North Yorkshire Council

Pension Fund Committee

12 September 2025

Administration Report

Report of the Treasurer

1. Purpose of the Report

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

2. Admission Agreements & New Academies

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

3. Administration

3.1. Membership Statistics

Membership Category	At 31/03/2025	+/- Change (%)	At 30/06/2025
Active	30,693	+0.50%	30,846
Deferred	39,037	-0.48%	38,851
Pensioner (incl spouse & dependant members)	32,984	+1.72%	33,560
Total	**102,714**		**103,257**

3.2. Throughput Statistics

- Period from 1 April 2025 to 30 June 2025

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	11	27	30	8
Transfer Out quotes	50	161	186	25
Employer & employee estimates	127	727	691	163
Retirement quotes	145	520	569	96
Preserved benefits	1,417	3,506	3,974	949
Death in payment or in service	160	453	463	150
Refunds	134	292	278	148
Actual retirement procedure	469	991	987	473
Interfund transfers	742	970	1,002	710
Aggregate member records	49	245	230	64
Others	283	514	541	256
Total Cases	**3,587**	**8,406**	**8,951**	**3,042**

- As well as processing the above cases, the Pensions team also handled 2,371 phone calls (average 39 per working day) in the quarter.

3.3. **Performance Statistics**

- The performance figures for the period 1 April 2025 to 30 June 2025 are as follows:

Performance Indicator	Target in period	Achieved
Measured work completed within target	98%	96%
Customers surveyed ranking service good or excellent	94%	92%
Increase numbers of registered self-service users by 700 per quarter (total registered users 55,316)	700	1,218

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

3.4. **Commendations and Complaints**

- This quarter the following commendations and complaints were received:

Commendations

Date	Number	Summary
Apr	2	Super helpful and kept me informed at all times. Really happy with the whole process.
May	1	Really helpful
Jun	1	Helped me with my pensions/tax questions, she has been amazing.

Complaints

Date	Number	Summary
Apr	0	
May	0	
Jun	2	IHER – complaint about IHER being declined Regs – complaint about being unable to transfer benefits out within 12 months of retirement age

- The complaint categories are:

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

Lessons Learned

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

3.5. **Annual Benefit Statements 2025**

The deferred benefit statements were published on 30th June 2025, and we produced 38,688 / 38,688 statements (100% of eligible members).

Active statements were published on 31st July 2025, and we produced 29,281 / 29,387 statements (99.64% of eligible members). Of those missing a statement:

106 – are pending a response to a query before the statements can be produced

We continue to work through these issues and will issue benefit statements as soon as possible.

3.6. **Breaches Policy & Log**

Included at **Appendix 2** is the North Yorkshire Pension Fund's Breaches Log for review. There are no new entries this quarter.

4. Governance Documents

4.1. The **Funding Strategy Statement,** attached as **Appendix 3** outlines how the Fund intends to meet its long-term liabilities and manage employer contributions. It has been significantly revised by the Fund's actuary, Aon, in preparation for the 31 March 2025 triennial valuation. This update reflects new national guidance issued in January 2025 by the Ministry of Housing, Communities and Local Government, CIPFA, and the Scheme Advisory Board, replacing the 2016 CIPFA guidance and addressing key developments in the LGPS over the past decade. Due to the extent of the updates, tracked changes have not been made. **Members are asked to approve this document** and, following consultation with employers, delegate authority to the Treasurer of the Fund to respond to comments and feedback from employers.

4.2. The **Admissions and Terminations Funding Policy,** attached as **Appendix 4** has been updated to remove reference to the ongoing orphan funding target, revise the wording related to the McCloud allowance, and provide clearer guidance on the treatment of past service liabilities when new contractors join the Fund. The updates can be seen in tracked changes. **Members are asked to approve this document.**

5. Issues and Initiatives

5.1. **McCloud**

McCloud information has been included in the 2025 annual benefit statements in line with the requirements of the regulations.

Our focus has switched to checking the final salary and CARE values in the underpin period relative to each other. The values should be relatively similar, so we are reviewing and correcting:

- those where the final salary value is less than 70% of the CARE value
- those where the FS value is greater than the CARE value

Preparatory work has been completed for the actual rectification stage to begin. A calculator has been developed to work out total pension arrears due and letter templates have been created. This stage will commence as soon as the relative value work is completed.

5.2. **Pensions Dashboard**

Data errors identified as part of the test load have been corrected and we are now connected to the Dashboard as far as we can be ahead of the LGPS connection date of 31 October.

5.3. **New TPR General Code of Practice**

Officers have undertaken a review of the amber and red items in the compliance checker and have updated the position in line with changes that have been made. An update report is included at **Appendix 5** which shows the changes since the last report was produced.

The requirements of the Own Risk Assessment (ORA) have been passed to Veritau to help inform the risk management audit that is taking place this year.

5 Member Training

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

Please contact Christian Brennan on 01723 232332 or email christian.brennan@northyorks.gov.uk with any details of training undertaken or conferences attended, and these will be added to the training record.

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

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

6 Meeting Timetable

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

7 Recommendations

7.1 Members to note the contents of the report.
7.2 Members to note the contents of the Breaches Log.
7.3 Members to approve the Funding Strategy Statement
7.4 Members to approve the Admissions and Terminations Funding Policy

Gary Fielding
Treasurer of North Yorkshire Pension Fund
North Yorkshire Council
County Hall
Northallerton

04 September 2025

Academy Conversions - 13 ‘in progress’

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Coast & Vale Learning Trust		Merger with Delta Academies Trust	1.9.2025	In progress
South York Multi Academy Trust		Merger with STAR Multi Academy Trust to create the Yorkshire Learning Trust	1.9.2025	In progress
Applefields School	COYC	Pathfinder MAT	1.9.2025	In progress
Masham CE VA Primary School	NYC	Yorkshire Causeway Schools Trust	1.10.2025	In progress
St Barnabas Church of England VC Primary School	COYC	Pathfinder Multi Academy Trust	1.10.2025	Will be progressed when conversion date confirmed
Springwater School	NYC	Ascent Academies Trust	1.11.2025	In progress
Wheatcroft Community Primary School Gladstone Road Primary School Scarborough Sixth Form College	NYC NYC	New Multi Academy Trust called The Infinity Learning Trust	TBC	Will be progressed when merger date known
Scarborough Pupil Referral Service	NYC	Possibly with Venn Academy Trust	TBC	Will be progressed when conversion date and academy trust confirmed
Hensall Community Primary School	NYC	Possibly with Pathfinder MAT	TBC	Will be progressed when conversion date and academy trust confirmed
Sharow CE Primary School	NYC	Possibly with Yorkshire Causeway Schools Trust	TBC	Will be progressed when conversion date and academy trust confirmed
Gargrave CE Primary School	NYC	Possibly with Yorkshire Causeway Schools Trust	TBC	Will be progressed when conversion date and academy trust confirmed
Embsay CE Primary School	NYC	Possibly with Yorkshire Causeway Schools Trust	TBC	Will be progressed when conversion date and academy trust confirmed

Name of School	Local Authority	Multi Academy Trust (MAT) Name	Target Conversion Date	Current Position
Ebor Academy Trust		Merger with Nexus Multi Academy Trust	TBC	Will be progressed when merger has been confirmed

Admission Bodies - 7 'in progress'

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
City of York Council Clifton Green Primary School	Synergy FM	1.3.2025	Complete
City of York Council Ralph Butterfield Primary School	Synergy FM	1.4.2025	Complete
South York MAT Escrick CE Primary School	Crystal Facilities Management Limited	1.4.2025	Complete
Ascent Academies Trust Mowbray School	Crystal Facilities Management Limited	1.4.2025	Complete
Elevate Multi Academy Trust Hackness CofE Primary School Wykeham CofE Primary School	Lark Cleaning Services Ltd (t/a Betterclean)	1.4.2025	Complete
Yorkshire Causeway Schools Trust Richard Taylor Primary School	Aspens Service Limited	22.4.2025	Complete
Pathfinder Multi Academy Trust Chapel Haddlesey Primary School	Mellors Catering Services Ltd	1.11.2024	Complete
The North Yorkshire Council Grove Road Community Primary School - Extra Care Contract	Primary Sporting Solutions (Premier Education Group Limited)	6.1.2025	In progress
Pathfinder Multi Academy Trust Chapel Haddlesey Primary School	Hutchison Catering Ltd	19.7.2025	In progress
Excel Learning Trust Knavesmire Primary School Scarcroft School Millthorpe Woodthorpe Primary School York High School Carr Junior School	Aspens Services Limited	1.8.2025	In progress
North Yorkshire Council Richmond Methodist Primary School	Hutchison Catering Limited	1.9.2025	In progress
North Yorkshire Council Hensall Primary School	Kids Corner Barlow Ltd	1.9.2025	In progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Excel Learning Trust Knavesmire Primary School	Bulloughs Cleaning Services Ltd	1.10.2025	In progress
North Yorkshire Council	Medequip Connect	1.10.2025	In progress

Exited Employers – 38

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

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

Name of Employer	Date exited the Fund
University of Hull	31.5.2024
Synergy FM Limited	14.6.2024
Compass Contract Services (U.K.) Limited	31.8.2024
Inspiring Healthy Lifestyles (Wigan Leisure & Culture Trust)	31.8.2024
Premier Support Services Limited	31.10.2024
Brimhams Active Limited	30.11.2024
Richmondshire Leisure Trust	28.2.2025

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

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

Date	Category	Description of Breach	Cause of Breach	Regulation being breached	Effect of Breach & Wider Implications	Response to Breach	Reported to DPO	DPO outcome	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator
28/07/2022	Administration	5 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Records were not selected in the bulk annual allowance process as the year end pay information used in the calculation had not been updated on the records	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Senior officer review of annual process. Has been established the cause of the breach different to previous breach in 2020. Process amended so that future similar cases can be identfied earlier in the process.	N/A	N/A	09/09/2022	06/10/2022	PFC - No report PB - No report	N
31/08/2022	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	120 – have outstanding year end tasks 201 – have "other" outstanding administration tasks on record 56 – are x'd out, no outstanding task, prohibits statement creation due to error on record 295 – pending further investigations as to why statement not produced	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 97.73% of Active members received a statement. (672 members did not of which only 295 were eligible to receive one)	Of the 672 active members missing a statement only 351 are eligible to receive one. These are being worked through to identify what is required to enable statement to be produced.	N/A	N/A	25/11/2022	06/10/2022	PFC - No report PB - No report	N
04/11/2022	Administration	2 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2021	Human error. One record had a data error which resulted in the PSS being supressed but when issue was fixed the marker wasn't removed. Relevant tax year 18/19 One record had been updated incorrectly following receipt of a transfer from another Fund. Relevant tax year 19/20	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. None of the members have advised if they have a tax charge yet, there could possibly be two. The deadline for an online tax return was 31 January 2022 so affected members will need to contact HMRC.	Training for wider administration team is already scheduled so errors like these can be prevented and corrective action taken at the time rather than being left to year end.	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
11/11/2022	Administration	One member's documentation was sent in error, password protected, to another Fund.	Human error. The wrong attachment was added to the email.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another Fund. It is highly unlikely that the recipient knows the person whose information was disclosed.	Other Fund deleted email and attachment. Reported to Veritau. They assessed is as Very Low risk - minimal risk of any detriment to the data subject & sent to a trusted partner organisation	N/A	N/A	25/11/2022	12/01/2023	PFC - No report PB - No report	N
17/04/2023	Administration	Email querying pay and CARE was sent to the wrong Adam. It contained name, NINO & Pay information. Recipient is a senior officer at CYC.	Human error	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to staff at another employer. It is highly unlikely that the recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
05/06/2023	Administration	A member received another member's pension payslip in the same envelope as her own. The envelope wasn't sealed either.	Machine jam and human error in the print unit. Not checking the machine was fully cleared before restarting the print and insert process.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Recipient posted payslip on. Made print unit aware or error and received confirmation of refreshed instructions to the print team. Reported to Veritau Veritau have confirmed it has been classed as a print unit breach	N/A	N/A	15/09/2023	06/07/2023	PFC - No report PB - No report	N
01/09/2023	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	114 – have outstanding year end tasks 268 – have "other" outstanding administration tasks on record	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 98.71% of Active members received a statement. (382 members did not, of which only 114 were eligible to receive one)	Of the 382 active members missing a statement only 114 are eligible to receive one. These are being worked through to identify what is required to enable a statement to be produced.	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
08/09/2023	Administration	Email was sent to a member with a password protected attachment but the document was for another member.	Human error	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Requested recipient to delete email Reported to Veritau	N/A	N/A	24/11/2023	26/10/2023	PFC - No report PB - No report	N
07/10/2023	Administration	1 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2022	Human error. Error in manual calculation of Annual Allowance at retirement.	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. This member has sufficient carry forward from previous years so we believe there is no tax charge due. The deadline for an online tax return was 31 January 2023 so the affected member will need to contact HMRC.	Refreshers training for retirement team for the specific scenario applicable in this case.	N/A	N/A	24/11/2023	11/01/2024	PFC - No report PB - No report	N
06/09/2024	Administration	1 Pension Savings Statements (PSS) issued after statutory deadline of 6 October 2023	Human error. Record not fully updated when an interfund in was completed.	The Registered Pension Scheme Regulations 2006 Finance Act 2004	When a member receives a PSS they have to declare the tax liability to HMRC via an annual tax return. This member has sufficient carry forward from previous years so we believe there is no tax charge due. The deadline for an online tax return was 31 January 2024 so the affected member will need to contact HMRC.	Reminder circulated to the transfers team to ensure records are fuly updated when interfudns and transfers are completed.	N/A	N/A	22/11/2024	24/10/2024	PFC - No report PB - No report	N
31/08/2024	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	6 – have outstanding year end tasks	Reg 89 of LGPS Regs 2013	100% of Deferred members received a statement. 99.98% of Active members received a statement. (6 members did not)	The 6 remaining members are being worked through to identify what is required to enable a statement to be produced.	N/A	N/A	22/11/2024	24/10/2024	PFC - No report PB - No report	N
26/11/2024	Administration	Retirement options were sent out to 2 separate members and they both received each other's information as well as their own.	Human error - software used to combine documents wasn't closed down between processing members and so it appended documents together.	Data Protection Act 2018	Accidental disclosure of personal data for 1 member to another member. It is highly unlikely that the recipient knows the person whose information was disclosed.	Reminder issued round team to be extra careful and double check before clicking print or send Advised to pause and sense check everything.	N/A	N/A	28/02/2025	09/01/2025	PFC - No report PB - No report	N

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North Yorkshire Pension Fund

Funding Strategy Statement

September 2025

lgps | Local Government Pension Scheme

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Purpose of the Fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) of the North Yorkshire Pension Fund (the Fund).

It has been prepared by North Yorkshire Council (the Administering Authority) in collaboration with the Fund Actuary, Aon Solutions UK Limited, and after consultation with officers, Pension Fund Committee members and the Fund's employers. It is effective from the date of issue of this statement.

The FSS has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme (LGPS) Regulations 2013 (the Regulations) and the guidance jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG). In addition, the Administering Authority has had regard to the Investment Strategy Statement, the supplementary statutory guidance issued by MHCLG: "Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements", and has also considered the Scheme Advisory Board's "Guide to Employer Flexibilities".

A summary of the roles and responsibilities of the key parties is included as Appendix 2 to this document.

A glossary of terms is included as Appendix 3 to this document.

If you have any queries on the contents of this FSS or require a paper copy of the document, please email pensions@northyorks.gov.uk or telephone 01609 536335.

Aims and objectives of the FSS

The purpose of the Fund is to collect and invest 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 (the Investment Regulations).

The Administering Authority has a fiduciary duty to act in the best interests of the pension fund members and the participating employers. This means the Administering Authority will act in line with relevant legal requirements and make delegated decisions rationally and reasonably, considering all affected parties.

The main purpose of the FSS is to document the processes by which the Administering Authority:

- Establishes a clear and transparent funding strategy, specific to the Fund, to meet employers' pension liabilities going forward.
- Aims to meet the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary contribution rate as possible.
- Ensures the regulatory requirement to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.
- Takes a prudent longer-term view of funding the Fund's liabilities.

It should be noted that whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund.

Benefits payable under the Fund are set out in the Regulations. 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 aims of the Fund in relation to the funding strategy include:

Solvency and long term cost efficiency
Securing solvency and long term cost efficiency is a regulatory requirement. The Fund's solvency should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers. We set out details of how the Fund meets these requirements in the section "Key Funding Principles".

The Fund's compliance with these requirements is assessed and reported following each actuarial valuation through the Government Actuary's Department independent review of the actuarial valuation outcomes and, the approach under Section 13 of the Public Service Pensions Act.

Management of liabilities and payment of benefits
The recognises the need to ensure that sufficient funds are available to meet all benefits (including pensions, transfer values, costs, charges and other expenses) as they fall due for payment. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a regular basis to ensure that all cash requirements can be met.

Management of employer liabilities and stability of employer contributions
The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by:

- seeking regular actuarial advice
- ensuring that employers are properly informed and consulted
- regular monitoring of the funding position and the outlook for employers' contributions
- appropriate segregation of employers for funding purposes

The Administering Authority aims to manage employers' liabilities effectively through regular review of contributions at triennial actuarial valuations and additional contributions for early retirement. At such reviews, regard will be had to the desirability of maintaining stability of employer contributions, subject to the Administering Authority not taking undue risks, and at reasonable cost to the taxpayers and employers.

Link to investment strategy
The Fund seeks to maximise the returns from investments within reasonable risk parameters. Funding and the investment strategy are inextricably linked. The investment strategy is set by the Administering Authority after consultation with the employers and, after taking investment advice, and is set out in the Investment Strategy Statement (ISS).

Risk profile of the Fund
The Administering Authority takes a risk-based approach to valuing the liabilities, which considers the liability and asset risk when setting the funding assumptions and employer contribution rates.

The Administering Authority considers employer risk by monitoring employer covenant and allowing for different types of employers when setting funding targets. This is explained in more detail in the "Key Funding Principles" section of this FSS.

Integrated funding framework
The FSS together with the Fund's investment strategy and employer covenant monitoring framework ensure an integrated approach to funding strategy and risk management, supporting the Fund in meeting the Regulatory funding requirements.

The Fund's governance framework and decision-making processes are set out in the Governance Compliance Statement. The Pension Fund Committee is responsible for setting the funding strategy as set out in the FSS. Other responsibilities relating to the implementation of the strategy, including ensuring the actuarial valuation is completed within the required timescales and in line with the Regulations, are delegated to the officers.

Monitoring and review of the FSS

The Administering Authority undertook its latest substantive review of this FSS in September 2025.

The Administering Authority plans to formally review this FSS as part of each triennial actuarial valuation of the Fund unless circumstances arise which require earlier action.

The Administering Authority will also consider a review of the FSS if it determines that circumstances have changed such that this is appropriate, considering the implications for the funding strategy and for meeting the liabilities of employers. Circumstances which might lead to such a review include:

- material changes to the scheme benefit structure or regulations
- on the advice of the Fund actuary
- significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond the expectations outlined in the existing FSS
- significant changes to the Fund membership and/or Fund maturity profile
- significant or notable changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant)
- material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS
- recommendations from MHCLG/Government Actuary's Department

If such a review of the FSS were to take place, the Administering Authority will consider:

- the implications for the funding strategy for meeting liabilities of individual employers, and
- any amendments required to the ISS or other fund documents as a result.

Employer engagement

The Administering Authority will consult with employers when proposing to update the FSS. Employers will generally be given at least 28 days to respond to the consultation.

When the FSS is updated, the Administering Authority will also communicate with any individual (or groups of) employers specifically impacted by any changes and, in particular, will reference any impact on employers on entry or exit from the Fund or in response to change in risk.

The Administering Authority will respond to any employers who provide feedback or comments on FSS consultations, including informing them how/whether their comments have been incorporated into the revised FSS.

Key Funding Principles

Funding target

In order to satisfy the regulatory requirement to secure the solvency and long term cost efficiency of the Fund, employer contributions are set to cover the cost of benefit accrual, with an appropriate adjustment for any surplus or deficit. The regulations require that an actuarial valuation exercise is carried out every three years, in order to set employer contributions.

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, assumptions and the valuation data. The Fund is deemed to be fully funded when the assets held are equal to 100% of the funding target / liabilities. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficit. The funding level is the assets divided by the funding target / liabilities.

The Fund needs to balance investment returns achieved on the Fund's assets and setting employer contributions at an appropriate level. Employers' contributions will be set to ensure that 100% of the funding target / liabilities can be met over the long-term using appropriate actuarial assumptions. When setting the assumptions consideration will be given to the returns on the Fund's assets, and the characteristics and circumstances of the employers, including the maturity and potential period to exit, if applicable. In setting contributions, the Administering Authority will also have regard to the desirability of maintaining as nearly constant a primary rate as possible.

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% (where the assets are equal to the funding target / liabilities).

Risk based funding target

The Fund uses a risk-based funding strategy to calculate the funding target / liabilities for some employers, where the actuarial valuation is carried out on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk-based approach:

- what the **solvency target** should be (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** (the desired level of confidence that the Administering Authority places on the Fund achieving its solvency target by the end of the funding trajectory period~~how likely the Administering Authority wants it to be now that the Fund will achieve the solvency target by the end of the trajectory period~~).

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These three decisions, supported by 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 of the funding strategy.

Information about the assumptions used in the calculation of the funding target / liabilities is set out in the section "Main actuarial assumptions".

Solvency target
The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities, assessed using appropriate actuarial methods and assumptions.

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 Fund 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, measured against the Consumer Prices Index (CPI).

As at 31 March 2025, 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 2025 this equates to a solvency discount rate of 4% p.a.

Trajectory period
The trajectory period in relation to an employer is the time between the actuarial valuation date and the target date for achieving solvency. The Fund adopts a trajectory period of 25 years as a suitable long-term period.

Probability of funding success
The Administering Authority deems 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.

The Administering Authority will not permit contributions to be set after an actuarial valuation that have an unacceptably low chance of achieving the solvency target at the end of the relevant trajectory period.

Other funding targets
Details of how funding targets for other employers are derived is set out below in the "Main actuarial assumptions" section.

Subsumed liabilities
If another employer in the Fund agrees to take on future funding responsibilities for any deficit arising from the liabilities of an employer exiting the fund, those liabilities are known as subsumed liabilities (as they are effectively absorbed by the accepting employer).

Subsumed liabilities will be valued using the actuarial assumptions that apply to the funding target of the employer assuming responsibility.

Orphaned liabilities
Liabilities of former employers in the fund who did not have a subsumption commitment from another employer in the fund are known as orphaned liabilities. Detail of how orphaned liabilities are funded is set out below in the "Main actuarial assumptions" section.

Managing risk

The Administering Authority operates an active risk management programme, ensuring that funding risks are integrated into its broader risk management framework and strategy. This includes alignment with the risk register and risk management policy, and clearly defines the role for the Local Pension Board within this framework.

A summary of the key measures in place to manage these risks is provided in Appendix 1, under the following headings:

- economic
- investment
- demographic
- climate risk
- liquidity/maturity
- regulatory/compliance
- employer data quality
- governance
- orphan liabilities
- employer covenant
- cyber security risk

Main actuarial assumptions

Financial assumptions

The key financial assumptions are the discount rate and the pension increase/revaluation assumption.

Pension and pay increase assumptions

The Scheme provides increases in line with increases in the Consumer Prices Index on the majority of pensions paid. The pension increase assumption is generally set by reference to the Fund actuary's best estimate of Consumer Prices Index inflation over the long term. The pay increase assumption can then be derived from the CPI assumption, with the pay increase assumption being set as CPI plus 1.25% at the 2025 actuarial valuation .

Discount rate

The discount rate, or future investment return assumption, depends on the funding target used. The funding target used is determined by the type of employer in the Fund, the way any exit valuations will be carried out, and the employer risk/covenant. This is achieved by using different principles to derive the solvency and funding targets for different employers in the Fund, as set out below.

- **Scheduled Bodies, employers with subsumption guarantees and certain other employers of sound covenant:** The assumption is based on indefinite investment in a broad range of assets, with reference to the Fund's strategic asset allocation as set out in the ISS. The assumption has been set on a prudent basis, such that it reflects an 83% Probability of Funding Success. The funding target for such employers is called the Scheduled Body and Subsumption Funding Target.

- **Admission Bodes:** Any admission bodies with a subsumption guarantee from a Scheduled Body in the Fund will be valued on the Scheduled Body and Subsumption Funding Target as set out above. Any other admission bodies would be expected to be valued on the Low Risk Funding Target.

- **Already orphaned liabilities**: For liabilities in respect of former employers in the Fund, for which no individual employer is responsible for funding, the discount rate/investment return assumption will be based on the expected yields on UK Government bonds. The funding target for such liabilities is called the Low Risk Funding Target.

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- **Universities:** Due to concerns about the covenant strength of universities, the Administering Authority has adopted a funding target for universities which reflects the Administering Authority's views of the sector. 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 may be made to the discount rate used for the long-term secure scheduled bodies to reflect concerns about the covenant strength of the university. 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 2025 valuation this decision will be informed by the high-level risk analysis of employers within the Fund, carried out by the Fund actuary as part of the 2025 valuation. 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 2025 valuation the Administering Authority may adopt a dual approach to the discount rate used for the Intermediate Funding Target. The default position will be for universities to have their liabilities valued using the 'Standard' Intermediate Funding Target. However, universities may be permitted to adopt the 'Strong' Intermediate Funding Target, subject to providing sufficient evidence to the Fund demonstrating their strength of covenant .).

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Demographic assumptions

Demographic assumptions relate to membership movements or decisions leading to benefit payments or ending of benefit payments, for example rates of mortality, ill health, turnover of staff, marital statistics and promotional increases in pay. How long members and their dependants are assumed to live after retirement (post-retirement mortality) is the key demographic assumption.

The demographic assumptions are reviewed by the Fund actuary and updated once every three years in agreement with the Administering Authority. The demographic assumptions are intended to be best estimate and are designed to be applicable to the long-term future and should, therefore, not be too influenced by recent events. In addition, it is usually not practical, desirable or cost effective to set demographic assumptions at an employer specific level.

The post-retirement mortality assumption is set with reference to the Fund's own data on deaths, national mortality statistics, and the experience of other pension funds, including using members' postcodes to allocate them to different socioeconomic groups.

Where practical, the other demographic assumptions are also informed by the actual experience of the Fund's membership. Where this is not practical, other demographic assumptions are set by reference to national statistics and/or a larger sample of pension schemes with similar socio-economic profiles as LGPS members. Further information is set out in the Actuarial Valuation report: North Yorkshire Pension Fund 2022 valuation report FINAL

Asset shares notionally allocated to employers

In order to establish contribution rates for individual employers or groups of employers the Fund actuary notionally subdivides the Fund assets between the employers/groups, as if each employer/group had its own notional asset share within the Fund.

This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below.

In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. However, where significant one-off employer contributions have been paid, allowance is made for the timing of such contributions.

Further adjustments are made as follows:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous actuarial valuation.
- Allowance for any known material internal transfers in the Fund, as cashflows will not exist for these transfers. The Fund actuary will assume an estimated cashflow equal to the value of the cash equivalent transfer value based on appropriate factors set by the Government Actuary's Department, unless some other approach has been agreed.
- Allowance for lump sum death in service and other benefits shared across all employers in the Fund.
- An overall adjustment to ensure the notional assets attributed to each employer are equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

In exceptional circumstances, information available will not allow for such cashflow calculations. In these circumstances another method will be agreed to calculate the notional asset share.

Bespoke Investment Strategy for individual employers

The Investment Strategy adopted by the Fund is determined for the Fund as a whole. This Strategy takes into account the characteristics of the Fund 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.

The Fund 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 the Fund 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, the Fund 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.

Attribution of investment income

Where the Administering Authority has agreed with an employer that it will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed notional asset portfolio.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

For already orphaned liabilities, to the extent that the Administering Authority decides not to match these liabilities with asset holdings of UK Government bonds of appropriate term, then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the other employers' notional assets.

Grouping or pooling and risk sharing arrangements

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service. In other words, the cost of such benefits is shared across all the employers in the Fund. Such benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.
In some circumstances it may be desirable to group or pool a number of similar employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include:

- reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund, or
- small outsourcings where the outsourcing employer wishes the service provider / contractor to be given either the same contribution rate as the outsourcing body or the fixed contribution rate agreed contractually, or
- employers have been grouped for practical or commercial reasons.

The Administering Authority recognises that grouping/pooling of employers can give rise to cross subsidies from one employer to another over time. ~~The Administering Authority's policy is to consider the position carefully at each actuarial valuation and to notify each employer that is grouped that this is the case, and that grouping/pooling of employers will only occur with the consent of the employers involved.~~ The Administering Authority's standard approach to setting employer contributions is to not group employers together other than in certain historical cases as set out in the Admissions and Terminations Funding Policy. 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.

Details of the groups / pools, the participants at the date of writing this Statement and the way they operate are set out in the Admissions and Terminations Funding Policy.

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Risk sharing

Risk sharing arrangements may be permitted at the discretion of the relevant Scheme employer and the Administering Authority. The terms of any risk sharing arrangement will be set out in a separate agreement between the employers involved. The Administering Authority would generally not expect to be a party to such agreements.

Guarantors

Guarantees from employers participating in the Fund

Some employers may participate in the Fund by virtue of the existence of a guarantor. The Administering Authority maintains a list of employers and their associated Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a guarantor to include the following:

- If an employer ~~exits the Fund and~~ defaults on any of its financial obligations to the Fund (including upon exit from the Fund), the guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund actuary as due, including any interest payable.
- If the guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the guarantor may subsume the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities.

During the period of participation of the employer a guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action may be to change the funding target for the employer, which could lead to reduced contribution requirements.

Guarantees from relevant public bodies and others

Some employers in the Fund have guarantees from external public bodies; academies and colleges have a guarantee from the Department for Education. This guarantee means that the Fund treats these employers for funding purposes in a similar way to the secure (tax raising) scheduled bodies.

Other guarantees from external bodies will be assessed individually by the Administering Authority, with advice from the Fund actuary and having received specialist covenant advice if appropriate, to determine the impact on the funding approach for the relevant employers.

Link to Investment Strategy Statement

Funding and investment strategy are closely linked. Investment strategy is set by the Administering Authority, after taking investment advice.

The Administering Authority has produced this FSS having taken an overall view of the level of risk inherent in the investment policy set out in the ISS published under Regulation 7 of the Investment Regulations and the funding policy set out in this FSS.

Field Code Changed

Funding is defined as the making of advance provision to meet the cost of accruing benefit promises. Members' contributions are set by the Regulations at a rate which covers only part of the cost of accruing benefits. Investment income meets a further part of the cost. Employers pay the balance of the cost of delivering the benefits to the members. Decisions regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made, and if investment returns or income are lower than expected, then higher employer contributions may be needed.

The investment strategy should therefore take account of the liability profile and funding position. The discount rate is calculated based on the strategic asset allocation;~~, and so it is important to consider the consequent changes in funding position and solvency objective when setting investment strategy.~~ any changes to the investment approach must be assessed in terms of their impact on the funding level and the Fund's long-term solvency objective.

Equally, the funding strategy allows for the investment strategy when setting the discount rate (which is based on expected investment returns on the Fund's long-term investment strategy).

The 2025 actuarial valuation is based on the following high-level long term strategic asset allocation for Liability Supporting Assets:

Main asset classes	Strategic allocation (used for 2025 valuation)
Global Equities	45.00%
UK Index-Linked Gilts	15.00%
Investment grade credit	7.50%
Property	5.00%
Infrastructure	15.00%
Non-investment grade credit	5.00%
Private Credit	7.50%

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The Administering Authority will examine ways of providing individual employers, at their request and at their own risk and cost, with an investment strategy that may be more tailored to their individual liabilities. The implementation of a bespoke investment policy for an individual employer, or group of employers, will be at the Administering Authority's discretion.

The Administering Authority will continue to monitor the suitability of the investment policy in light of the Fund's developing liabilities and finances. The Administering Authority will continue to review the FSS and the ISS to ensure that the overall risk profile remains appropriate. Such reviews may use asset liability modelling or other analysis techniques. See the Investment Strategy Statement for more information.

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Setting employer contributions

As part of each actuarial valuation, separate employer contribution rates are assessed by the Fund actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between actuarial valuations as permitted by Regulations 64(4) and 64A. Further details of the Administering Authority's policy in relation to reviewing contributions are set out in the Admissions and Terminations Funding Policy.

Field Code Changed

Employer contribution rates are set using the same funding target assumptions as for the liabilities.

Employer contributions are made up of primary and secondary contributions, which together make up the total contributions for each employer. The employer contributions are specified in the rates and adjustments certificate included with each actuarial valuation, and/or in any updates to the certificate between actuarial valuations.

The Actuarial Valuation report also shows a weighted average contribution rate based on the whole Fund payroll, both the average percentage rates payable and a total amount in respect of cash adjustments. The purpose of this is to show a single rate of contributions expected to be received by the Fund over each of the three years, that can be readily compared with other funds and reconciled with actual receipts.

Primary contributions

For open employers (i.e. those who still admit new members) the Projected Unit method is used in the actuarial valuation. This me~~ans that the~~ thod calculates the primary contribution ~~rate~~ as the estimated cost of benefits expected to accrue to active members during the year following the valuation date. This cost is expressed as a percentage of members' pensionable pay for that period, excluding the contributions made by members themselves.~~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, over and above members' own contributions.~~

For closed employers (i.e. those who no longer admit new members)~~ (closed employers)~~, the Attained Age valuation method is normally used. This method calculates the primary contribution ~~This means that the primary contribution rate is derived as~~ as the average cost of benefits expected to accrue~~ing~~ to existing members, again, excluding their own contributions,~~ (over and above their own contributions)~~ over the period until they ~~die,~~ leave the Fund,~~ or~~ retire or pass away.~~.~~

Secondary contributions

In addition to the primary contribution rate, which covers the cost of benefits accruing to members, each employer's total contribution requirement is adjusted to reflect their individual funding position.

Where an employer has a funding surplus or ~~a~~ deficit, a positive or negative adjustment is applied to the primary contribution rate ~~is needed to arrive at~~to determine the the total contributions ~~each employer is required to~~ payable. This adjustment, known as the secondary contribution, may be expressed either as a lump sum or as a percentage of pensionable payroll.

~~(t~~If~~his requirement is modified where~~ a "surplus buffer" is in place~~,~~ (as described in the section on "Removal of surplus"), ~~is in operation). This adjustment is called~~ the secondary contribution~~. The secondary rate may be expressed as a lump sum payment or as a percentage of payroll.~~ requirement may be modified accordingly.

Recovery Periods

The recovery period is the time period over which the secondary contribution is payable. The recovery period applicable for each employer is set by the Fund actuary in consultation with the Administering Authority, and having regard to representations from the employer where appropriate, taking into consideration the following:

- The aim to keep employer contribution rates stable
- The size of the funding shortfall
- The employer's business plans
- The need to maintain solvency, which is consistent with a desire to set deficit recovery periods as short as possible
- The covenant of the employer, and any guarantee or subsumption agreement from another employer in the Fund
- The expected period of participation in the Fund of the employer
- Representations received from the employer (e.g. admission body) and any Scheme employer or guarantor

- The risk associated with adopting a recovery period for recovery of deficit (rather than requiring immediate payment), which increases as longer deficit recovery periods are chosen. The risk is that, by adopting this approach, relatively little action is taken to restore full funding between actuarial valuations.

In particular:

- The Administering Authority has agreed with the Fund actuary that a maximum deficit recovery period of 15 years will apply to ~~for~~ employers ~~which are~~ assessed as long term secure by the Administering Authority ~~as being a long term secure employer~~.
- Where an employer has a funding deficit across successive valuations, the Fund's objective is to maintain a consistent recovery plan. The aim is to ensure that the original deficit continues to target the same recovery end date, while any new emerging deficits are addressed in line with the principles set out in this section. This approach is balanced against the Fund's broader objective of maintaining stability in employer contribution rates, helping to avoid significant fluctuations in required payments from one valuation to the next.
- ~~Where there is a deficit for employers over successive valuations, the aim will be to set the recovery period in successive valuations so that the existing deficit continues to target the same date of recovery, whilst new emerging deficits are recovered as set out in this section, and balancing this with the desire for stability in employer contribution.~~
- The Administering Authority and Fund actuary would be unlikely to agree to a r~~R~~ecovery p~~P~~eriod longer than the remaining term of participation.
- For employers that are closed to new entrants and do not have a fixed term of participation, the recovery period will generally be set to be the future working lifetime of the remaining active members.
- ~~For any employers that have entered into a deferred debt agreement, the recovery period will generally be set equal to the remaining period of the deferred debt agreement.~~
- As a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the previous actuarial valuation for those employers where substantial deficits remain.

T~~It is acknowledged by t~~he Administering Authority acknowledges ~~-~~that, whilst ~~posing a relatively~~the overall ~~low~~ risk to the Fund as a whole is relatively low, ~~it is possible that~~ some smaller employers may ~~be~~ face~~d with~~ contribution~~s~~ levels that could seriously impact their operational viability in the future~~affect their ability to function in the future~~. Accordingly, subject to ~~The Administering Authority, therefore, after specific agreement has been obtained by Fund Officers~~ specific approval from the Pension Fund Committee, the Administering Authority may exercise its~~would be willing to use its~~ discretion to negotiate an evidence based affordable ~~level of~~ contribution rate for such employers for the ~~organisation for the three years~~period 2026/2029.

Any application of this discretionary option ~~is at the ultimate discretion~~ will be considered solely at the Administering Authority 's discretion. It will only be entertained upon submission of appropriate supporting evidence and on the condition that the proposed contribution level does not conflict with the statutory requirement to set employer contributions in a manner that ensures the Fund's solvency and long-term cost efficiency. ~~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 Fund.~~

Removal of surplus

In line with the objective of maintaining stability in employer contribution rates, and the overarching requirement to ensure the Fund's solvency~~Consistent with a desire to keep employer contribution rates as stable as possible, and the requirement to maintain solvency for the Fund~~, the surplus considered~~allowed for~~ in the calculation of the secondary contribution shall generally only apply to the portion of surplus exceeding a defined funding level threshold, or "surplus buffer." For the 2025 valuation, this threshold will be set at 110%. The Administering Authority will review this threshold at each triennial actuarial valuation and may revise or disapply it, where appropriate, taking into account the need for contribution stability, fairness across employers, and the management of funding risk.~~surplus in respect of an employer funding level above a certain threshold or "surplus buffer", which will be 110% at the 2025 valuation. The Administering Authority will review this threshold level every three years in conjunction with the actuarial valuation and may amend~~

~~the threshold or disapply this element of the strategy if it considers it appropriate to do so, having regard to the overall desirability of stability of contributions, and balancing fairness to participating employers and funding risks.~~

For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted at the 2025 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 will be to remove any surplus in excess of 10% over a maximum period of 15 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 2025 valuation.
- If surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount.

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~~ through a reduction in the percentage rate applied to ~~of~~ pensionable pay ~~rate~~ rather than by assigning~~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.

Phasing in of contribution rates

In line with the objective of maintaining stability in employer contribution rates,~~Consistent with a desire to keep employer contribution rates as stable as possible,~~ the Administering Authority will consider, at each actuarial valuation, whether new contribution rates should be payable immediately, or be reached by a series of "steps" over future years (this could be an increase or decrease in employer contribution rates).

The Administering Authority will discuss with the Fund actuary, the risks associated with phasing contribution changes and~~inherent in such an approach, and~~ will evaluate~~xamine~~ the financial impact and risk~~s~~ profile ~~associated with~~ of each employer. Where an employer is required to increases its contributions, ~~-T~~the Administering Authority's ~~policy is that for employers increasing their contributions,~~ will generally permit a maximum ~~no more than~~ of three equal annual steps (i.e. the valuation period). ~~-~~ However, in exceptional~~will be permitted, although~~ ~~in certain~~ circumstances a longer phasing period may be considered, after consultation with the Actuary.

Fund maturity

To safeguard the Fund and its participating employers against the risks associated with increasing maturity and declining payrolls, both of which can lead to volatile contribution rates, the Administering Authority will generally require secondary contributions to be paid as fixed monetary amounts where a funding deficit is identified~~To protect the Fund and individual employers from the risk of increasing maturity and, declining payrolls producing unacceptably volatile contribution adjustments as a percentage of pay, the Administering Authority will normally require monetary secondary contributions from employers in respect of any disclosed funding deficit~~.

However, i~~I~~n ~~certain circumstances~~cases ~~,~~involving secure employers deemed by the Administering Authority to have a long-term commitment to the Fund, deficit recovery contributions may be expressed as a percentage of payroll. ~~for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficit may be set as a percentage of payroll.~~ Where an employer is assessed to be in surplus and total contributions are ~~to be~~ set below the primary rate, thi~~s will be implemented via~~ s~~a~~ reduction will be applied through a lower ~~in the~~ percentage of pensionable pay ~~rate~~ rather than ~~via~~ a negative monetary a~~a~~mount. In all cases, ~~(subject to a minimum~~ the overall contribution rate ~~of~~ will not fall below zero~~)~~.

Grouped/Pooled employers

Where employers are grouped or pooled for funding purposes, ~~T~~their assets and liabilities ~~for employers~~ will allow for any assets and liabilities they have ~~employer has~~ agreed to subsume, such as those arising from an exit, merger or reorganisation of other employers. ~~relating to employers who have exited or have been taken over / merged as a result of reorganisation.~~ T~~T~~his includes cases where an employer has provided a

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subsumption guarantee for another exiting employer, or where academies and schools have joined a Multi Academy Trust.~~will include employers who have exited and had a subsumption guarantee from another employer, and academies and schools who join a MAT.~~

Employer contribution rates will be determined in accordance with the grouping or pooling arrangements in place.~~Where employers are grouped or pooled for funding purposes, employer contributions will be set allowing for the grouping/pooling.~~

Advance payment of contributions

The Administering Authority may, after considering the advice of the Fund actuary, permit ~~particular~~ certain 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. If contributions are paid early based on estimated payroll figures, a reconciliation (or "true-up") may be required. This ensures that the total contributions received, after applying the discount, are not lower than what would have been payable based on actual payroll data.~~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.~~

Additional contributions

Employers are required to make additional contributions to the Fund when granting discretionary member benefits. These include~~Employers will have to pay additional contributions to the Fund when granting additional member benefits~~:

- Awards of additional pension
- Early retirement on unreduced benefits prior to normal pension age (commonly referred to as "strain costs," such as those arising from redundancy)

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These contributions are necessary to ensure the Fund remains appropriately funded and to reflect the cost of the enhanced benefits granted.

- ~~Retirement before normal retirement age on unreduced benefits (e.g. on redundancy), commonly called "strain costs"~~

Conflicts of interest

To ensure transparency and integrity in funding decisions, the following measures are in place:~~In relation to funding, the following measures are in place:~~

- Maintenance of a log of interests and declarations of Pension Fund Committee members in key meetings
- The Pension Fund Committee sets ~~agreeing~~ high-level principles ~~of~~for the funding strategy~~,~~ and actuarial ~~assumptions which~~assumptions, which apply across~~to~~ all employers.~~,~~ Individual employer contribution rates are calculated by the Fund Actuary based on these overarching decisions. ~~rather than making decisions on individual employer rates. The Fund actuary will calculate resulting employer rates based on those high-level decisions around risk appetite and objectives~~
- The actuarial team advising the Fund does not provide actuarial advice to participating employers, with agreed conflict of interest protocols in place to safeguard impartiality.
- The Fund actuary is ~~subject to~~bound by professional standards, ensuring that certified contribution rates are prudent and compliant with regulatory requirements.~~ which requires them to only certify contribution rates which are sufficiently prudent and in line with the Regulatory requirements~~
- The valuation process is subject to central oversight, including review by the Government Actuary's Department under Section 13 of the Public Service Pensions Act, to confirm it meets the criteria for solvency and long-term cost efficiency.

~~**There is central oversight of the valuation process and whether it meets the requirements of solvency and long-term cost efficiency from the Government Actuary's Department review under Section 13 of the Public Service Pensions Act.**~~

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Monitoring employer covenant

The Administering Authority monitors employer risk/covenant.

- For tax raising bodies, strength of covenant is taken to be high
- For other employers, a risk assessment is carried out as set out below
- For employers with a guarantee or subsumption commitment from another employer in the Fund, the covenant of the guarantor is considered.

Employer risk assessment

The Administering Authority assesses employer risk as part of each triennial actuarial valuation. This consists of looking at various metrics such as the type of employer, funding sources, any guarantees, and the expected length of participation.

For some employers, a more detailed risk or covenant assessment may be considered appropriate. In such cases, the Administering Authority will request advice from a covenant specialist.

Link to Administration Strategy

Employers must comply with the Fund's Administration Strategy, and have regard to other relevant policies published on the Fund's website.

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In particular, employers should note that it is important to provide accurate and timely data to the Administering Authority, so that the funding strategy can be implemented correctly.

The Administering Authority expects all employers in the Fund to take into consideration the effect of their behaviours on the Fund, for example when considering:

- Discretions policies
- Outsourcing decisions

All employers need to inform the Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution, mergers with other organisations, or other decisions which will or may materially affect the employer's Fund membership.

Employers considering outsourcing any services should advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

Employer events

Joining the Fund

Some employers are entitled to join the Fund under Schedule 2 of the LGPS 2013 Regulations. Other employers may apply to the Administering Authority for admission, and if admitted they will become an Admission Body in the Fund.

Initial notional asset transfer

When a new employer starts in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer. The Fund actuary will calculate the funding target and hence the notional asset transfer at the new employer's commencement date.

Further detail ~~in regards to~~regarding the notional transfer of assets at admission can be found in the Fund's Admissions and Terminations Funding Policy.

Employer contributions

Initial contribution rate

When a new employer joins the Fund, the Fund actuary determines the initial employer contribution rate payable from their ~~new employer's~~ commencement date. When setting the employer contribution rate the following elements will be taken into consideration:

- Any past service or inherited liabilities.
- Whether the new employer is open or closed to new entrants.
- For Admission Bodies, whether the admission agreement is fixed term or not, and the period of any fixed term contract period.
- Other relevant circumstances.

Review of contributions

The Regulations require a triennial actuarial valuation of the Fund. As part of each actuarial valuation, separate employer contribution rates are assessed by the Fund actuary for each participating employer or group of employers and may be increased or reduced.

The Administering Authority also monitors the position and may amend contributions between triennial actuarial valuations as permitted by Regulations 64(4) and 64A. The Fund's policy on contribution reviews is set out in the Admissions and Terminations Funding Policy.

Contributions for grouped/pooled employers

Where an employer is joining a group or pool of employers, they will generally be set a contribution rate in line with the rate the other members of the group/pool are paying.

Bonds and other security~~isation~~

Schedule 2, Part 3, Paragraph 6 of the Regulations ~~creates a requirement for~~requires a new admission body to carry out, to the satisfaction of the Administering Authority (and the Scheme employer in the case of a body admitted under Schedule 2, Part 3 Paragraph 1(d)(i) of the Regulations), an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

Where the level of risk identified by the assessment is ~~such as to require it~~considered significant, the admission body will be required to ~~shall~~ enter into an indemnity or bond with a~~n~~ suitable third ~~appropriate~~ party. ~~Where it is not desirable for an admission body to enter into~~ If an indemnity or bond is not appropriate, the admission body ~~is required to~~ must secure a guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of the admission body.

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The Administering Authority's approach in this area can be found in the Fund's Admissions and Terminations Funding Policy.

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Exit of an employer from the Fund

Where an employer exits the Fund, an exit valuation will be carried out by the Fund actuary in accordance with Regulation 64.

The funding target used for the exit valuation will depend on the circumstances on exit and/or the type of employer exiting the Fund.

The exit valuation may reveal either a surplus or a deficit, and how these are dealt with is set out below. Further detail is set out in the Admissions and Terminations Funding Policy.

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Exit payments

Where the exit valuation ~~reveals~~ identifies a deficit, the exiting employer will be expected to make good the funding position.~~, revealed in the exit valuation.~~

The Administering Authority's policy is that generally any deficit that exists at exit of an employer will be payable immediately as a single payment. In certain cases, the Administering Authority may be prepared to agree payment over a period of time as permitted under Regulation 64B. The Administering Authority's policy in relation to spreading of exit debt is set out in the Admissions and Terminations Funding Policy.

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Exit credits

Where the exit valuation ~~discloses~~ identifies a surplus in the Fund in respect of the exiting employer, an exit credit may be due to the employer.

As soon as ~~is~~ reasonably practicable following ~~after~~ the completion ~~production~~ of the ~~applicable~~ exit valuation, the Administering Authority will notify the exiting employer. ~~and, w~~Where the exiting employer ~~has been~~was admitted to the Fund as an admission body, the Authority will also notify any guarantor, Scheme employer or subsuming employer ~~where applicable,~~ of the following:

- T~~The fact t~~hat the exit valuation shows a surplus.~~;~~
- That the Administering Authority intends to make a determination of whether the~~is~~ surplus should be passed in whole or in part to the exiting employer
- T~~To request t~~hat each party is invited to send ~~provides their~~ written representations to the Administering Authority in relation to any factors ~~which, in their view~~they believe~~, w~~ should influence such a decision and, make the payment of a surplus to the exiting employer more or less appropriate.

The Administering Authority will then make a determination of the amount of the exit credit (if any) payable to the exiting employer.

More detail on the exit credit process is set out in Admissions and Terminations Funding Policy.

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Suspension notices

Regulation 64(2A) permits the Administering Authority -to delay ~~suspension of the requirement to~~ carrying out an exit valuation for ~~a period of~~ up to three years, if it ~~where the~~ reasonably ~~Administering Authority~~ believes that the employer is likely to have one or more active members contributing to the Fund during that time. This is confirmed through a formal~~within the period specified in the~~ suspension notice.

Whilst under a suspension notice, the employer must continue to pay any certified secondary contributions as if it were an ongoing employer. The Fund actuary will recalculate contributions due at the next actuarial valuation. If there are no new members by the time the suspension notice expires the employer will be treated as an exiting employer as at the date the suspension notice expires.

More detail on the suspension notice process is set out in Admissions and Terminations Funding Policy.

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Partial terminations

A partial termination occurs where an employer exits the Fund in respect of non-active members only. In general, the Administering Authority does not permit partial terminations. Any requests from employers will be considered on a case-by-case basis.

Bulk transfers

A bulk transfer occurs when ~~2~~ two or more members transfer to another registered pension scheme under Regulation 98, or where 10 or more members transfer to or from another LGPS fund under Regulation 103(3).

The steps that are normally involved in a bulk transfer are as follows:

- The actuaries of the two funds/schemes agree the membership and data of the members transferring.
- The actuary of the original fund/scheme proposes a basis for a transfer payment, usually set out in an "actuary's letter". Where this is under Regulation 98, this will also cover the service credits to be granted.
- The actuaries of the two funds/schemes, together with the funds and the relevant employers, negotiate and agree the final basis for the transfer payment, and a final actuary's letter is produced and signed.
- Example calculations are carried out and agreed between the actuaries.
- A payment date is agreed, and final payment is made.

Appendix 1: Key Risks

The Administering Authority has an active risk management programme in place. ~~The Administering Authority~~It maintains ~~keeps,~~ and regularly reviews~~,~~ a risk register to identify and monitor the risks to the Fund. ~~and will, w~~ Wherever possible, steps are taken ~~take~~to reduce the ~~appropriate action to limit the~~ impact of these risks, both before and after they occur~~emerge~~. The key risks most likely to impact ~~on~~ the funding strategy, along with the ~~and~~ measures in place to manage them ~~that the Administering Authority has in place to control those risks~~ are summarised below.

Economic risk

Economic risks can affect both assets and liabilities.

The main risks affecting the liabilities include interest rates and price inflation. The Administering Authority will ensure that the Fund actuary investigates these matters at each actuarial valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund actuary any changes necessary to the assumptions used to calculate the liabilities to allow for observed or anticipated changes.

Interest rates, inflation, and wider macro-economic risks can also affect the assets held. In addition, the assets may not be affected in the same way as the liabilities. Investment risk is covered in more detail below.

The Fund actuary will also generally 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, i~~ If any of these changes are considered to be material, the Authority may ask the Fund actuary to assess their impact on ~~report on their effect on~~ the Fund's financial~~funding~~ position.

If significant funding changes become apparent between actuarial valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next actuarial valuation. It will also ~~and~~ consider whether any existing bonds held~~in place for~~ for Admission Bodies require review. Please see the Fund's Admissions and Terminations Funding Policy for further details.

Investment risk

This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to 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 Administering Authority invests a substantial proportion of the Fund in assets which are expected to offer higher long-term rates of return on average but can be more volatile. This short-term volatility in returns can result in volatility in funding positions and employer contributions.

The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, as set out in the ISS.

Producing low volatility in employer contributions would require material investment in "matching" assets for the liabilities, i.e. investing in very secure assets that behave in a similar way to the liabilities as economic conditions alter (e.g. long-dated index-linked gilt investments). However, a matched strategy could increase employer contributions from their current levels.

The Fund actuary sets the discount rate by taking into account expected returns and volatility of each asset class in the long-term investment strategy. This can help mitigate the risk in that movements in asset values typically impact expected returns on those asset classes, and liabilities should move in a similar way to the assets, helping to manage the impact on the funding position.

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 Pension Fund 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 the inability to effectively execute the investment strategy.

The Administering Authority or the Asset Pool reviews each investment manager's performance regularly. The Administering Authority also regularly considers the asset allocation of the Fund at least once every three years by carrying out an asset allocation review. The Administering Authority also regularly reviews the effect of market movements on the Fund's overall funding position.

Demographic risk

The main demographic risks that may affect the liabilities include life expectancy, changing retirement patterns and other demographic risks. The Administering Authority will ensure that the Fund actuary investigates these matters at each actuarial valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund actuary any changes necessary to the assumptions used to calculate the liabilities to allow for observed or anticipated changes.

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

~~Where it appears likely to~~If the Administering Authority ~~that for~~considers that an employer's liabilities~~ the amount of the liabilities~~ have ~~arising or likely to arise has~~ changed significantly since the last actuarial valuation, it may, in line with Regulation 64A and its own policy~~the Administering Authority may consider~~, review and revis~~eing~~ ~~an~~ the employer's contribution rates accordingly~~s as permitted by Regulation 64A in line with the Administering Authority's policy~~. Please see the Fund's Admissions and Terminations Funding Policy for further details.

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 under review and will commission advice from the Fund actuary on the potential effect on funding as required.

The impact on financial markets and life expectancy / morbidity will also impact the value placed on the liabilities, which can also significantly change the funding level and any surplus or deficit, and the resulting employer contributions.

The Fund's investment advisors carry out scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period. The analysis is in line with the key principles document agreed by the actuarial firms providing advice to LGPS funds and approved by the Government Actuary's Department, the Ministry for Housing, Communities and Local Government and the England and Wales LGPS Scheme Advisory Board.

Liquidity and maturity risk

Changes to the LGPS may impact upon the maturity profile of the Fund and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery may result in the following:

- active members leaving the Fund
- transfer of responsibility between different public sector bodies
- scheme changes which might lead to increased opt-outs
- spending cuts and their implications

All of these may result in workforce reductions that would reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken into account in previous forecasts. The Fund recognises that ~~permitting~~ allowing the funding target to be met~~achieved~~ over ~~a period~~time (through a ~~(the~~ recovery period), r~~)~~ ~~r~~ather than immediately, introduces a risk that the actions taken to restore solvency may be~~is~~ insufficient between ~~successive measurements~~valuation cycles.

The Administering Authority~~'s~~ encourages ~~policy is to require~~ regular communication ~~between itself and~~with employers and monitors ~~to ensure reviews of~~ the maturity ~~at~~ of both the overall Fund and individual employers, particularly where significant issues are identified. ~~level where material issues are identified.~~

The Fund's policy is to discuss the risks inherent in each situation with the Fund actuary and to limit the permitted ~~length of~~ recovery period to no longer than 15 years.

For closed employers the r~~R~~ecovery p~~P~~eriod will only ~~be permitted to~~ exceed the future working lifetime of the active members, ~~as~~ calculated by the Fund actuary, in exceptional circumstances. This approach helps protect the Fund from potential risks, such as increased volatility in contribution requirements as the employer's membership declines.~~This limits the exposure of the Fund to potential adverse consequences which can arise due to increasing volatility of contribution requirements for the closed employer as membership declines.~~

Regulatory/compliance risk

The Fund is exposed to ~~The~~ risks ~~relate to~~arising from changes ~~to~~ in general legislation, ~~and~~ LGPS specific regulations, national pension requirements and~~or~~ HM Revenue and Customs' rules.

The Administering Authority ~~will keep abreast of all~~actively monitors proposed changes and, where these may affect~~. If any change potentially affects the~~ fund costs, ~~of the Fund, the Administering Authority will ask the~~ will seek advice from the Fund actuary to assess the ~~possible impact on costs of the change~~potential financial impact. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.

There ~~are~~ were a number of uncertainties associated with the benefit structure at the time this FSS was last updated, in particular:

- The outcome of the cost management process as at 31 March 2024.
- The Goodwin case in which an Employment Tribunal found that~~ruled (in relation to~~ the Teachers' Pension Scheme discriminated on the grounds of sexual orientation~~)~~ by providing~~that the~~ less favourable ~~provisions for~~ survivor~~'s~~ benefits ~~of a~~to female members in ~~an~~ opposite sex marriages compared to those in~~a female in a~~ same sex marriages or civil partnerships~~ amounts to direct discrimination on grounds of sexual orientation~~. As a result, changes to the LGPS Regulations are expected to ensure survivor benefits

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are applied equally across all relationship types. ~~It is expected that changes will be made to the LGPS Regulations to reflect the ruling.~~

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- The McCloud remedy affects pensions built up between 1 April 2014 and 31 March 2022 for members who joined the LGPS before 1 April 2012. The impact of this remedy may be significant, particularly where complete and accurate member data is not yet available to assess the underpin protection ~~The impact of the McCloud underpin to 2014-2022 pensions for those who joined the LGPS before 1 April 2012, particularly where full data is not yet available~~.
- The court judgement in Virgin Media v NTL Pensions Trustees may have some implications for the LGPS.

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.

For the 2025 actuarial valuation, the Fund will make an appropriate allowance for the McCloud remedy, based on individual member data provided. An estimated allowance will also be included to reflect the potential additional liabilities arising from the Goodwin case.~~For the purposes of the 2025 actuarial valuation, an appropriate allowance will be made in respect of the McCloud remedy based on data provided in respect of individual members.~~

~~An approximate allowance will also be made for the purposes of the 2025 actuarial valuation to allow for the potential additional liabilities arising from the Goodwin case.~~

Employer data quality risk

Actuarial calculations such as triennial actuarial valuations, employer contribution rates, and exit valuations, rely on accurate data being supplied.

Where data quality is low, there is a risk that these calculations are not ~~as~~ accurate, which could lead to employer contributions and/or exit payments being set too high or too low.

The Fund actuary carries out data validation to assess the quality of the data in advance of each triennial actuarial valuation. Where required, the Fund actuary and the Administering Authority will agree an approach for data that is not ~~of the highest quality~~fully accurate or complete. For example, this may take the form of estimating missing data items from other available items of data.

Governance risk

This covers the risk of unexpected changes in the structure~~al~~ ~~of changes in~~ Fund membership, such as an ~~(for example the~~ employer closing ~~ure of an employer~~ to new entrants or ~~the~~ large groups of staff leaving or retiring ~~-scale withdrawal or retirement of groups of staff),~~ and the ~~related~~ risk ~~of~~that the Administering Authority may not be~~ing~~ made aware of these~~such~~ changes in a timely manner.

To manage the risk, t~~T~~he policy is to ~~require~~ maintain regular communication between the Administering Authority and employers. ~~and~~ It also includes~~to ensure~~ regular reviews of key areas like~~such items as~~ bond arrangements, the financial health of ~~standing of non-tax raising~~ employers who don't raise taxes and funding levels.

Orphaned liability risk

This risk arises from ~~the risk of~~ employers leaving the Fund and leaving orphaned liabilities. In ~~addition~~addition, there is also a risk that deficits might arise in respect of already orphaned liabilities.

Funding targets are set to match the ~~target the~~ assumed exit position, helping to reduce the risk of a deficit~~s~~ when an employer leaves the Fund~~arising on exit~~.

The Administering Authority aims to protect other employers in the Fund from having to cover any deficit linked to orphan liabilities. To do this, it will seek sufficient funding from the exiting employer to allow those

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liabilities to be backed by ~~The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficit arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficit. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with~~ low risk investments, typically~~generally~~ UK Government fixed interest and index linked bonds.

Employer covenant risk

These risks ~~arise~~ come from ~~the ever~~ changesing in the mix of employers in the Fund, including~~from~~ short-term ~~and ceasing~~or exiting employers, and the ~~potential~~ possibility that some may not be able to meet their financial responsibilities. This could lead to payment~~for a~~ shortfall~~s in payments and/~~ or orphaned liabilities .~~where employers are unable to meet their obligations to the Fund.~~

To manage these risks, this FSS outlines how funding risks are handled for different types of employers and other stakeholders.~~The Fund has a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer and other pension fund stakeholders.~~

The Administering Authority regularly monitors employer contributions and expects employers to inform the Fund of any changes in their financial or operational circumstances. If certain conditions under Regulation 64A are met, and in line with the Administering Authority 's Admissions and Terminations Funding Policy, contribution rates may be reviewed between formal triennial valuations.

~~The Administering Authority monitors employer payments and expects employers to engage with the Fund where their circumstances have changed, noting that contributions can be reviewed between triennial actuarial valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy as set out in Admissions and Terminations Funding Policy are met.~~

The Administering Authority will keep up to date information on each employer, including how they participate in the Fund and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the FSS. The Administering Authority monitors employer covenant as set out earlier in the FSS.

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Cyber Security risk

Cyber-attacks pose a risk to the data and systems managed by the Administering Authority and its key external partners, such as the Fund actuary and software providers. These attacks could affect funding directly through asset loss, or indirectly by making it harder to calculate liabilities if data is compromised or lost.

The Fund's systems operate within the organisational arrangements of North Yorkshire Council as the Administering Authority. It works closely with the council's information and cyber security team to ensure strong safeguards are in place to reduce the risk of cyber attacks. Cyber security is also addressed through service contracts with relevant third-party providers, and the Administering Authority engages with key external partners to confirm they have appropriate protections in place.

Appendix 2: Roles and responsibilities

The efficient and effective management of the Fund can only be achieved if all parties are aware of and exercise their statutory duties and responsibilities conscientiously and diligently.

The primary parties to the FSS are the Administering Authority, the Fund actuary and the employers.

The **Administering Authority (the Fund)** is required to:

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the LGPS Regulations
- have an escalation policy in situations where employers fail to meet their obligations
- pay from the pension fund the relevant entitlements as stipulated in the LGPS Regulations
- invest surplus monies in accordance with the relevant regulations
- ensure that cash is available to meet liabilities as and when they fall due
- ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
- manage the actuarial valuation process in consultation with the Fund's Actuary
- prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties
- monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- establish a policy around exit payments and payment of exit credits/debits in relation to employer exits, and around revising employer contributions between actuarial valuations, in accordance with the Fund's Admissions and Terminations Funding Policy
- 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 actuarial valuation and FSS review process as set out in their terms of reference
- support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

The individual **employer** is required to:

- ensure eligible staff ~~who are eligible~~ are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)~~,~~
- provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- pay all ongoing contributions, including employer contributions determined by the Fund actuary and set out in the Rates and Adjustments Certificate, 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 active membership that affect future funding

- pay any exit payments on ceasing participation in the Fund in a timely manner
- notify the Administering Authority of any material change in financial circumstances for the employer

The **Fund actuary** should:

- prepare actuarial valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions agreed with the Administering Authority and having regard to the FSS and the LGPS Regulations
- provide advice so the Fund can agree the necessary assumptions for the actuarial valuation
- 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 exit valuations to the F~~f~~und so that it can make decisions on the exit of employers from the F~~f~~und, and assist the Administering Authority in relation to any decision by the Administering Authority to ~~put in place a Deferred Debt Agreement under Regulation 64(7B) or~~ spread an exit payment under Regulation 64B
- provide advice to the Fund on bonds or other forms of security ~~against~~ to mitigate the financial impact~~effect~~ on the Fund of potential employer default
- assist the F~~f~~und in assessing whether employer contributions need to be revised between actuarial valuations as permitted or required by the LGPS Regulations
- ensure that the F~~f~~und is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund
- identify ~~to the Fund~~ and manage any potential conflicts of interest that may arise in ~~the~~ deliver~~y~~ing the contractual arrangements to the Fund and other clients, and report these to the Fund.

Appendix 3: Glossary

Actuarial Valuation
An assessment by the Fund actuary of the f~~F~~unding l~~L~~evel of the Fund and recommended employer contributions. The assessment of the f~~F~~unding l~~L~~evel is based on calculating the p~~P~~ast s~~S~~ervice l~~L~~iabilities and comparing this to the value of the assets held in the Fund. Actuarial valuations take place every three years (triennial).

Administering Authority
North Yorkshire Council is the Administering Authority to the Fund.

Admission Agreement / Admission Body
An Admission Agreement is a formal contract that allows an organisation to join the Fund as a scheme employer. An Admission Body is an employer that becomes part of the Fund through this agreement.~~A written agreement which provides for a body to participate in the Fund as a scheme employer. An admission body is an employer admitted to the Fund under an admission agreement.~~

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Assumptions
Assumptions about the future need to be made by the Fund actuary ~~in order to~~to calculate how much money the Fund needs at the v~~V~~aluation d~~D~~ate to pay for the benefits that have been earned up to that date~~e Valuation Date~~. These assumptions are estimates of future experience for example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice
The Pensions Regulator's General Code of Practice.

Deficit
~~If the assets are lower than the liabilities, then a deficit exists. The deficit is the difference between the Past Service Liabilities and the assets.~~A deficit occurs when the value of the Fund's assets is less than the amount needed to cover its pension liabilities. It represents the shortfall between what the Fund has and what it owes for past service benefits.

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Employer Covenant
The extent of the employer's legal obligation and financial ability to support its liabilities in the Fund now and in the future.

Fund
The North Yorkshire Pension Fund.

Fund Actuary
An actuary appointed by the Administering Authority to provide advice to the Fund, including carrying out actuarial valuations.

Funding Level
The funding level is the value of assets divided by the value of the liabilities.

Fund Valuation Date
~~The effective date of the triennial fund actuarial valuation~~This is the official date on which the triennial actuarial valuation of the Fund takes effect.

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Guarantee / G~~g~~uarantor
A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor may mean that the f~~F~~und can consider the employer's covenant to be as strong as its guarantor's.

LGPS Regulations

The statutory regulations setting out the contributions payable to, and the benefits payable from, the Local Government Pension Scheme and how the Funds are to be administered. These include the Local Government Pension Scheme Regulations 2013 and various transitional regulations.

Local Pension Board
The board established to assist the A~~a~~dministering A~~a~~uthority as the Scheme Manager for each fund.

Long-term C~~c~~ost E~~e~~fficiency
The notes to the Public Service Pensions Act 2013 state that long-term cost efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the A~~a~~dministering A~~a~~uthority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

Non-statutory G~~g~~uidance
Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable E~~e~~vents
Events which the employer should make the A~~a~~dministering A~~a~~uthority aware of.

Past ~~s~~Service L~~l~~iabilities
The estimated cost, or present value, of pension benefits that members have already earned up to the valuation date, including those currently in payment. These liabilities are calculated using agreed actuarial assumptions and typically include projected future increases to salaries or pensions, where relevant, up to retirement or the date of leaving service.~~This is the cost or present value of the benefits to which members are entitled based on benefits built up to/in payment at the date of calculation, assessed using the agreed assumptions. It generally allows for projected future increases to pay or pension as appropriate through to retirement or date of leaving service.~~

Pension Fund Committee
A committee or sub-committee to which an administering authority has delegated its pension function.

Pensions Administration Strategy
A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary R~~r~~ate of the E~~e~~mployers' C~~c~~ontribution
The primary rate ~~for each employer~~ is ~~that employer's~~the future service contribution rate for each employer.~~,~~ It represents the percentage of pensionable pay required to fund~~ which is the contribution rate required to meet~~ the cost of ~~the future accrual of~~ benefits earned by members in respect of future service~~, expressed as a percentage of pensionable pay~~, ~~ignoring~~ excluding any adjustments past service surplus or deficit. This rate is based on~~ but allowing for any~~ employer-specific circumstances, such as ~~the~~ membership profile~~ of that employer~~, the funding strategy adopted for that employer (including any risk-sharing arrangements set~~operated~~ by the administering authority), the chosen actuarial method ~~chosen~~ and~~/or~~ the employer's financial strength (covenant).

The primary rate for the whole Fund is calculated as the payroll-weighted average ~~(by payroll)~~ of the individual employers' primary rates.

Rates and A~~a~~djustments ~~certificate~~Certificate

A formal certificate issued by the Fund's actuary following ~~required at~~ each actuarial valuation, as required ~~-~~by the LGPS Regulations. It ~~,~~ sets~~ting~~ out the primary and secondary contribution rates~~s~~ payable by each participating employer~~s~~ for the ~~three year~~three-year period starting from 1 April following the valuation date. The certificate reflects the funding strategy and actuarial assumptions agreed for the valuation and is included in the Fund's valuation report.~~s from the 1 April that falls in the calendar year following the Fund Valuation Date.~~

Secondary R~~r~~ate of the E~~e~~mployers' C~~c~~ontribution

The secondary rate is an adjustment applied to the primary rate to determine the total contribution ~~arrive at the rate~~ each employer ~~is required to~~must pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years starting from~~beginning with~~ 1 April ~~in the year~~ following ~~that in which~~ the Fund v~~V~~aluation d~~D~~ate.~~ falls.~~ The secondary rate is specified in the Rates and Adjustments Certificate. For each employer, the total required contribution is the sum of the primary and secondary rates.~~For any employer, the rate they are required to pay is the sum of the primary and secondary rates.~~

The Fund A~~a~~ctuary ~~should~~ also ~~disclose the~~calculates secondary rates for the ~~whole scheme~~entire fund in each of the three years starting from 1 April following the Fund valuation date~~beginning with 1 April in the year following that in which the actuarial valuation date falls~~. These are~~should be~~ calculated as a payroll-weighted average (for percentage rates) based on the whole fund~~ scheme~~ payroll, ~~in respect of percentage rates~~ and as ~~a~~ total cash amount.~~ in respect of cash adjustments.~~ ~~The purpose of t~~This ~~is to show~~provides a single contribution– figure for each year, enabling comparison across funds and reconciliation with actual contributions received. ~~rate of contributions expected to be received by the Fund over each of the three years that can be readily compared with other funds and reconciled with actual receipts.~~

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such a level as to ensure that the scheme's liabilities can be met as they arise". ~~It~~Solvency ~~is not regarded that this means that the~~does not require the ~~pension f~~Fund ~~should~~ to be fully~~100%~~ funded (100%) at all times. ~~Rather, and f~~For the purposes of Section 13 of the Public Service Pensions Act 2013, ~~the rate of~~ employer contribution rates~~s~~ are~~shall be~~ deemed to have been set at an appropriate level to ensure solvency if:

- ~~the rate of employer contributions is set to~~they are designed to target ~~a~~full ~~Funding Level for the Fund of 100%~~ over an appropriate time period, ~~and~~ using appropriate actuarial assumptions; and either:
- employers collectively have the financial capacity to increase employer contributions if needed, and/or the Fund ~~is able to realise~~can access contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place to manage situations where the number of employers ~~should there be, or if there is expected in future to be, no or a limited number of~~in the Fund ~~employers~~significantly reduces, or where ~~a material reduction in the capacity of Fund~~ employers' ability to ~~to~~ increase contributions ~~as might be needed~~becomes limited.

If the conditions above are met, then it is expected that the Fund will be able to pay scheme benefits as they fall due.

Surplus

A surplus exists when the value of the Fund's assets exceeds its past service liabilities.~~If the assets are higher than the Past Service Liabilities, then a surplus exists.~~ The surplus is the difference between the assets held and the the estimated cost of benefits already earned by members. ~~Past Service Liabilities.~~

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North Yorkshire Pension Fund

Admissions and Terminations Funding Policy

lgps | Local Government Pension Scheme

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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 [1]Funding Strategy Statement (the **FSS**).

2 Admissions to the Fund and other new employers

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 When a new employer joins the Fund, they may become responsible for pension liabilities relating to employees' previous periods of service within the Local Government Pension Scheme. This means that, in addition to being responsible for any experience gains or losses arising during their own period of participation in the Fund, the employer may also be required to take on responsibility for any experience gains or losses in respect of benefits built up by members with a previous employer in the Local Government Pension Scheme (LGPS). This is still the case for admission bodies admitted on a 'fully funded' basis. As set out in 2.3 no funding shortfall or surplus is passed onto the new employer at commencement but a surplus or shortfall may emerge during participation and any surplus or shortfall could be as a result of experience gains or losses in respect of service built up in the ~~Local Government Pension Scheme~~(LGPS) (or transferring into the ~~Local Government Pension Scheme~~LGPS) before the commencement of the new employer).

2.~~5~~4 All actuarial and legal fees will be recharged to either 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.

[1] The FSS can be found on the Fund's website at www.nypf.org.uk > About the Fund >Governance Documents.

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.

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;~~reserves.
- if the admission body has an expected limited lifespan of participation in the ~~Fund;~~Fund.
- the general trading risk of the proposed admission body and their financial ~~record;~~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

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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).

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- 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 s~~S~~cheduled 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;~~employer.
- the business plans of the ~~employer;~~employer.
- an assessment of the financial covenant of the ~~employer;~~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

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- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

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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 and~~,~~ 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.

- 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.

- 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 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~~reduced, and it is expected that the assets and liabilities of the employer would move broadly in line with ~~either~~ one another over time. 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 could give~~s~~ 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.~~

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4.25~~6~~ When determining the notional level of assets to be allocated to the new employer ~~no allowance will generally be made for the potential~~the past service liabilities will generally include liabilities arising due to the McCloud judgement~~ / Cost Management process~~ based on information included within the membership data. Where the information included within the membership data is insufficient / incomplete, an~~ then~~ approximate allowance may be made as advised by the Fund Actuary.

4.26~~7~~ 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

4.27~~9~~ 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.

4.28~~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;~~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;~~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.

4.29~~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.

4.30~~2~~ 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;~~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;~~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;~~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.

4.31~~3~~ 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;~~employer.

- a material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to ~~light;~~light.

4.32~~4~~ For an employer whose participation is due to cease within the next ~~3~~ three years, the Administering Authority will monitor developments and may see fit to request an interim valuation at any time.

4.33~~5~~ 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.

4.34~~6~~ 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.

4.35~~7~~ 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.

4.36~~8~~ 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.

4.37~~9~~ 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.

4.38~~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 either the exiting employer or the transferring employer. This will be dependent on the outcome of the exit.

5.2 There are a number of events that will trigger an exit:

- when a contract comes to an ~~end;~~end.
- when a contract is terminated ~~early;~~early.
- when the employer no longer has any active members in the ~~Fund;~~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;~~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 'orphaned 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 s~~S~~cheduled 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 s~~S~~cheduled 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~~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 t~~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.~~ generally include liabilities arising due to the McCloud judgement based on information included within the membership data. Where the information included within the membership data is insufficient / incomplete, an ~~then~~ approximate allowance may be made as advised by the Fund Actuary.

~~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 When calculating the liabilities of the employer at exit, the Fund actuary will allow for full inflationary increases on GMPs for those reaching State Pension Age on or after 6 April 2016.

~~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~~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;~~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;~~payment.
- whether any security is in place, including a charge over assets, bond, guarantee or other ~~indemnity;~~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~~two 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~~ three ~~years~~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;~~surplus.

b) the proportion of the excess of assets which has arisen because of the value of the exiting employer's ~~contribution;~~contribution.

c) the representations received by the parties under paragraph 5.40 ~~above;~~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;~~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;~~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;~~increase.

g) any other relevant factors.

5.43 No single factor will be ~~conclusive~~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: • 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

	• 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). 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;~~surplus.
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.

TPR General code of practice

North Yorkshire Pension Fund (NYPF) - Scheme Assessment

Prepared for: North Yorkshire Council
NYPF Pension Committee
NYPF Pension Board

Prepared by: Aon

Date: 14 August 2025

Institute and Faculty of Actuaries Quality Assurance Scheme

Introduction

TPR Code Compliance model

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

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

Key

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

The governing body

The governing body

The governing body – at a glance

Board Structure and activities

Fully compliant in 5 out of 5 modules

No questions are red and no questions are amber out of 30 questions.

Knowledge and understanding requirements

Fully compliant in 2 out of 2 modules

No questions are red and no questions are amber out of 20 questions.

Advisers and service providers

Fully compliant in 1 out of 1 module

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

Risk Management

Fully compliant in 5 out of 6 modules

No questions are red and no questions are amber out of 50 questions. 1 question is unanswered.

Scheme governance

Fully compliant in 1 out of 1 module

No questions are red and no questions are amber out of 24 questions.

Essential actions

- Expected behaviours & standards to be included in future induction training
To be included in training policy/strategy document
Training policy currently being updated
- To review outcome of Hymans knowledge assessment and develop plan from that. Policy created and training requirements put in place.
- To review outcome of Hymans knowledge assessment and develop plan from that. Policy created and training requirements put in place.
- Expected behaviours & standards to be included in future induction training
- K&U assessment completed. Training requirements to be identifed and delivered.
- To create ESOG review policy
To discuss with Veritau to include as part of internal audit program. To review an element each year.

Comments

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

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

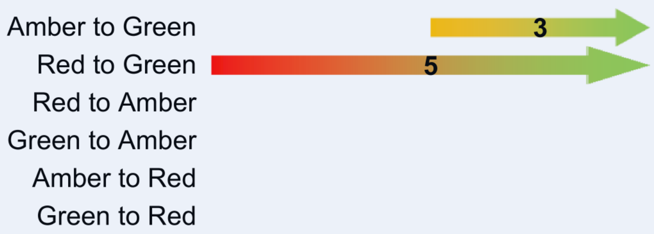
OFFICIAL - SENSITIVE

The governing body - changes

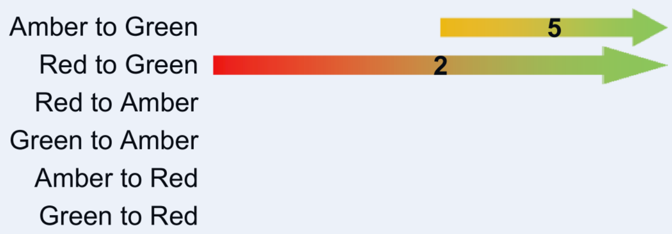
Changes since previous report (if relevant)

The charts below shows how many responses to the questions have changed Red, Amber, Green (RAG) status within each sub-section. If you click within the blue boxes it will take you to the relevant modules (which also records the previous answer and previous score).

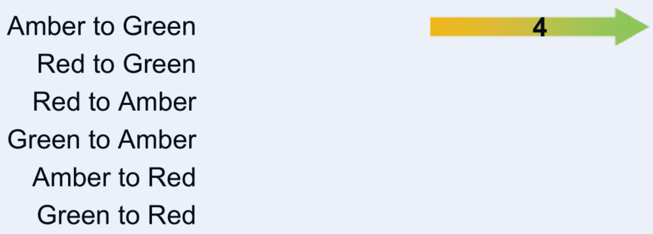
Board structure and activities



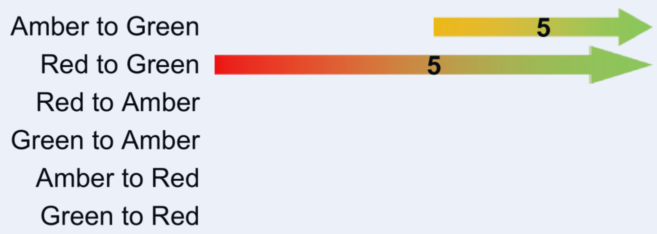
Knowledge and understanding requirements



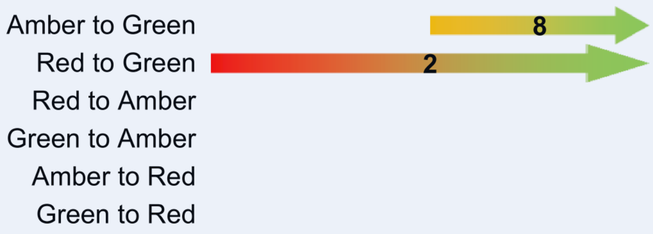
Advisers and service providers



Risk management



Scheme governance



The governing body

Modules

Board structure and activities

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

Knowledge & understanding requirements

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

Value for scheme members (DC only)

- *Value for members (7)*

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

Advisers and service providers

- Managing advisors and service providers (4)

Risk management

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

Scheme governance

- Systems of governance (4)

OFFICIAL - SENSITIVE

Funding and investment

Funding and investment

Funding and investment – at a glance

Investment

Fully compliant in 4 out of 4 modules

No questions are red and no questions are amber out of 37 questions.

Essential actions

- RI policy - check it covers operational risk

Comments

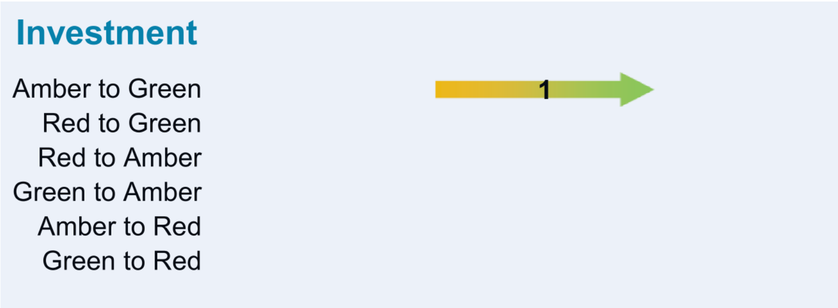
The Administering Authority have selected to answer all questions within this section.

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

Funding and investment - changes

Changes since previous report (if relevant)

The charts below shows how many responses to the questions have changed Red, Amber, Green (RAG) status within each sub-section. If you click within the blue boxes it will take you to the relevant modules (which also records the previous answer and previous score).



Funding and investment

Modules

Investment

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

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

Administration

Administration

Administration – at a glance

Scheme administration

Fully compliant in 1 out of 1 module

No questions are red and no questions are amber out of 16 questions.

Information handling

Fully compliant in 3 out of 4 modules

No questions are red and 1 question is amber out of 42 questions.

IT

Fully compliant in 2 out of 2 modules

No questions are red and no questions are amber out of 17 questions.

Contributions

Fully compliant in 2 out of 3 modules

No questions are red and 1 question is amber out of 13 questions.

Essential actions

- BCP draft created, with Cyber Security for review
- Move to i-Connect remittance functionality would improve efficiency and accuracy
- Check what i-Connect does re contributions vs p.able pay. And what checks are done at year end
- Resolving Conts - Documented process needed for Finance actions on overdue contributions.

Comments

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

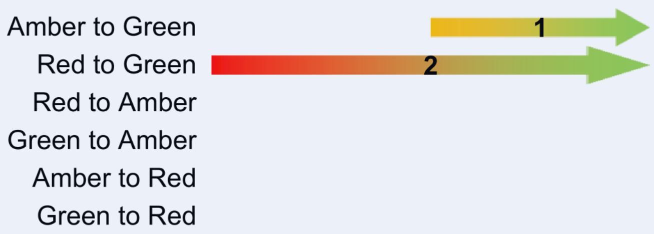
The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Administration - changes

Changes since previous report (if relevant)

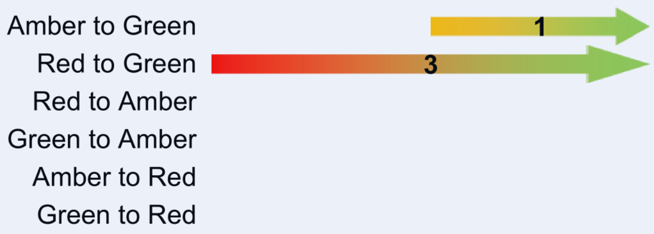
The charts below shows how many responses to the questions have changed Red, Amber, Green (RAG) status within each sub-section. If you click within the blue boxes it will take you to the relevant modules (which also records the previous answer and previous score).

Scheme administration

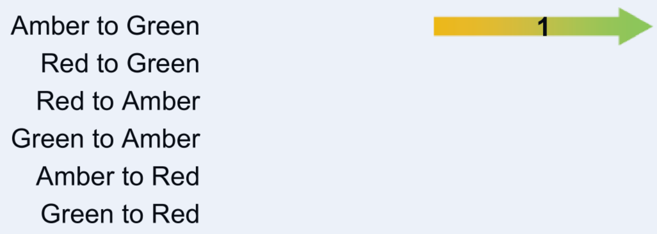


Information handling

IT



Contributions



Administration

Modules

Scheme administration

- Planning and maintaining administration (1)

Information handling

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

IT

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

Contributions

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

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

Communications and disclosure

Communications and disclosure

Communications and disclosure – at a glance

Information to members

Fully compliant in 5 out of 5 modules

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

Public information

Fully compliant in 2 out of 2 modules

No questions are red and no questions are amber out of 14 questions.

Essential actions

None

Comments

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

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

Communications and disclosure - changes

Changes since previous report (if relevant)

The charts below shows how many responses to the questions have changed Red, Amber, Green (RAG) status within each sub-section. If you click within the blue boxes it will take you to the relevant modules (which also records the previous answer and previous score).

Information to members

Amber to Green	
Red to Green	
Red to Amber	
Green to Amber	
Amber to Red	
Green to Red	

Public information

Amber to Green	1
Red to Green	
Red to Amber	
Green to Amber	
Amber to Red	
Green to Red	

Communication and disclosure

Modules

Information to members

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

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

Public information

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

Reporting to TPR

Reporting to TPR – at a glance

Regular reports

Fully compliant in 1 out of 1 module

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

Whistleblowing- Reporting breaches of the law

Fully compliant in 3 out of 4 modules

No questions are red and 1 question is amber out of 11 questions.

Essential actions

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

Comments

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

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

Reporting to TPR - changes

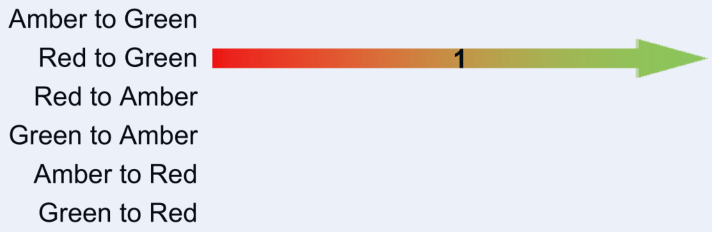
Changes since previous report (if relevant)

The charts below shows how many responses to the questions have changed Red, Amber, Green (RAG) status within each sub-section. If you click within the blue boxes it will take you to the relevant modules (which also records the previous answer and previous score).

Regular reports

Amber to Green
Red to Green
Red to Amber
Green to Amber
Amber to Red
Green to Red

Whistleblowing – reporting breaches of the law



Reporting to TPR

Modules

Regular reports

- Registrable information and scheme returns (1)

Whistleblowing - reporting breaches of the law

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

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

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

Aon plc (NYSE:AON) exists to shape decisions for the better - to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

	Title or Nature of Course	&Weighell J	Portlock D	A Thompson	@P Wilkinson	*D Sladden	£M.Jordan	%M. Crane	" S. Gibbs	G. Jabbour	C. Lunn	D. Noland	#A. Williams	M. Walker	N. Swannick	^J. Cattanach	+J. Crawshaw	$P Kilbane	Unison - John Fletcher	Unison (Vacancy)
22 February 2024	UK Opportunities and Climate Opportunities workshop		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓				
27 June 2024	General Code of Practice Workshop AON		✓	✓				✓	✓	✓	✓	✓			✓	✓		✓		
18/19 July 2024	BCPP Conference			✓		✓				✓	✓	✓			✓					
12 September 2024	BCPP Global Equities		✓	✓	✓	✓			✓	✓	✓	✓			✓	✓		✓		
24/26 September 2024	Baillie Gifford Investment Coference			✓																
21 November 2024	Investment Strategy Workshop		✓	✓	✓	✓	✓		✓	✓	✓	✓			✓					
15 January 2025	Fit for the Future consultation review		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓		
23 January 2025	Baillie Gifford Workshop – approach to climate risk		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓		
22 May 2025	BCPP Global Alpha Equities		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓		

When Members have attended Workshops/Conferences/Training Events could you please inform Christian Brennan on christian.brennan@northyorks.gov.uk and these details will be included within this appendix for future meetings.

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

UPCOMING TRAINING AVAILABLE TO MEMBERS

Provider	***Course / Conference Title***	***Date(s)***	***Location***	***Themes / Subjects Covered***
Pensions UK – formerly PLSA	Annual Conference 2025	14 October to 16 October 2025	Central Manchester (venue tbc)	The UK's largest conference for the pensions industry returns to Manchester in October 2025. We will bring you a programme covering the issues that matter most across DB, DC, master trusts and the LGPS, thought-provoking speakers from business, the media and academia, and opportunities to make connections with professionals from across pensions.

LGA Fundamentals training 2025

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

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

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

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

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

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

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

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

6: Current issues

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2025/26

The dates for meetings of the Pension Fund Committee are as follows:

12 September 2025	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
21 November 2025	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee
6 March 2026	10 am, Brierley Room, County Hall, Northallerton	Pension Fund Committee

Arrangements for Workshops will be provided directly to Members when available.