a breach is likely to be of concern if it does not receive prompt and effective remedial action, is not being given the right priority, has not been communicated to affected scheme members, forms part of a series of breaches indicating poor governance or it was caused by dishonesty, even when action has been taken to resolve the matter quickly and effectively.
- ~~reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and~~
- **wider implications** - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future

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

- **Green** - not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Fund’s breaches log
- **Amber** - does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action
- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Fund or Local Pension Board must report all such breaches to the Regulator in all cases

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Local Pension Board to determine the appropriate course of action. It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

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

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

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

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

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



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

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager<sub>2</sub> in consultation with the Monitoring Officer<sub>2</sub> must review the circumstances of the breach in order to understand why it occurred. The review must also identify the consequences of the breach and agree the corrective measures required to prevent recurrence, including an action plan where necessary. All breaches must be recorded in the Fund's breaches log.

### Process for reporting breaches

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

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the Monitoring Officer
- in conjunction with relevant officers<sub>2</sub> agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not recur, obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, Local Pension Board and where necessary the Regulator

### Responsibilities of the Monitoring Officer

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

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

- record all identified breaches and likely breaches of which they are aware in the Fund's breaches log
- investigate the circumstances of all reported breaches and likely breaches
- ensure, where necessary<sub>2</sub> that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not recur
- report to the Pension Fund Committee and Local Pension Board:
  - ~~all~~ materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practical, but no later than one month after becoming aware of the breach or likely breach; and
  - ~~all~~ other breaches at least quarterly as part of the Pension Fund Committee cycle
- report all materially significant breaches to the Regulator as soon as practical but ~~no~~ later than one month after becoming aware of the breach

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

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

### **How should a breach be reported to the Regulator?**

All materially significant breaches must be reported to the Regulator in writing. The Regulator encourages the use of its standard reporting facility via its online Exchange service. If a reporter discovers an urgent breach which is likely to have an immediate and damaging effect for scheme members, they should notify the Regulator by telephone before submitting their report in writing.

Breach of law reports must be made to the Regulator as soon as reasonably practicable. In most cases, this should be within 10 working days of the breach being identified. However, reporters may use their judgement and apply 'reasonably practicable' to their own circumstances. Consider such factors as the seriousness of the potential breach and its consequences. Where reporters decide a longer reporting time is reasonable, they should record the reasons for this and any evidence in case they need to show this in future.

The report should include the following:

- full name of the scheme
- description of the breach or breaches, including any relevant dates
- name of the scheme manager
- name, position and contact details of the reporter
- role of the reporter in the scheme
- reason the reporter believes the breach is of material significance
- address of the scheme
- type of scheme (public service)
- pension scheme registration (PSR) number if known
- address of the employer

There are also requirements placed on those running pension schemes to report to other bodies. Where the duty to report to another body coincides with the duty to report to the Regulator, the Regulator's report should include details of the other bodies the matter has been reported to.

If reporters have not received an acknowledgement from the Regulator within five days, they should contact them.

If a scheme or an individual is at risk, for example where there has been dishonesty, the reporter should not take any actions that may alert those implicated that a report has been made. Similarly, reporters should not delay their report to the Regulator, to check whether any proposed solutions will be effective.

### **Multiple reporters**

More than one person may be responsible for reporting the same breach. Those who have a duty to report should be aware this is not automatically discharged by another party reporting the breach.

Reporters should avoid making duplicate reports where possible. However, an exception to this is when another reporter has additional or different information about the breach or the circumstances related to it.

Where multiple reporters wish to submit a collective report, the reporting procedure allows for the evaluation of breaches as described in this policy. The report should be made as soon as reasonably practicable.

### **How should a breach be reported to The Regulator?**

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

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

### How are records of breaches maintained?

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

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

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

### Whistleblowing

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

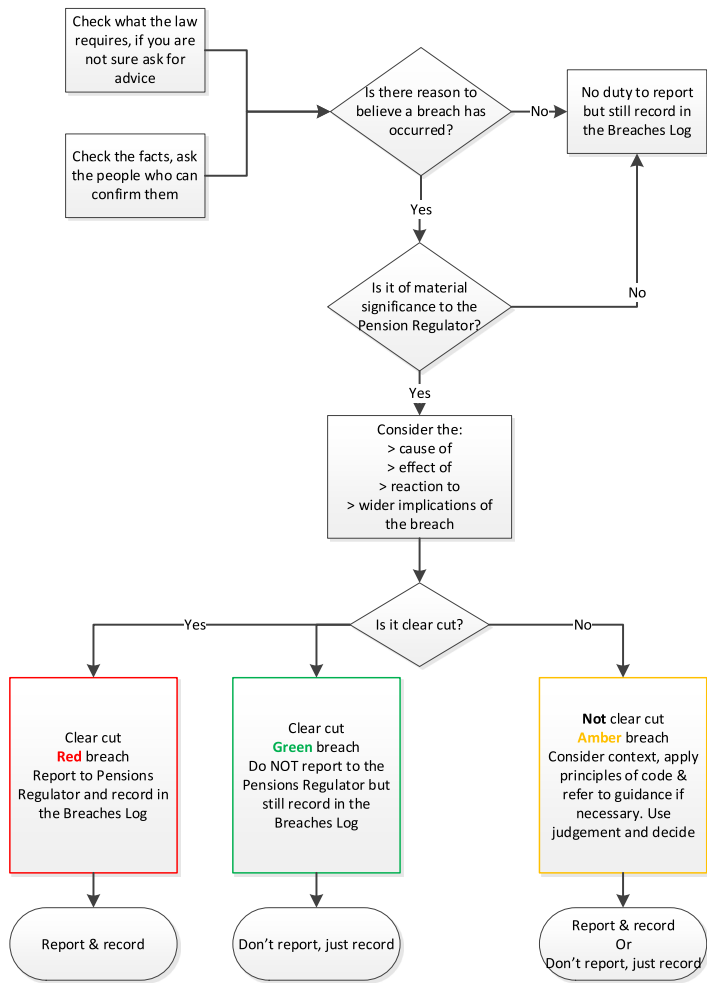
The duty to report, however, does not override 'legal privilege', so oral and written communications between the Fund or Local Pension Board and a professional legal adviser do not have to be disclosed.

### Training

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

Appendix A

Deciding if a breach is “materially significant” and should be reported to the Regulator



**Appendix B**

**Form to report a breach to the Monitoring Officer**

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

Please send the completed form by email or post to:

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

Telephone: 01609 535879  
Email: [Phillippa.cockerill@northyorks.gov.uk](mailto:Phillippa.cockerill@northyorks.gov.uk)

13  
**OFFICIAL**

v1.56\_April 2023/2024

**Appendix C**  
**Examples of breaches**  
**Knowledge and understanding**

**Example scenario:** The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pensions law.

Potential investigation outcomes			
Cause	Effect	Reaction	Wider Implications
<b>Red</b> Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours  The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
<b>Amber</b> Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
<b>Green</b> Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

**Scheme record-keeping**

**Example scenario:** An evaluation of member data has identified incomplete and inaccurate records.

Potential investigation outcomes			
Cause	Effect	Reaction	Wider Implications
<b>Red</b> Inadequate internal processes that fail to help employers provide timely and accurate data, indicating a systemic problem	All members affected (benefits incorrect/not paid in accordance with the scheme rules, incorrect transactions processed and poor quality information provided in benefit statements)	Action has not been taken to identify and tackle the cause of the breach to minimise the risk of recurrence nor to notify members	It is highly likely that there are wider scheme issues caused by inadequate processes and that the scheme will be in breach of other legal requirements
<b>Amber</b> A failure by some – but not all – participating employers to act in accordance with scheme procedures, indicating variable standards of implementing those procedures	A small number of members affected	Action has been taken to identify the cause of the breach, but progress to tackle it is slow and there is a risk of recurrence	It is possible that there are wider scheme issues and that the scheme may be in breach of other legal requirements
<b>Green</b> A failure by one participating employer to act in accordance with scheme procedures, indicating an isolated incident	No members affected at present	Action has been taken to identify and tackle the cause of the breach and minimise the risk of recurrence	It is unlikely that there are wider scheme issues or that the scheme manager will be in breach of other legal requirements

**Providing information to members**

**Example scenario:** An active member of the scheme has reported that their annual benefit statement, which was required to be issued within 17 months of the scheme regulations coming into force, has not been issued. It is now two months overdue. As a consequence, the member has been unable to check:

- personal data is complete and accurate
- correct contributions have been credited
- what their pension may be at retirement

Potential investigation outcomes			
	Cause	Effect	Reaction
Red	Inadequate internal processes for issuing annual benefit statements, indicating a systemic problem	All members may have been affected	Action has not been taken to correct the breach and/or identify its cause to minimise the risk of recurrence and identify other members who may have been affected
Amber	An administrative oversight, indicating variable implementation of internal processes	A small number of members may have been affected	Action has been taken to correct the breach, but not to identify its cause and identify other members who may have been affected
Green	An isolated incident caused by a one off system error	Only one member appears to have been affected	Action has been taken to correct the breach, identify and tackle its cause to minimise the risk of recurrence and contact the affected member

**Internal Controls**

**Example scenario:** The scheme has outsourced all aspects of scheme administration to a third party, including receiving contributions from employers and making payments to the scheme. Some contributions due to the scheme on behalf of employers and members are outstanding.

Potential investigation outcomes			
	Cause	Effect	Reaction
Red	The administrator is failing to monitor that contributions are paid to them in time for them to make the payment to the scheme in accordance with the legislative timeframes and is therefore not taking action	The scheme is not receiving the employer contributions on or before the due date nor employee contributions within the prescribed period	The administrator has not taken steps to establish and operate adequate and effective internal controls and the scheme manager does not accept responsibility for ensuring that the failure is addressed
Amber	The administrator has established internal controls to identify late payments of contributions but these are not being operated effectively by all staff at the administrator	The scheme is receiving some but not all of the employer contributions on or before the due date and employee contributions within the prescribed period	The scheme manager has accepted responsibility for ensuring that the failure is addressed, but the progress of the administrator in training their staff is slow
Green	Legitimate late payments have been agreed by the scheme with a particular employer due to exceptional circumstances	The employer is paying the administrator the outstanding payments within the agreed timescale	The scheme has discussed the issue with the employer and is satisfied that the employer is taking appropriate action to ensure future payments are paid on time

## Appendix D

### Example Record of Breaches

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

OFFICIAL





**Privacy Notice**  
**April ~~2023~~2024**



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

## North Yorkshire Pension Fund – Privacy Notice

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

### Who are we?

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

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

Information Governance Office  
Veritau  
West Offices  
Station Rise  
York  
YO1 6GA  
[infogov@northyorks.gov.uk](mailto:infogov@northyorks.gov.uk)  
01904 552848

### What personal information do we collect?

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

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

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

### Why do we collect your personal information?

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

OFFICIAL

V3.76\_April 20232024

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

#### Who do we share this information with?

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

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

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

OFFICIAL

V3.76 April 2023/2024

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

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

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

OFFICIAL

V3.76\_April 20232024

### How long do we keep your information for?

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

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

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

### What is our lawful basis for processing your information?

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

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

For more information about how the Council uses your data, including your privacy rights and the complaints process, please see our [Corporate Privacy Notice](#).

OFFICIAL

V3.76 April 2023/2024

This page is intentionally left blank



## Memorandum of Understanding Regarding Compliance with Data Protection Law

April ~~2023~~2024



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

## Local Government Pension Scheme

### Memorandum of Understanding Regarding Compliance with Data Protection Law

#### Contents

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

OFFICIAL

v1.65\_April 2024



OFFICIAL

v1.65\_April 2024

## Introduction

- 1.1 The Local Government Pension Scheme (“**LGPS**”) in England and Wales is an occupational pension scheme registered under section 153 of the Finance Act 2004 and its rules are currently set out in The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended (“**LGPS Regulations**”).
- 1.2 The LGPS is administered locally by administering authorities who are defined in Regulation 2 of the LGPS Regulations and listed in Part 1 of Schedule 3 of the LGPS Regulations.
- 1.3 North Yorkshire Council (NYC) is an administering authority under the LGPS Regulations. NYC manages and administers the North Yorkshire Pension Fund (the **NYPF**) within the LGPS in accordance with its statutory duty under Regulation 53 of the LGPS Regulations. Employers with employees who are eligible to be members of the LGPS will participate in the NYPF as a “**Scheme employer**” (as defined in schedule 1 of the LGPS Regulations).

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

- 1.4 Scheme employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations, to provide certain personal data relating to its members on an annual basis to NYC, including the member’s name, gender, date of birth, National Insurance number, pensionable pay, employer and employee pension contributions, details of any additional pension contributions and additional voluntary contributions.
- 1.5 This Memorandum of Understanding sets out:
  - (a) the basis on which personal data will be shared between the Parties; and
  - (b) NYC’s expectations of the Scheme employer during its participation in the NYPF;

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

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

OFFICIAL

v1.65\_April 2024~~13~~

## 2 Controllers

2.1 The Parties acknowledge that they will:

- (a) not hold a pool of joint data;
- (b) be separate and independent controllers in relation to the copies of the members' personal data they respectively hold and/or otherwise process;
- (c) each act as independent controllers in relation to personal data transferred to them;
- (d) each be responsible for complying with the requirements in Data Protection Law that are applicable to them as independent controllers.

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

## 3 Data Sharing

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

- (a) transparently, fairly and lawfully and in accordance with the data protection principles set out in Data Protection Law;
- (b) where there are lawful grounds for doing so; and
- (c) in accordance with Data Protection Law and best practice guidance (including the Data Sharing Code of Practice issued by the Information Commissioner's Office and updated from time to time).

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

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

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

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

OFFICIAL

v1.65\_April 2024<sup>13</sup>

- 3.6 Each Party shall ensure that it:
- (a) only collects, uses or otherwise processes personal data for a specific and limited purpose;
  - (b) has measures in place to ensure that personal data remains accurate and up-to-date; and
  - (c) ensures that all staff who have access to the personal data are properly trained in the handling of personal data.
- 3.7 Each Party confirms that it understands its respective obligations under Data Protection Law, to ensure that the members' personal data of which it is a data controller is kept and used securely at all times and to take such technical and organisational security measures against unauthorised and unlawful processing of, accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to the members' personal data transmitted, stored or otherwise processed as may be required. Such measures will have due regard to the state of technological development and the cost of implementation of these measures, to ensure a level of security appropriate to the harm that might result from such processing and the nature, scope, context and purposes of processing the members' personal data and the risk or likelihood and severity for the rights and freedoms of data subjects. Such measures will ensure:
- (a) the ongoing confidentiality, integrity, availability and resilience of processing the members' personal data;
  - (b) the ability to restore the availability and access to the members' personal data in a timely manner in the event of a physical or technical incident
  - (c) carrying out of regular testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing.
- 3.8 Each Party undertakes to notify the other as soon as practicable if an error is discovered in the 'members' personal data of which it is a controller and which was received from or a copy of which has been provided to the other Party, to ensure that such other Party is then able to correct its own records. This will happen whether the error is discovered through existing data quality initiatives or is flagged up through some other route (such as the existence of errors being directly notified to the Administering Authority or Scheme employer (as appropriate) by the member (or the member's dependants, spouse/civil partner) themselves).

#### 4 Transfer of members' personal data

- 4.1 The Parties agree that members' personal data will only be transferred from one Party to the other via an acceptable method specified by NYC which may include any of the following:
- (a) secure email
  - (b) SFTP link
  - (c) access secure website
- 4.2 Each Party will, when transferring the members' personal data of which it is the controller to the other Party, ensure that that data is secure during transit (whether physical or electronic).

OFFICIAL

v1.65\_April 2024<sup>13</sup>

4.3 If either ~~NYC or the Scheme employer~~ of the Parties appoints professional advisers, third party administrators or another entity which provides other services involving the transfer of members' personal data, those third parties will be processors or controllers in their own right. ~~NYC or the Scheme employer~~ The Parties (as applicable) will comply with ~~its~~ their own obligations in accordance with Data Protection Law (in particular, by requiring any such entity to which it transfers members' personal data to also comply with Data Protection Law) and shall ensure that nothing in the terms of engagement between ~~NYC or the Scheme employer~~ the Parties (as applicable) and such third party would contradict this Memorandum of Understanding.

## 5 Rights of members (including the member's dependants, spouses/civil partners (where applicable))

- 5.1 Each Party shall, in respect of the personal data of which it is a controller, respond to any requests from members to have access to or exercise any of their other rights under Data Protection Law in relation to any of their personal data or a complaint or enquiry relating to that Party's processing of the members' personal data received by that Party in line with its own obligations under the Data Protection Law. Such requests, complaints or enquiries should be directed to [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk)
- 5.2 Each Party agrees to provide reasonable assistance to the other as is necessary to enable the other Party to comply with any such requests in respect of members' personal data of which that Party is a controller and to respond to any other queries or complaints from members.

## 6 Data Security Breaches and Reporting Procedures

- 6.1 Each Party confirms that it understands its respective obligations under Data Protection Law in the event of any personal data breach, unauthorised or unlawful processing of, loss or destruction of or damage to any of the members' personal data, including (where necessary) an obligation to notify the Information Commissioner's Office and/or the member(s).

## 7 Additional Responsibilities of Scheme employers

- 7.1 Notwithstanding the statutory obligations which apply to Scheme employers under the LGPS Regulations and as a controller under Data Protection Law, NYC, as ~~a~~ Administering Authority ~~authority~~ for the Fund, expects participating Scheme employers to comply with the responsibilities set out below in relation to members' personal data.
- 7.2 On request, the Scheme employer will inform the Pensions Employer Relationship Manager at NYC of any qualified person appointed to fulfil the role of data protection officer ("DPO") together with their contact details. ~~If~~ the Scheme employer has not appointed a DPO, they will, on request, inform the Pensions Employer Relationship Manager at NYC of the details of a nominated person for GDPR compliance purposes.
- 7.3 The Scheme employer will demonstrate to NYC's satisfaction, when dealing with ill health early retirement applications for current employees, that explicit member consent has been received which gives consent to processing by both the Scheme employer and NYC. In the absence of such consent, NYC may not be able to process the member's application.

OFFICIAL

v1.65\_April 2024

7.4 The Scheme employer acknowledges the financial penalties that can be imposed by the Information Commissioner's Office in relation to breaches of Data Protection Law and will inform NYC immediately it becomes aware it may be liable to pay such a financial penalty. The Scheme employer further acknowledges that ~~any liability~~ it may have to pay a financial penalty to the Information Commissioner's Office which may result in a revision of the rates and adjustments certificate in accordance with Regulation 62(7) of the LGPS Regulations.

## **8 Compliance with the Memorandum of Understanding**

8.1 Failure by the Scheme employer to comply with the terms set out in this Memorandum of Understanding may result in NYC reporting the Scheme employer's non-compliance to the Information Commissioner's Office.

## **9 Review and Amendment of Memorandum of Understanding**

9.1 NYC will review the Memorandum of Understanding from time to time. NYC also reserves the right to amend the Memorandum of Understanding at any time and with immediate effect and will provide written notice to the Scheme employers of such amendment.

OFFICIAL

v1.65\_April 2024~~3~~



# North Yorkshire Pension Fund

## Training Knowledge and Skills Policy

April ~~2023~~2024



Local Government  
Pension Scheme

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

**Contents**

Introduction.....3

Application of the Policy.....3

tPR General Expectations .....3

Knowledge and Skills Requirements.....4

Training Delivery.....5

Review .....5

Costs .....5



## Introduction

North Yorkshire Council (NYC) as the administering authority for the North Yorkshire Pension Fund (NYPF) recognises that effective ~~financial administration and decision making~~ governance can only be achieved where those involved have the relevant skills, knowledge and experience.

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. Members of the Pension Fund Committee (PFC) are not legally trustees and are not bound by this law, however they should aim to reach a similar standard.

The {PFC} has adopted the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills and the CIPFA Knowledge and Skills Framework for Elected Members and Non Executives in the Public Sector ~~as the basis of its training policy and programme.~~

As set out in the Pensions Regulator's (tPR) General Code of Practice the requirements for knowledge and understanding within public service pension schemes falls on Pension Board members. However, NYPF recognises that collectively the PFC, Pension Board and officers are responsible for effective governance of the Fund. Therefore it is important that all parties have the same level of competence.

## Application of the Policy

This policy applies equally to the PFC, Pension Board and officers so they can demonstrate that, as a group, they possess the skills, knowledge, and experience to run the scheme effectively.

It is expected that individuals are aware that their responsibilities and duties begin from the date they take up their post. They should invest enough time in their learning and development, alongside their other responsibilities and duties, to ensure they are able to meet tPR's expectations and the CIPFA requirements.

## tPR General Expectations

In tPR's General Code of Practice, anyone who has a requirement for knowledge and understanding should have a working knowledge of the items listed below.

- Pension law and associated legislation
- The scheme
- Scheme funding and investments
- Risk management
- Scheme administration and service providers
- Scheme communications

Further detailed information can be found on tPR's website at:

<https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice/the-governing-body/knowledge-and-understanding-requirements>

In addition tPR expects that those responsible for the governance of the Fund should:

- have a balance of skills and experience and be able to demonstrate this
- be able to apply their knowledge to governing the scheme
- have enough skills to judge and question advice or services provided by a third party
- be able to identify and address skills gaps
- have enough understanding of industry good practice and standards to assess scheme performance and its service providers
- keep individual learning records
- be able to demonstrate steps that have been taken to comply with the law
- have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date

## Application of the Policy

The training policy applies to all members of the PFC and council officers that are involved in managing the Pension Fund, at any level.

### Training tPR's Knowledge and Skills Requirements

To ensure knowledge and understanding is established and maintained, those responsible for governance of the Fund should:

- be able to demonstrate the basic level of knowledge and understanding needed to run the scheme within six months of their appointment or taking on new responsibilities
- start on a programme of learning immediately on appointment, if not before, in conjunction with a scheme-specific induction programme
- undertake advanced scheme-specific learning once a good understanding of the scheme has been obtained
- consider how tPR's expectations of knowledge and understanding are being met
- review their own knowledge and understanding and identify any gaps at least annually, particularly in relation to changes in legislation or the scheme
- keep records of any review of knowledge and understanding and steps taken to address any gaps
- keep records of any alternative or further learning activity (for example, reading, attending conferences, sessions with the scheme advisers)

To help meet the above requirements, the following resources are available in order to ~~in order to identify~~ identify and meet training needs ~~and assess whether those governing the Fund are meeting the CIPFA Framework requirements, all PFC Members agree to:~~

- Complete the Pensions Regulator's tPR's online public service toolkit at <https://trusteetoolkit.thepensionsregulator.gov.uk/https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/knowledge-and-understanding-duty-on-board-members#:~:text=Public%20Service%20toolkit%20online%20learning,use%20the%20Public%20Service%20toolkit.>
- Complete all of tthe Hymans LGPS Local Government Pension Scheme (LGPS) Online Learning Academy modules-
- Attend a basic training course (the LGA Local Government Association (LGA) Fundamentals [training course](#) or equivalent) designed for new members to the Pensions Committee, or as a refresher when required.
- Undertake, as a committee, regular training and workshops provided in house or by external partners-
- Highlight any areas where further training is required following subjects covered in PFC meetings or, following attendance at any external training events or conferences.
- Undertake an annual self-assessment of tthe CIPFA knowledge and skills framework for Elected Members and Non Executives in the Public Sector [self-assessment](#).

Officers with responsibility for managing the LGPS are expected to have a detailed understanding of the CIPFA Knowledge and Skills Framework requirements for LGPS Practitioners, taking account of the requirements of their roles.

Officers will engage with the Individual Performance Management (IPM) process to identify any knowledge gaps and address training requirements.

### Training Delivery

Training will be delivered using a variety of methods including but not limited to:

- Bespoke sessions, delivered internally by the Fund's actuary, Fund Investment Managers, Investment Consultants and officers
- Attendance at external conferences and seminars
- Regular updates provided at ~~PFC~~ meetings by officers and advisers
- Online material such as the Pension Regulator's [public service toolkit](#) and other ~~online~~ learning, webinars and publications
- New PFC Members will be assigned an established PFC Member during the first 12 months of term to act as a 'buddy' where practical to do so.

Relevant training events will be emailed to ~~PFC Members~~ [all parties](#) as and when they become available. After attendance at a training event the attendee is expected to provide feedback at the next ~~PFC-relevant~~ meeting. Officers will maintain a log of all events attended for compliance with reporting and monitoring requirements.

### Review

This policy is reviewed and updated annually [including the creation of a training plan as required](#).

~~The PFC will approve a training programme for the next financial year and will review the content and delivery of the training programme at each subsequent meeting.~~

### Costs

All training costs will be met by the Pension Fund.

This page is intentionally left blank

Appendix 16

Formatted: Font: 12 pt



# North Yorkshire Pension Fund

Style Definition: Header: Right

## Cashflow Policy

Formatted: Centred

April 2024~~3~~



Local Government  
Pension Scheme

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

**Contents**

1.0	Introduction.....	3
2.0	Management of Pension Fund cash .....	3
3.0	Cashflow management and disinvestment policy .....	3
4.0	Cashflow Reporting .....	4

OFFICIAL

2

V2.2\_April 2024

## 1.0 Introduction

- 1.1 This Policy sets out how the North Yorkshire Pension Fund (NYPF, or 'the Fund') will manage its cashflow requirements. As Pension Funds mature, the monitoring of the inflows and outflows of the Fund takes on increasing importance. This is because over time benefits payable are expected to overtake the contributions received from employers, putting the Fund into cashflow negative territory. NYPF is now approaching this position. A contributing factor has been the significant improvement in the funding level over recent years, such that employer deficit contributions received are no longer material. In addition, as part of its de-risking strategy, the Fund is building up investments in alternative asset classes. As they require regular capital commitments over a long-term investment period, this will increase outflows of cash.
- 1.2 The Policy will be kept under review by the Fund regarding applicable legislation and guidance. The Pension Fund Committee (PFC) will be asked to formally review and approve the Policy on an annual basis.

## 2.0 Management of Pension Fund cash

- 2.1 The Fund holds working cash balances to manage its cashflow requirements on a day-to-day basis. This cash balance is managed by the Administering Authority, North Yorkshire Council (NYC), within a separate bank account, in line with 'The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016'. This cash balance is kept to a minimum, with any balances not immediately required being invested in an overnight deposit facility. Cash investments are made in accordance with NYC's Treasury Management Policy and are placed with an approved list of counterparties. All counterparties are approved at Full Council.
- 2.2 The Fund does not have an allocation to cash investments in its long-term investment strategy. However, it recognises that in the short term it can be beneficial to hold cash investments for the security of capital values, to aid implementation of the long-term strategy and for liquidity purposes. Any cash investments will be placed with NYC in the same way as the working cash balance, or with the Fund's custodian Northern Trust.

## 3.0 Cashflow management and disinvestment policy

- 3.1 Cashflow of the Fund is monitored regularly by officers. ~~Each year, or more frequently as required,~~ a detailed cashflow projection is ~~maintained~~ produced to which shows the value and timing of cash requirements over the coming years. This projection reflects the main cash inflows and outflows, including benefits payable and contribution income, the costs of running the Fund and any investment income and known capital calls to fund investment commitments.
- 3.2 The policy of the Fund will be to enhance income generation and keep disinvestments to a minimum. The following areas will therefore be of focus going forward:
  - Maximisation of income generation within the Fund's current investments, where appropriate
  - Review of opportunities for new income generating assets as part of the implementation of the current long term investment strategy
  - Reviewing income generation requirements as part of future investment strategy reviews

OFFICIAL

3.3 Where cashflow monitoring determines that after all available investment income is received, disinvestments are still required to meet cashflow requirements, a plan will be produced to determine where funds will be disinvested and the appropriate timing of the disinvestment. This disinvestment plan will be managed by the Treasurer and reviewed by the PFC. Disinvestments will be based on the most advantageous option available under current circumstances and will take the following into consideration:

- Liquidity and yield
- Any transaction costs on disinvestment
- Security of capital value
- Alignment to long term investment strategy

3.4 Whilst a disinvestment plan will cover all known cash requirements, there will inevitably be circumstances where additional cash is required unexpectedly. The Fund will ensure that there is a level of liquidity within its portfolio so that that cash can be sourced in a timely manner through disinvestment if required. If in the unlikely circumstances immediate liquidity was an issue, under the 2016 Regulations the authority may borrow by way of a temporary loan or overdraft facility, which is liable to be repaid out of the Fund, for the purposes of paying benefit obligations due under the Scheme or for rebalancing purposes. This must be repaid by the Fund within 90 days. This facility would only be used once all other options have been exhausted and with prior approval from the Treasurer.

#### 4.0 Cashflow Reporting

4.1 The cashflow of the Fund is reported to the PFC as required, usually on a quarterly basis. This includes information on cash movements for rebalancing purposes that have taken place in the previous quarter, and a three-year cashflow projection.



# North Yorkshire Pension Fund



## Responsible Investment Policy

June 2024~~July 2023~~



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

## 1.0 Introduction

- 1.1 This document describes the North Yorkshire Pension Fund's policy on Responsible Investment (RI). RI is an approach to managing assets that takes environmental, social and governance (ESG) factors into account in the investment decision making process and in the role an investor plays as an asset owner.
- 1.2 The aim of RI is to combine better risk management with improved sustainable long-term portfolio returns. Financial and ESG analysis together can allow broader risk identification, leading to improved decision making, which can enhance performance and risk-adjusted returns.
- 1.3 Investment stewardship includes active ownership, using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance.
- 1.4 The Policy will be kept under review with regard to applicable legislation and guidance. The Pension Fund Committee formally reviews and approves the Policy on an annual basis.
- 1.5 [Underpinning this Policy and the investment strategy are a number of responsible investment beliefs that were agreed by the Committee. These beliefs were last reviewed in 2021 and will be revisited as part of the next investment strategy review, and are listed in the appendix.](#)

## 2.0 Financial and non-financial considerations

- 2.1 The primary objective of the Fund is to provide pension benefits for members upon retirement and/or benefits on death for their dependents, on a defined benefits basis. Investments will therefore be selected with the aim of fully funding these benefit requirements over an extended number of years. The Committee therefore takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries.
- 2.2 The Committee's fiduciary duty requires all financially material risks to be taken into account when making investment decisions. The Fund believes that ESG risks such as climate change can be financially material, and these risks should therefore be considered when making any investment decisions.
- 2.3 The Fund believes that there is an opportunity to generate better returns by making decisions with a long-term investment outlook. ESG factors tend to be long term in nature and can create both risks and opportunities. Evidence shows that well managed companies tend to have strong governance, take a more robust approach to addressing ESG issues, and are more likely to be successful long-term investments.
- 2.4 ESG issues considered include, but are not limited to:

Environmental	Social	Governance
Climate Change mitigation and adaptation	Human rights	Board Independence and diversity
Resource & energy management	Child labour	Executive pay
Water stress	Supply chain	Tax transparency
Biodiversity	Human capital	Auditor rotation
	Employment standards	Succession planning
		Shareholder rights
		Political lobbying
		Risk management

### 3.0 Implementation

- 3.1 All of the Fund's investments are managed by external investment managers, who take decisions on which companies to invest in. The Fund requires its managers to integrate financially material ESG factors into their investment processes. The Fund requires that its managers develop their approaches in line with improvements in best practice. The Fund believes that RI can be applied to all of the asset classes that it invests in.
- 3.2 The process through which the Fund appoints a manager includes an assessment of each candidate's approach to RI. The appointees are required to maintain and continually develop policies on corporate governance, responsible investment and the use of voting rights.
- 3.3 The Fund is one of eleven owners of Border to Coast Pension Partnership Limited (Border to Coast), which over time will increasingly manage the Fund's investments. Going forward, Border to Coast will also appoint underlying external investment managers that the Fund will invest in. The Fund requires Border to Coast to take RI into consideration when making these appointments, and in their ongoing management of the appointees.
- 3.4 The Fund has been an active contributor to the development of the arrangements at Border to Coast, including its Responsible Investment Policy, Climate Change Policy and Corporate Governance and Voting Guidelines document, both of which are available at <https://www.bordertocoast.org.uk>. One of the roles of Border to Coast is to take lead in the evolution of the approach to RI on behalf of the eleven partner funds.
- 3.5 This policy document will be provided to the investment managers, who will be required to follow its principles and report on how they have taken RI issues into account.

### 4.0 Knowledge and Skills

- 4.1 The Committee and officers will keep up to date on developments and emerging best practice on RI issues through training and, where necessary, will take expert advice from consultants and advisors to fulfil these responsibilities.

### 5.0 Climate Change

- 5.1 The Committee believes that climate change presents a systemic risk to the environment, society and every economy on the planet, with the potential to impact on every investment and the Fund's employers and beneficiaries.
- 5.2 Climate change is a long-term material financial risk that the Committee has a legal duty to address, which is entirely consistent with the aim of securing sustainable returns in the interests of all the Fund's stakeholders.
- 5.3 The Fund requires its investment managers, including Border to Coast to have climate change risk fully incorporated into investment processes, and engage with investee companies, as essential components of the transition to a low carbon economy.
- 5.4 The Committee will require its investment managers to regularly report on their exposure to climate risk and describe how it is being managed. This includes disclosure in line with the Task force on Climate related Financial Disclosures (TCFD). The Fund will also report in line

with TCFD reporting requirements for LGPS administering authorities once the ongoing consultation has concluded and the requirements are known.

- 5.5 During 2022/23 the Fund assessed its investments in relation to several climate change scenarios as part of a detailed review of the investment strategy.

## 6.0 Engagement

- 6.1 The Committee believes that it is essential to consider the impact investee companies have on their customers, society in general, and the environment. However, whilst the Fund recognises that there is the potential for investment in certain sectors to cause harm, it will not implement an exclusionary policy against investment in any particular sector or company purely based on social, ethical or environmental reasons.
- 6.2 As a responsible investor, the Fund will influence companies through engagement rather than have a policy of divestment. This is considered to be a more effective approach in effecting change.
- 6.3 The Fund requires its investment managers to regularly assess and monitor the companies that they invest in and take appropriate action if investment returns are considered to be at risk. This action will typically be an escalation of engagement activity. In extreme situations divestment could be appropriate, if it is believed that a company is failing to adequately address the risks it faces.
- 6.3 The Fund will require the investment managers to report on engagement and stewardship activity on a regular basis.

## 7.0 Stewardship

- 7.1 The Fund believes that well run companies are more likely to outperform over the long term and that effective stewardship can lead to better risk-adjusted returns.
- 7.2 The Fund has a responsibility for effective stewardship of the companies that it invests in, whether directly or indirectly, and will practice active ownership through voting, monitoring companies, engagement and litigation. This responsibility is taken very seriously. The approach is described in more detail in the Fund's Statement of Compliance with the UK Stewardship Code, which is available on the Fund's website at <https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>. The Fund has been designated a Tier 1 signatory, which reflects the highest level of compliance with the Code. However, this Code has since been replaced. The intention is to become a signatory to the new Code in due course.
- 7.3 As investments transfer to the Border to Coast over time, the Committee will require both Border to Coast, and the underlying investment managers appointed by Border to Coast, to maintain compliance with the UK Stewardship Code, or the international standards applicable to their geographical location. Border to Coast is also a signatory to the UN Principles of Responsible Investment.
- 7.4 The Fund also participates in collaborative engagement that has been instigated by its investment managers including Border to Coast, and, for example, through its membership of the Local Authority Pension Fund Forum (LAPFF), and with the Cross Pool Group. LAPFF is the UK's leading collaborative shareholder engagement group, promoting ESG good practice on behalf of over 80 LGPS funds.

- 7.5 Border to Coast's management of assets on behalf of its partner fund owners provides it with significant influence when engaging with investee companies. To further bolster their approach as a responsible investor, Border to Coast has partnered with an engagement and proxy voting specialist, Robeco. This organisation engages with the senior management of investee companies and votes at shareholder meetings, holding them to account on responsible investment issues.
- 7.6 Border to Coast has also partnered with a number of organisations to further expand its influence. These include LAPFF on a wide range of issues, Climate Action 100+, the Institutional Investor Group on climate Change (IIGCC), and the 30% Club which promotes board and senior management diversity.

## 8.0 Voting rights

- 8.1 Voting rights are assets that need managing with the same duty of care as other investment assets. The effective use of these rights is essential to protect the interests of the Fund, its employers and its beneficiaries.
- 8.2 It is important that voting is carried out in an informed manner. For this reason, the Fund has delegated voting rights to its investment managers as it believes that they are best placed to undertake it. Managers are required to vote the Fund's shares wherever it is practical to do so. Voting should be undertaken where it is believed to be in the best interests of the Fund, and in accordance with this Policy.
- 8.3 Robeco advise Border to Coast on voting. They analyse voting and governance issues, implement a set of detailed voting guidelines agreed by the eleven partner funds and ensure vote are cast in accordance with the policy.
- 8.4 Whilst managers are required to adhere to the Fund's approach to RI and voting, the Fund retains the right to direct them in respect of any issue.
- 8.5 Border to Coast has a stock lending programme. Lenders do not generally retain voting rights on lent stock, however there are procedures to recall stock prior to a shareholder vote if required. Lending can also be restricted. Reasons include:
- There is a contentious resolution
  - The holding size could have a material effect on the voting outcome
  - Border to Coast has co-filed a shareholder resolution
  - A company is seeking approval for a merger or acquisition
- 8.6 Managers are required to use reasonable endeavours to consider whether, in their opinion, any issue could become controversial for the Fund or its stakeholders. Where this is the case, the issue should be referred to the Fund for discussion, and possibly direction. This applies to engagement as well as voting.
- 8.7 The Fund's investment managers are required to report quarterly on their voting activities.

## 9.0 Class actions

- 9.1 Where the Fund holds securities which are subject to individual or class action securities litigation it will, where appropriate, participate in such litigation.

## 10.0 Reporting arrangements

10.1 Managers' policies are to be reviewed by the Fund on a regular basis.

10.2 Managers must provide quarterly reports that include the following information:

- Examples of how RI issues are integrated into the investment processes and the materiality of such issues in portfolio performance
- Summaries of engagement activity outcomes during the review period
- Details of investments that are considered to have high RI related risks
- Voting records for the review period

10.3 The Fund will report on responsible investment activities in its Annual Report. This will include voting and engagement activity.

10.4 Border to Coast manages the majority of the Fund's investments and publishes regular reports on its website. They include quarterly Stewardship Reports and Active Ownership Reports, annual Responsible Investment and Stewardship Reports and Climate Change Reports, and other reports such as on engagement and on a just transition.

June ~~2024~~2023

APPENDIXRESPONSIBLE INVESTMENT BELIEFSCurrent approach

- We will consider the views of our members if they are shared with us and we may seek members views directly
- We will prepare a responsible investment policy
- We will publish our policy on the website

Financial and non-financial considerations

- We believe that ESG risks (including climate change) can be financially material
- Our fiduciary duty requires us to take all financially material risks into account, including ESG risks
- We believe that there is an opportunity to generate better expected returns by making decisions with a longer term outlook

Implementation

- We believe that our investment managers should integrate financially material ESG factors into their investment process
- We will keep abreast of developments and emerging best practice on responsible investment issues and will ask our investment consultant for support on those relevant to us
- We believe that responsible investment can be applied to all of the asset classes that we invest in

Environmental

- We believe that the scheme is exposed to the risks posed by climate change and it will impact on our investments over its time horizon
- We will ask our fund managers to, where relevant, provide information about their exposure to climate risks and we will continue to monitor this on an ongoing basis

Social

- We believe it is important to consider the impact that the companies that we own have on their customers, society or the environment
- Whilst there are some sectors that we believe can cause harm, on balance we will not implement an exclusionary policy

Governance

- We believe that poorly governed companies are more likely to underperform and that good stewardship can lead to better risk adjusted returns
- We believe that it is important to engage with the companies and assets that we invest in
- We will request more information from our fund managers about their voting and engagement and stewardship activity and we will continue to monitor this on an ongoing basis

This page is intentionally left blank



# North Yorkshire Pension Fund



## Climate Change Statement

When considering any issue regarding the Pension Fund it is important to recognise that the Pension Fund Committee members act as quasi-trustees and have a fiduciary responsibility to both employers and members, to seek an appropriate financial return for the level of risk that is taken. Purely personal interests, social, moral or political views should not be taken into account.

The Fund recognises that climate change is a significant financial risk and is challenging itself on how this is reflected in the investment strategy. The policy and approach in this area is constantly evolving. Any decisions on the investment of the Fund includes an assessment of the risks faced, including the issue of climate change, and which asset classes, sectors and companies to invest in.

The Fund's Investment Strategy Statement and Responsible Investment Policy cover the extent to which environmental, social and governance considerations including climate change are taken into account in the selection, retention and realisation of investments. These documents are available on the Fund's website <https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>.

The Fund does not have a policy of divesting from companies and considers active engagement with companies a more productive approach to effecting change. Once the Fund divests, its ability to influence both the short term and long-term direction of individual companies is severely curtailed. If the Fund divested from the oil and gas or other sectors with heavy carbon footprints, then it would not reduce emissions (or climate change) but rather simply shift the emissions onto another investor who may be less engaged and therefore reduce the pressure on such companies to change.

The Fund works in collaboration with other pension funds on climate change issues through organisations such as the Local Authority Pension Fund Forum (LAPFF) and with its investment pooling partner Border to Coast, who is a member of Climate Action 100+. This approach ensures that the collective influence of investors has a bigger impact through engagement.

Border to Coast has a Responsible Investment Policy, Climate Change Policy and Corporate Governance and Voting Guidelines document, published on its website <https://www.bordertocoast.org.uk> which describe the collective approach to addressing climate related issues. This includes assessing investments in relation to climate risk, incorporating climate considerations into the investment decision making process and engagement with companies in line with the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD).

The Fund has a range of renewable energy investments in the UK and abroad, such as wind farms and solar power farms, geothermal energy plants and energy from waste facilities. This is a growing area of investment activity, in particular in the infrastructure investment programme where the allocation is 10%. In addition, the Fund has made a substantial investment in Border to Coast's Climate Opportunities fund which aims to have a positive impact on climate change and supporting long-term net zero carbon emissions goals.

The Fund also has investments in property funds where ESG metrics are regularly monitored with a view to improving their credentials. This includes using renewable energy sources and generating

[Appendix 17b](#)

Formatted: Right

energy on site, for example through solar panels, to drive down the carbon footprint of these buildings.

The Pension Fund Committee considers the implications of climate change at every meeting. They approved a set of responsible investment beliefs which included beliefs specific to risks associated with climate change.

In summary, the Fund recognises that climate change is a significant financial risk and is persistently challenging itself on how this is considered, and at the same ensuring the Pension Fund Committee can meet its fiduciary duty and responsibility to individual employers and members. Opportunities to increase investments in the renewable energy sectors, within the infrastructure allocation of the Fund, are being pursued. This is an ongoing process as the climate change agenda moves forward.

OFFICIAL