

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

2019/20 £000		2020/21 £000	£000
CONTRIBUTIONS AND BENEFITS			
Contributions			
82,625	Employers - Normal	98,843	
4,403	- Deficit	1,271	
3,674	- Early Retirement Costs Recharged	1,773	
29,166	Employees - Normal	31,095	
148	- Additional Voluntary	100	
120,016	Total Contributions Receivable (note 7)		133,082
17,490	Transfers in (note 8)		10,575
<u>Less</u>			
Benefits			
(91,010)	Pensions	(95,946)	
(25,990)	Commutation and Lump Sum Retirement Benefits	(22,293)	
(2,670)	Lump Sums Death Benefits	(3,322)	
(119,670)	Total Benefits Payable (note 9)		(121,561)
Leavers			
(560)	Refunds to Members Leaving Service	(387)	
(21,037)	Transfers Out	(7,992)	
(21,597)	Total Payments on Account of Leavers (note 10)		(8,379)
(2,964)	Management Expenses (note 11)		(3,199)
(6,725)	Net additions/(withdrawals) from dealings with Members		10,518
RETURNS ON INVESTMENTS			
16,554	Investment income (note 12)		4,213
(113)	Taxation (note 12a)		0
(26,233)	Investment management costs (note 11)		(28,249)
(17,152)	Change in market value of investments (note 14a)		982,096
(26,944)	Net returns on investments		958,060
(33,669)	Net increase/ (decrease) in the Fund during the year		968,578
3,575,204	Opening Net Assets of the Fund		3,541,535
3,541,535	Closing Net Assets of the Fund		4,510,113

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2020 £000		31st March 2021 £000
	INVESTMENT ASSETS	
468,984	Fixed Interest Securities	337,682
833	Equities	1,182
2,641,322	Pooled Investments	3,767,819
276,103	Pooled Property Investments	279,864
<u>3,387,242</u>		<u>4,386,547</u>
138,523	Cash Deposits	105,209
2,727	Investment Debtors	2,129
<u>3,528,492</u>	TOTAL INVESTMENT ASSETS	<u>4,493,885</u>
	INVESTMENT LIABILITIES	
<u>0</u>	Investment Creditors	<u>0</u>
<u>0</u>	TOTAL INVESTMENT LIABILITIES	<u>0</u>
<u>3,528,492</u>	NET INVESTMENT ASSETS (note 14a)	<u>4,493,885</u>
42	LONG-TERM DEBTORS	203
	CURRENT ASSETS	
9,170	Contributions due from employers	10,791
2,264	Other Non-Investment Debtors	1,288
4,969	Cash	11,494
<u>16,403</u>	TOTAL CURRENT ASSETS	<u>23,573</u>
	CURRENT LIABILITIES	
<u>(3,402)</u>	Non-Investment Creditors	<u>(7,548)</u>
<u>(3,402)</u>	TOTAL CURRENT LIABILITIES	<u>(7,548)</u>
<u>3,541,535</u>	TOTAL NET ASSETS (note 14c)	<u>4,510,113</u>

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall after the end of the Fund year.

NOTES TO THE NORTH YORKSHIRE PENSION FUND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2021

1. Description of the Fund

The North Yorkshire Pension Fund (NYPF or “the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by North Yorkshire County Council (NYCC). The County Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2020/21 and the statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by NYCC to provide pensions and other benefits for pensionable employees of NYCC, other local authorities in North Yorkshire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pension Fund Committee, which is a committee of NYCC.

(b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Fund, remain in the Fund or make their own personal arrangements outside the Scheme.

Organisations participating in NYPF include:

- scheduled bodies, which are local authorities, academy trusts and similar bodies whose staff are automatically entitled to be members of the Fund
- admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

At 31 March 2021 there were 130 contributing employer organisations within NYPF including the County Council itself, and over 97,000 individual members, as detailed below.

86 Scheduled Bodies including 44 Academies

Ainsty 2008 Internal Drainage Board
Askham Bryan College
Chief Constable (North Yorkshire Police)
City of York Council
Craven College
Craven District Council

North Yorkshire Police and Crime Commissioner
Northallerton & Romanby Joint Burial Board
Northallerton Town Council
Norton on Derwent Town Council
Pickering Town Council
Richmond Town Council

Easingwold Town Council
Filey Town Council
Foss 2008 Internal Drainage Board
Fulford Parish Council
Glusburn Parish Council
Great Ayton Parish Council
Hambleton District Council
Harrogate Borough Council
Haxby Town Council
Hunmanby Parish Council
Knaresborough Town Council
Malton Town Council
North York Moors National Park Authority
North Yorkshire County Council
North Yorkshire Fire & Rescue

Richmondshire District Council
Ripon City Council
Ryedale District Council
Scarborough Borough Council
Scarborough Sixth Form College
Selby College
Selby District Council
Selby Town Council
Skipton Town Council
Sutton in Craven Parish Council
Tadcaster Town Council
Vale of Pickering Internal Drainage Board
Whitby Town Council
York College
Yorkshire Dales National Park Authority

Academy Trusts

Arete Learning Trust - Northallerton School
Arete Learning Trust - Richmond School
Arete Learning Trust - Stokesley Academy
Bishop Konstant Catholic Academy Trust
Bishop Wheeler Catholic Academy Trust
Dales Academies Trust
DRET – Thomas Hinderwell Primary Academy
Ebor Academy Trust (pooled from 1.4.20)
Elevate MAT
Enquire Learning Trust - East Whitby Primary
Enquire Learning Trust - Roseberry Primary
Enquire Learning Trust - Stakesby Primary
Enquire Learning Trust - Stokesley CP School
Evolution SLT – Norton College
Great Smeaton Academy Primary School
Hope Learning Trust (pooled from 1.4.20)
Huntington Primary Academy
Lingfield Education Trust - Cambrai Primary School
Moorlands Learning Trust
Nicholas Postgate Catholic Academy Trust
Northern Star Academies Trust (pooled from 01.04.20)
Outwood Grange A.T. - Easingwold

Outwood Grange A.T. - Greystone CP School
Outwood Grange A.T. - Outwood Academy Ripon
Pathfinder MAT
Red Kite Learning Trust Pooled
Rodillian MAT - Brayton High School
Rossett School Academy
Ryedale Learning Trust
St Margaret Clitherow Catholic Academy Trust
Scalby Learning Trust - Friarage Primary
Scalby Learning Trust - Newby & Scalby Primary
Scalby Learning Trust - Scalby School
Scarborough UTC
Selby Educational Trust
South Bank MAT
South Craven Academy
South York MAT
STAR MAT
Wellspring Academy Trust

Woodlands Academy Trust
Yorkshire Causeway Schools Trust
Yorkshire Collaborative Academy Trust

Yorkshire Endeavour Academy Trust

44 Admitted Bodies

ABM Catering Ltd
Absolutely Catering Ltd
Align Property Partners Ltd

ISS Mediclean Ltd
Lark T/A Betterclean Services
Lifeways Community Care Ltd

Aramark Ltd
 Beyond Housing
 Bulloughs Cleaning Ltd
 Cater Link Ltd
 Catering Academy Ltd
 Chartwells Compass
 Churchill Contract Services Ltd
 Churchill Security Ltd
 City of York Trading Ltd
 Elite
 Everyone Active (SLM Scarborough)
 Explore York Libraries and Archives
 Gough and Kelly Security Ltd
 Greenwich Leisure Ltd
 Grosvenor Facilities Management
 Hexagon Care
 Human Support Group Ltd
 Hutchison Catering Ltd
 Independent Cleaning Services

Make It York
 Mellors
 RCCN Ltd
 Richmondshire Leisure Trust
 Ringway
 Sanctuary Housing Association
 Springfield Home Care
 Streamline Taxis
 University of Hull (Scarborough)
 Urbaser Ltd
 Veritau Ltd
 Veritau North Yorkshire Ltd
 Welcome to Yorkshire
 Wigan Leisure and Culture Trust
 York Archaeological Trust Ltd
 York Mind
 York Museums and Galleries Trust
 York St John University
 Yorkare Haxby Ltd

Active, pensioner and deferred pensioner numbers, split between NYCC as the Administering Authority and all other employers were as follows:

	31st March 2021 No.	31st March 2020 No.
Number of Employers with Active Members	130	157
Employees in the Fund		
NYCC	15,968	16,331
Other employers	17,672	17,072
Total	<u>33,640</u>	<u>33,403</u>
Pensioners		
NYCC	13,839	13,165
Other employers	11,580	11,016
Total	<u>25,419</u>	<u>24,181</u>
Deferred Pensioners		
NYCC	24,271	24,278
Other employers	14,565	14,570
Total	<u>38,836</u>	<u>38,848</u>

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

The last such valuation was at 31 March 2019 and that set the contribution rates for 2020/21, 2021/22, 2022/23; details of the rates for individual employers are available on the Fund's website.

(d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service.

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

From 1 April 2014 the scheme became a career average scheme whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with CPI.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the Publications section on the Fund's website at <https://www.nypf.org.uk/index.shtml>.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its year end position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

(a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the rate recommended by the Fund's Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for in the period in which they are payable under the schedule of contributions set by the Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset. Amounts due in future years are classed as long term assets.

(b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS Regulations (see notes 8 and 10).

Individual Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions or other defined contribution arrangements to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial cost of the instrument and its value at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current asset.

Changes in the net market value of investments are recognised as income/expenditure and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

(d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the financial year end. Any amounts due but not paid are disclosed in the Net Assets Statement as current liabilities.

(e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management,
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accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related:

- Baillie Gifford & Co - Global Equities
- Hermes Investment Management- UK Property
- Arcmont (formerly Bluebay) - Private Debt
- Permira - Private Debt

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund accounts.

Net Assets Statement

(g) Financial Assets

The investment in the LGPS asset pool, Border to Coast Pensions Partnership (BCPP), is valued at transaction price, i.e. cost, as an appropriate estimate of fair value. All other assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the fair value of the asset are recognised by the Fund.

If valuations are not available at the reporting date, as is the case for private debt and infrastructure investments, the latest available valuation is adjusted for cashflows in the intervening period.

(h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investment and purchases and sales outstanding at the end of the reporting period.

(i) Derivatives

The Fund does not hold derivatives for speculative purposes (see note 15).

(j) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits, and includes amounts held by the Fund's external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to minimal risk of changes in value.

(k) Liabilities

The Fund recognises liabilities at fair value as at the reporting date. A liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an **Appendix** to these statements.

(m) Additional Voluntary Contributions

NYPF provides an Additional Voluntary Contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Accounts in accordance with Section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note 23).

(n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical Judgement in Applying Accounting Policies

Pension Fund Liability

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Investment in Border to Coast Pensions Partnership (BCPP)

The Fund's shareholding in BCPP Ltd. has been valued at transaction price i.e. cost, as an appropriate estimate of fair value. Management have made this judgement because a fair value cannot be otherwise established for these assets as at 31 March 2021, and as the pool has only been established for a short period of time and there is no market in the shares held, cost would be a reasonable and appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Fund's contribution to the company's regulatory capital requirement.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These Accounts require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and for revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from those based on these assumptions and estimates.

The item in the Net Assets Statement as at 31 March 2021 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 1.9% (£86.1m), a 0.1% increase in inflation would increase liabilities by 1.8% (£79.2m), and an increase in life expectancy of one year would increase liabilities by 3.7% (£161.9m).

6. Events After the End of the Reporting Period

The financial statements and notes have not been adjusted for any events taking place after 31 March 2021.

7. Contributions Receivable

By category

	2020/21 £000	2019/20 £000
Employees' Contributions	31,195	29,314
Employers' Contributions		
Normal contributions	98,843	82,625
Deficit recovery contributions	1,271	4,403
Early Retirement Recharges	1,541	3,429
Compensatory Added Years Recharges	232	245
Total Contributions	<u>133,082</u>	<u>120,016</u>

By authority

	2020/21 £000	2019/20 £000
Contributions Receivable		
North Yorkshire County Council	57,935	48,200
Other Scheduled Bodies	68,397	64,790
Admitted Bodies	6,750	7,026
	<u>133,082</u>	<u>120,016</u>

8. Transfers In from Other Pension Funds

All transfers in were individual transfers. There were no group transfers during the year.

9. Benefits Payable

	2020/21 £000	2019/20 £000
Benefits Payable		
North Yorkshire County Council	50,976	50,401
Other Scheduled Bodies	62,290	60,859
Admitted Bodies	8,295	8,410
	<u>121,561</u>	<u>119,670</u>

10. Payments To and On Account of Leavers

	2020/21 £000	2019/20 £000
Leavers		
Refunds to Members Leaving Service	387	560
Individual Transfers	7,992	14,239
Group Transfers	0	6,798
	<u>8,379</u>	<u>21,597</u>

The group transfers in 2019/20 relate to bulk transfers out to two employers.

11. Management Expenses

	2020/21 £000	2019/20 £000
Administrative Costs	1,918	1,571
Investment Management Costs	28,249	26,233
Oversight and Governance Costs	1,281	1,393
	<u>31,448</u>	<u>29,197</u>

Investment Management Costs includes £2,417k (2019/20: £2,547k) in respect of performance related fees payable to the Fund's investment managers and £5,431k in respect of transaction costs (2019/20 £6,719k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see Note 14a).

(a) Investment Management Expenses

	2020/21 £000	2019/20 £000
Management Fees	15,385	12,563
Performance Related Fees	2,417	2,547
Custody Fees	340	329
Transactions Costs	5,431	6,719
Other	4,205	4,075
	<u>27,778</u>	<u>26,233</u>

12. Investment Income

	2020/21 £000	2019/20 £000
Income from Bonds	2,001	1,538
Income from Equities	0	5,209
Pooled Property Investments	1,404	1,177
Pooled Investments - Other Managed Funds	1,024	5,136
Interest on Cash Deposits	0	3,061
Other	(216)	433
	<u>4,213</u>	<u>16,554</u>

(a) Taxes on Income

	2020/21 £000	2019/20 £000
Withholding Tax on Dividends	<u>0</u>	<u>113</u>

13. Other Fund Account Disclosures

	2020/21 £000	2019/20 £000
Payable in respect of external audit	<u>19</u>	<u>19</u>

14. Investments

(a) Reconciliation of Movements in Investments

	Value at 31st March 2021 £000	Change in market value £000	Sale proceeds receipts £000	Purchases at cost payments £000	Value as at 1st April 2020 £000
Fixed Interest Securities	337,682	15,681	(1,134,253)	987,270	468,984
Equities	1,182	(88)	88	349	833
Pooled Investments	3,767,819	957,840	(322,476)	491,133	2,641,322
Pooled Property	279,864	8,094	(4,333)	0	276,103
Total Invested	<u>4,386,547</u>	<u>981,527</u>	<u>(1,460,974)</u>	<u>1,478,752</u>	<u>3,387,242</u>
Cash Deposits	105,209	569			138,523
Net Investment Debtors	<u>2,129</u>				<u>2,727</u>
Net Investment Assets	<u>4,493,885</u>	<u>982,096</u>			<u>3,528,492</u>

	Value at 31st March 2020 £000	Change in market value £000	Sale proceeds & derivative receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2019 £000
Fixed Interest Securities	468,984	24,370	(1,624,338)	1,429,439	639,513
Equities	833	21,840	(779,948)	364,015	394,926
Pooled Funds	2,641,322	(55,934)	(772,116)	1,452,487	2,016,885
Pooled Property	276,103	(8,745)	(3,654)	0	288,502
Total Invested	<u>3,387,242</u>	<u>(18,469)</u>	<u>(3,180,056)</u>	<u>3,245,941</u>	<u>3,339,826</u>
Cash Deposits	138,523	1,317			220,042
Net Investment Debtors	<u>2,727</u>				<u>4,136</u>
Net Investment Assets	<u>3,528,492</u>	<u>(17,152)</u>			<u>3,564,004</u>

(b) Analysis of Investments

	2020/21 £000	2019/20 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>337,682</u>	<u>468,984</u>
Equities		
UK Quoted	0	0
UK Unquoted	1,182	833
Overseas Quoted	<u>0</u>	<u>0</u>
	<u>1,182</u>	<u>833</u>
Pooled Investments		
UK Equity	377,443	260,448
UK Property	279,864	276,103
UK Government Bonds	114,983	0
UK Corporate Bonds	141,521	0
Multi Asset Credit	192,755	0
Overseas Equity	2,299,233	1,655,171
Private Debt	100,708	96,859
Insurance Linked Securities	164,294	163,524
Infrastructure	13,641	8,549
Equity Protection	192,738	313,900
Diversified Growth Funds - UK	<u>170,503</u>	<u>142,871</u>
	<u>4,047,683</u>	<u>2,917,425</u>
Total Investments (excl Derivatives)	<u>4,386,547</u>	<u>3,387,242</u>
Cash Deposits	105,209	138,523
Net Investment Debtors	<u>2,129</u>	<u>2,727</u>
Net Investment Assets	<u>4,493,885</u>	<u>3,528,492</u>

(c) Investments analysed by Fund Manager

	31st March 2021		31st March 2020	
	£000	%	£000	%
Investments managed by Border to Coast				
Pension Partnership:				
BCPP - Global Equity Alpha	1,208,259	26.8	813,510	23.0
BCPP - UK Equities	172,881	3.8	120,164	3.4
BCPP - Index Linked Gilt Fund	141,521	3.1	0	0.0
BCPP - Investment Grade Credit	114,983	2.5	0	0.0
BCPP - Infrastructure	9,223	0.2	8,549	0.2
BCPP - Private Debt	5,332	0.1	0	0.0
BCPP - Infrastructure 2	4,418	0.1	0	0.0
BCPP - UK Unquoted Equities	1,182	0.0	833	0.0
	<u>1,657,799</u>	<u>36.6</u>	<u>943,056</u>	<u>26.6</u>
Investments managed outside of Border to Coast				
Coast Pensions Partnership:				
Baillie Gifford & Co. - LTGG	761,048	16.8	595,897	16.8
M&G Investments	341,823	7.6	473,067	13.4
Veritas	273,800	6.1	216,499	6.1
Dodge & Cox	260,688	5.8	169,549	4.8
PIMCO	192,755	4.3	0	0.0
LGIM Equity Protection	192,738	4.3	313,901	8.9
Threadneedle	173,158	3.8	170,226	4.8
Newton Investments	170,503	3.8	142,871	4.0
NYCC Treasury Management	100,184	2.2	133,832	3.8
Legal & General	72,281	1.6	70,474	2.0
Leadenhall Remote Fund	57,898	1.3	55,491	1.6
Leadenhall Diversified Fund	55,174	1.2	54,266	1.5
Permira	52,008	1.2	57,539	1.6
Leadenhall NAT CAT Fund	51,222	1.1	53,767	1.5
Arcmont (formerly Bluebay)	43,368	1.0	39,319	1.1
Hermes	35,015	0.8	35,993	1.0
Fidelity International	2,421	0.1	2,719	0.1
UK Equity Transition	2	0.0	0	0.0
Standard Life Investments - Equities	0	0.0	25	0.0
Internally Managed (cash and net debtors)	16,228	0.4	13,044	0.4
	<u>2,852,314</u>	<u>63.4</u>	<u>2,598,479</u>	<u>73.4</u>
Total Net Assets	<u>4,510,113</u>	<u>100.0</u>	<u>3,541,535</u>	<u>100.0</u>

The investments with BCPP Global Equity Alpha, Baillie Gifford, M&G Investments, LGIM Equity Protection and Veritas each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

(d) Stock Lending

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or in any previous years.

15. Analysis of Derivatives

The Fund does not hold derivatives.

16. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements

				<p>provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts</p> <p>Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.</p>
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th Edition)	<p>Existing lease terms and rentals</p> <p>Independent market research</p> <p>Nature of tenancies</p> <p>Covenant strength for existing tenants</p> <p>Assumed vacancy levels</p> <p>Estimated rental Growth</p> <p>Discount rate</p>	<p>Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices</p>
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	<p>EBITDA multiple</p> <p>Revenue multiple</p> <p>Discount for lack of marketability</p> <p>Control premium</p>	<p>Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts</p>

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Assessed valuation range (+/-)			
Pooled investments- Private Debt	100,708	105,139	96,277
Pooled investments- Infrastructure	13,641	14,678	12,604
UK Unquoted Equities	1,181	1,181	1,181
Total	<u>115,530</u>	<u>120,998</u>	<u>110,062</u>

a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2021				
Financial assets at fair value through profit and loss	468,796	3,933,335	115,530	4,517,661
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(7,548)	0	0	(7,548)
Net investment assets	<u>461,248</u>	<u>3,933,335</u>	<u>115,530</u>	<u>4,510,113</u>

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2020				
Financial assets at fair value through profit and loss	626,679	2,812,018	106,240	3,544,937
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(3,402)	0		(3,402)
Net investment assets	<u>623,277</u>	<u>2,812,018</u>	<u>106,240</u>	<u>3,541,535</u>

b. Reconciliation of Fair Value Measurements Within Level 3

	Market Value at 1 April 2020 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains and Losses £000	Realised Gains and Losses £000	Market Value at 31 March 2021 £000
Private Debt	96,858	0	0	9,796	(12,545)	6,097	502	100,708
Infrastructure	8,549	0	0	16,744	(2,978)	(8,241)	(434)	13,640
UK Unquoted Equities	833		0	349	0	0	0	1,182
	<u>106,240</u>	<u>0</u>	<u>0</u>	<u>26,889</u>	<u>(15,523)</u>	<u>(2,144)</u>	<u>68</u>	<u>115,530</u>

17. Financial Instruments

(a) Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category.

31st March 2020			31st March 2021		
Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000	Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000
Assets					
468,984	0	0	Fixed Interest Securities	337,682	0
833	0	0	Equities	1,182	0
2,498,451	0	0	Pooled Investments	3,597,316	0
276,103	0	0	Pooled Property	279,864	0
142,871	0	0	Diversified Growth Funds	170,503	0
0	143,492	0	Cash	0	116,703
2,727	0	0	Investment Debtors	2,129	0
0	11,476	0	Non Investment Debtors	0	12,283
<u>3,389,969</u>	<u>154,968</u>	<u>0</u>		<u>4,388,676</u>	<u>128,986</u>
Liabilities					
0	0	0	Investment Creditors	0	0
0	0	3,402	Non Investment Creditors	0	7,548
0	0	3,402		0	7,548
<u>3,389,969</u>	<u>154,968</u>	<u>(3,402)</u>		<u>4,388,676</u>	<u>(7,548)</u>

(b) Net Gains and Losses on Financial Instruments

	2020/21 £000	2019/20 £000
Fair Value Through Profit & Loss	982,096	(17,152)
Loans and Receivables	(264)	(65,503)
	<u>981,832</u>	<u>(82,655)</u>

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. NYCC manages these investment risks as part of its overall approach to Pension Fund risk.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. A Risk Register has been established to identify and analyse the risks faced by NYCC's pensions operations. This document is reviewed regularly to reflect changes in activity and in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Register includes identifying, managing and controlling market risk exposure within acceptable parameters, whilst optimising the risk-adjusted return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund Committee (PFC) and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through advice from the investment advisers to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments through Investment Management Agreements

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment consultants, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

Asset Type	Potential Market
	Movements
	(+/-) %
Cash and Cash Equivalents	1.0
UK Bonds	0.5
UK Equities	0.0
Overseas Equities	7.2
UK Pooled Equity	7.2
Overseas Pooled Equity	7.2
Pooled Property Investments	5.4
Diversified Growth Funds	4.0
Other Pooled Investments	2.3
Non Investment Debtors/Creditors	0.0

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at	Potential	Value on	Value on
	31st March	Market	Increase	Decrease
	2021	Movement	£000	£000
	£000	£000	£000	£000
Cash and Cash Equivalents	105,209	1,052	106,261	104,157
UK Bonds	337,682	1,637	339,320	336,045
UK Equities	1,182	0	1,182	1,182
Overseas Equities	0	0	0	0
UK Pooled Equity	377,443	27,176	404,619	350,267
Overseas Pooled Equity	2,299,233	165,545	2,464,778	2,133,688
UK Government Bonds	141,521	425	141,945	141,096
UK Corporate Bonds	114,983	1,725	116,708	113,258
Multi Asset Credit	192,755	5,783	198,538	186,973
Pooled Property Investments	279,864	15,113	294,977	264,751
Diversified Growth Funds	170,504	6,820	177,323	163,684
Other Pooled Investments	466,049	10,512	476,560	455,537
Non Investment Debtors/Creditors	4,735	0	4,735	4,735
Total Assets	<u>4,491,160</u>		<u>4,726,946</u>	<u>4,255,373</u>

Asset Type	Value as at 31st March 2020 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	138,523	1,108	139,631	137,415
UK Bonds	468,984	(1,006)	467,978	469,990
UK Equities	833	0	833	833
Overseas Equities	0	0	0	0
UK Pooled Equity	260,448	18,752	279,200	241,696
Overseas Pooled Equity	1,655,171	119,172	1,774,343	1,535,999
Pooled Property Investments	276,103	14,910	291,013	261,193
Diversified Growth Funds	142,871	6,429	149,300	136,442
Other Pooled Investments	582,832	9,750	592,582	573,082
Non Investment Debtors / Creditors	8,074	0	8,074	8,074
Total Assets	<u>3,533,839</u>		<u>3,702,954</u>	<u>3,364,724</u>

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Fund and its investment advisers through the risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the strategic benchmark.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2020/21 £000	2019/20 £000
Cash and Cash Equivalents	105,209	138,523
Fixed Interest Securities	337,682	468,984
Pooled Investments	256,504	0
	<u>699,395</u>	<u>607,507</u>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. For illustrative purposes if it were to change by +/- 1% the values in the table above would change by £141m for 2020/21 and £131m for 2019/20.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is monitored in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-8.4%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, an 8.4% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31st March 2021 £000	Value on 8.4% Increase £000	Value on 8.4% Decrease £000
Overseas Equities	<u>2,299,233</u>	<u>2,492,369</u>	<u>2,106,098</u>

Asset Type	Value as at 31st March 2020 £000	Value on 8.5% Increase £000	Value on 8.5% Decrease £000
Overseas Equities	<u>1,655,171</u>	<u>1,795,861</u>	<u>1,514,482</u>

(b) Credit Risk

Credit risk is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by recognised rating agencies.

Deposits are not made with banks and financial institutions unless they are rated independently and meet NYCC's credit criteria. NYCC has also set limits as to the maximum amount of deposits placed with any one financial institution. The banks and institutions chosen all have at least the minimum credit rating as described in NYCC's Treasury Management Strategy.

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2021 was £11.5m (31 March 2020, £5.0m) and was held with the following institutions:

	Credit Rating	31 March 2021 £000	31 March 2020 £000
Call Accounts			
Barclays Bank Plc (NRFB)	A+ / F1	1,273	678
Money Market Funds			
State Street Global LVNAV MMF	AAmmf	0	217
Fixed Term Deposit Notice Accounts			
Handelsbanken	AA / F1+	728	54
Santander UK	A+ / F1	1,457	371
Bank of Scotland	A+ / F1	1,335	650
National Westminster Bank PLC	A+ / F1	364	271
DBS Bank Ltd	AA- / F1+	243	0
Goldman Sachs	A / F1	243	325
Standard Chartered	A+ / F1	1,214	108
Helaba	A+ / F1+	0	217
Local Authorities	-	4,636	2,078
		<u>11,493</u>	<u>4,969</u>

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings, subject to the fixed periods determined when deposits are placed. These deposits are scheduled to ensure cash is available when required.

The Fund also has access to an overdraft facility for short term (up to three months) cash needs. This facility is only used to address changes in the strategic benchmark and is met by either surplus cash from contributions received exceeding pensions paid or if necessary, disinvesting.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31 March 2021 the value of illiquid assets was £116m (31 March 2020, £107m).

All liabilities at 31 March 2021 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 the Fund's Actuary, Aon, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2019.

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

At the 2019 Valuation the aim was to achieve 100% solvency over a period of 21 years from April 2020 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2019 Triennial Valuation the Fund was assessed as 114% funded (90% at the 2016 Valuation). This reflected a surplus of £450m (deficit of £283m at the 2016 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2020/21 the common rate (determined at the 2019 Valuation) is 19.3% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	For Future Service Liabilities	
Investment Return	4.20%	per annum
Inflation	2.60%	per annum
Salary Increases	3.85%	per annum
Pensions Increases	2.10%	per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current Pensioners	21.8	23.8
Future Pensioners (assumed current age 45)	23.4	25.6

Commutation Assumption

It is assumed that future retirees will take 75% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and for post-April 2008 service.

50:50 Option

It is assumed that no active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an **Appendix**.

21. Current Assets

	31st March 2021 £000	31st March 2020 £000
Debtors		
Investment Debtors		
Investment Transactions	0	0
Accrued Dividends	396	435
Withholding Taxes Recoverable	1,733	2,292
	<u>2,129</u>	<u>2,727</u>
Other Debtors		
Contributions due from Scheduled (Government) Bodies	10,791	8,916
Contributions due from Admitted Bodies	0	254
Pensions Rechargeable	752	877
Other	536	1,387
	<u>12,079</u>	<u>11,434</u>
Cash	<u>11,494</u>	<u>4,969</u>
	<u>11,494</u>	<u>4,969</u>
	<u>25,702</u>	<u>19,130</u>

(a) Long Term Debtors

	31st March 2021 £000	31st March 2020 £000
Long Term Debtors		
Reimbursement of Lifetime Tax Allowances	<u>203</u>	<u>42</u>

22. Current Liabilities

	31st March 2021 £000	31st March 2020 £000
Creditors		
Investment Creditors	0	0
Sundry Other Creditors	7,548	3,402
	<u>7,548</u>	<u>3,402</u>

23. Additional Voluntary Contributions (AVCs)

We have been unable to obtain from our AVC provider Prudential the figures for market value of the AVCs as at 31 March 2021 and the contributions paid during the year 2020/21. The market value of the AVCs as at 31 March 2020 was £20,222k and contributions paid directly to Prudential during the year 2019/20 was £2,047k.

24. Agency Services

The North Yorkshire Pension Fund does not operate Agency Services contracts.

25. Related Party Transactions

North Yorkshire County Council

The North Yorkshire Pension Fund is administered by North Yorkshire County Council. Consequently, there is a strong relationship between the Council and the Fund.

The Council incurred costs of £1.6m (£1.5m in 2019/20) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £56.9m to the Fund in 2020/21 (£48.2m in 2019/20).

The Fund's cash holdings for cashflow purposes are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2021 the Fund had an average investment balance of £9.0m (£11.3m during 2019/20) and received interest of £42.6k (£102.7k received in 2019/20) on these funds. The Fund also holds a cash investment with NYCC Treasury Management. The value of this investment at the end of 2020/21 was £100.3m (£133.8m in 2019/20).

Governance

As at 31 March 2021 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for the Treasurer were accrued on exactly the same basis as for all other members of the Fund.

Key Management Personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS 24. This exemption applies in equal measure to the accounts of the Fund. The disclosures required by The Accounts and Audit (England) Regulations can be found in the main accounts of NYCC.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2021 were £177.1m (31 March 2020 £165.5m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt and infrastructure parts of the portfolio.

27. Contingent Assets

Four admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of an employer default.

28. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2019/20).

Statement of the Actuary

North Yorkshire Pension Fund**Statement of the Actuary for the year ended 31 March 2021****Introduction**

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £3,575.2M) covering 114% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 19.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

Less

- 1.6% of pensionable pay to remove surplus in excess of a funding level of 110% over a recovery period of 21 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.3	1.2
2021	18.5	1.3
2022	17.1	1.4

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	3.3% p.a.
Low risk funding target	1.3% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

* The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with s_k of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	23.8
Current active members aged 45 at the valuation date	23.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement as appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities
- **Increases to Guaranteed Minimum Pensions (GMPs):**
The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response sets out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, North Yorkshire County Council, the Administering Authority of the Fund, in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf>

Aon Solutions UK Limited

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