

North Yorkshire County Council

Pension Board

8 July 2021

Risk Register, Governance Documents Review and draft Statement of Final Accounts

Report of the Treasurer

1.0 Purpose of the Report

To provide Pension Board members the opportunity to review the risk register and suite of governance documents of the North Yorkshire Pension Fund (NYPF).

2.0 Background

As Members will be aware the governance documents for the NYPF are reviewed and approved annually by the Pension Fund Committee (PFC). Regulations require that certain governance documents and the Pension Fund final accounts form part of the Annual Report of the Fund. In addition to those documents that form part of the Annual Report, all other governance documents are also approved annually for reasons of good practice.

Those documents reviewed by the PFC are included with this paper for Members to consider the content and provide comments and feedback. Changes can be seen in tracked changes in the appropriate appendix.

3.0 Governance documents to be included in the Annual Report

3.0.1 The **Investment Strategy Statement** sets out the Fund's approach to investing. The latest version of the document is attached as **Appendix 1**. There have been a number of changes made to this document, primarily to reflect the new investment strategy, agreed by the PFC in June 2021. The section on environmental, social and governance issues has also been expanded, to provide greater clarity on the Fund's approach to this area.

3.0.2 The **Governance Compliance Statement** describes the governance arrangements of the Fund. The latest version of this document is attached as **Appendix 2** and includes an updated list of governance documents.

3.0.3 The **Funding Strategy Statement** describes how employers' pension liabilities are to be met going forward, how employer contributions will be kept as stable as possible, and a prudent long-term view of those liabilities. The document approved in September 2020 is attached as **Appendix 3** for information only. The policy is currently being reviewed by the Fund's actuary following MHCLG guidance on how to use new employer flexibilities. The revised policy will be taken to a later PFC meeting for approval.

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

4.0 Other Governance Documents

4.0.1 The **Admissions and Terminations Funding Policy** outlines the Fund's policy on admissions into the Fund and the methodology for assessing an exit payment when an employer leaves the Fund. This document is attached as **Appendix 5**. Only minor changes have been made following the Government's response to its consultation on the indexation of Guaranteed Minimum Pensions (GMPs) in Public Service Pension Schemes on 23 March 2021. All members whose State Pension Age (SPA) is after 5 April 2016 will have their GMP fully updated by the Fund in line with CPI. Previously this only applied to members whose SPA was between 5 April 2016 and 6 April 2021.

The policy will be reviewed further by the Fund's actuary following MHCLG guidance on how to use new employer flexibilities. These amendments will be taken to a later PFC meeting for approval.

4.0.2 The **Risk Register (Appendices 6 & 7)** has recently been updated and is attached for approval. The register describes the key risks faced by the Fund. There are three risks ranked as red, five as amber and three as green. The assessment of the two highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred. In this update all relevant risks have been updated to reflect any additional actions as a result of the COVID-19 pandemic.

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

Pension Fund solvency also remains a red risk, despite the latest funding level update of 125%, due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.

4.0.3 The **Risk Management Policy** for the Fund was approved in the June 2020 PFC meeting. It was recommended by the Risk Management Team that this document be reviewed at least once every three years and when a specific change is required. There have been no changes required since initial approval. The latest version of this document is attached as **Appendix 8** for information.

4.0.4 The **Pensions Administration Strategy**, attached as **Appendix 9**, sets out the administration protocols between employers and the Fund. Minor tracked wording changes have been made and reference to i-Connect has been added.

4.0.5 The **Administering Authority Discretions Policy**, attached as **Appendix 10**, sets out the agreed approach for each discretion within the LGPS regulations that requires a decision from the administering authority. There have been no changes made to this document.

4.0.6 The **Internal Dispute Resolution Procedure (IDRP) Guide**, attached as **Appendix 11** for Members to approve, sets out how scheme members can resolve problems or complaints they may have about their pension benefits. Minor tracked wording changes have been made to this document.

4.0.7 The **Governance Roles and Responsibilities**, attached at **Appendix 12**, sets out the governance arrangements for the Fund. It also sets out the escalation procedures in the event of a breach of statutory requirements for the administration of the LGPS. There have been no changes made to this document.

4.0.8 The **Charging Policy**, attached at **Appendix 13**, should be read in conjunction with the Pensions Administration Strategy and sets out the Fund's policy on charging employers for poor quality data, late submissions of information required to calculate member benefits and late payments of contributions or submission of accompanying paperwork. Minor tracked changes have been made and charges for failure to use i-Connect have been added.

4.0.9 The **Business Plan**, attached at **Appendix 14**, sets out the purpose and strategy of the Fund for the next 3 years to enable the PFC to plan ahead and comply with legal requirements. It sets out the key initiatives of the Fund with delivery dates to enable tracking of progress. Target delivery dates have been added this year and the plan has been moved onto cover the period 2021 - 2024.

- 4.0.10 The **Breaches Policy**, attached at **Appendix 15**, sets out the Fund’s policy and procedures for identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator’s Code of Practice no 14 (Governance and administration of public service pension schemes) – “the Code of Practice”. Minor tracked wording changes have been made to this document.
- 4.0.11 The **General Data Protection Regulations (GDPR) Privacy Notice**, attached at **Appendix 16**, sets out how and why NYCC processes personal data in relation to the Fund. This Notice follows that of the administering authority in order to ensure compliance. Minor tracked wording changes have been made to this document.
- 4.0.12 The **GDPR Memorandum of Understanding**, attached at **Appendix 17**, sets out for employers the statutory basis on which data will be shared between the parties and NYPF’s expectations of employers during their participation in the Fund. This again follows the approach taken by the administering authority. There have been no changes made to this document.
- 4.0.13 The **NYPF Training Policy** sets out the training arrangements of the Pension Fund Committee and the Pension Board. As we are awaiting finalisation of the skills audit and the CIPFA changes we have not updated this policy. The latest version is attached as **Appendix 18**.
- 4.0.14 The **Cashflow Policy** has been drafted for the Fund, attached as **Appendix 19**. This policy describes how the Fund will manage its cashflow requirements. This is an area of increasing importance as the Fund approaches cashflow negative territory.
- 4.0.15 The **Responsible Investment (RI) Policy**, attached as **Appendix 20**, has received a number of changes including on risk areas, climate change and voting. A review of the Fund’s approach to responsible investment is taking place over the summer. Depending upon the outcome of this review, it may be appropriate to take this policy back to the PFC.

5.0 Next Steps

- 5.1 Following approval of the governance documents attached, a governance review of the Fund will be carried out by the Independent Professional Observer and a report will be produced. This report will be presented to the PFC and any feedback provided will be reflected in the governance documents where necessary. The Independent Professional Observer will be asked to attend a future meeting to discuss the governance of the Fund with Members.
- 5.2 The following documents will also be taken to the September PFC meeting for approval:
- Admissions and Terminations Funding Policy
 - Funding Strategy Statement

6.0 NYPF 2020-21 Draft Statement of Final Accounts

The NYPF Draft Statement of Accounts (SoFA) for financial year 2020-21 was published on 14 June 2021. The SoFA has been brought to the Audit Committee on 28 June 2021 and the Pension Fund Committee on 02 July 2021 for information only. Pension Board members are asked to note its content (**A copy is appended to this report**).

7.0 Recommendations

7.1 That Pension Board Members review and consider the content of each governance document and provide comment and feedback. The documents are:

- Investment Strategy Statement (Appendix 1)
- Governance Compliance Statement (Appendix 2)
- Funding Strategy Statement (Appendix 3)
- Communications Policy (Appendix 4)
- Admissions and Terminations Funding Policy (Appendix 5)
- Risk Register (Appendices 6 & 7)
- Risk Management Policy (Appendix 8)
- Pension Administration Strategy (Appendix 9)
- Administering Authority Discretions Policy (Appendix 10)
- IDRPs Guide (Appendix 11)
- Governance Roles and Responsibilities (Appendix 12)
- Charging Policy (Appendix 13)
- Business Plan (Appendix 14)
- Breaches Policy (Appendix 15)
- GDPR Privacy Notice (Appendix 16)
- GDPR Memorandum of Understanding (Appendix 17)
- Training Policy (Appendix 18)
- Cashflow Policy (Appendix 19)
- Responsible Investment Policy (Appendix 20)

7.2 That the draft NYPF Statement of Final Accounts 2020/21 be noted.

Gary Fielding
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21 June 2021