

2021~~19~~ Funding Strategy Statement (FSS)



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

1. Introduction

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

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

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

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

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

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

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

2. Purpose of the FSS in Policy Terms

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

The purpose of this Funding Strategy Statement is:

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

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

3. Aims and Purpose of the NYPF

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

4. Responsibilities of Key Parties

The Administering Authority should:

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the NYPF's actuary

- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties, monitor all aspects of the NYPF's performance and funding and amend the FSS/ISS accordingly
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
- enable the local pension board to review the valuation process as set out in their terms of reference.
- determine the amount of any exit credit following the exit of an individual employer from the Fund in accordance with the Fund's Admissions and Terminations Funding Policy.
- ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all fund employers.

The Individual Employer should:

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

The Fund actuary should:

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

5. Solvency Issues and Target Funding Levels

Funding Objective

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

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target as at 31 March 2019 are set out in Appendix 1.

Underlying these assumptions are the following two principles:

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

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

- stepping in of contribution rate changes for employers where the orphan funding target is adopted or where the intermediate funding target is being introduced (as defined later in this statement). For the 2019 valuation, the Administering Authority's default approach is to step any contribution increases over a period of 3 years, although in certain circumstances a longer period may be considered, after consultation with the Actuary.
- a longer deficit recovery period than the average future working lifetime, particularly where there are a number of younger active members.

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

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

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

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- A default recovery period of 15 years will apply for employers that are assessed to have a deficit.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 21 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).

- As a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2016 funding plan for those employers where substantial deficits remain.
- For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted at the 2019 valuation as follows:
 - Where the funding level is 100-110% employers will pay the future service rate only.
 - Where the funding level is over 110% the default approach for Scheduled Bodies and Admission Bodies with no subsumption commitment from a Scheduled Body in the Fund (as defined in Appendix 1) will be to remove any surplus in excess of 10% over a maximum period of 21 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 2019 valuation.
 - If surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount.
 - The current level of contributions will be stepped down as appropriate, consistent with the approach of stepping contribution increases where appropriate.

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

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

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

- a percentage of pensionable payroll in respect of the future accrual of benefit (less allowance for surplus as appropriate)
- a schedule of lump sum amounts over 2020/23 in respect of the past service deficit subject to the review from April 2023 based on the results of the 2022 actuarial valuation.

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

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

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

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

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

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

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

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

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, it is possible that some smaller employers may be faced with contributions that could seriously affect their ability to function in the future. The Administering Authority therefore, after specific agreement has been obtained by Fund Officers from the North Yorkshire Pension Fund Committee, would be willing to use its discretion to negotiate an **evidence based** affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence and on the basis that it is not inconsistent with the requirements to set employer contributions so as to ensure the solvency and long-term cost efficiency of the NYPF.

The Primary Contribution Rate (Future Service Contribution Rate)

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

Amending of contributions between triennial valuations

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

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

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

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

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

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

Asset Class (Summary)	%
Equities	40-65
Bonds	15-30
Infrastructure	10
Alternatives	20-30
Property	7.5
Private Credit	5
Multi Asset Credit	5
Corporate Bonds	7.5
Government Bonds	15
TOTAL	100

The funding strategy adopted for the ~~2019 valuation~~ 2021 investment strategy review ~~is~~ was based on an assumed long-term investment return assumption of 4.20% per annum. This is below the Administering Authority's view of the best estimate long-term return assumption of ~~6.25.6%~~ 6.25.6% as at the ~~valuation date of~~ the investment strategy review.

Bespoke Investment Strategy for individual employers

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

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

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

7. Identification of Risks and Counter Measures

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

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

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

What are the Risks?

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

Investment risk

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

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

The specific risks associated with assets and asset classes are:

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

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

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

In addition, the Fund holds assets in the LGPS pooling arrangement with Border to Coast Pension Partnership ('BCPP') and will transition further assets to BCPP in the future. Through this arrangement the Fund is exposed to the risk of failing to transition effectively to new pooling arrangements resulting in poorer value for money; lower investment returns; and inability to effectively execute investment strategy."

Employer risk

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

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

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

The Administering Authority ~~have also~~ commissioned the Fund Actuary to carry out a high level risk analysis of employers in the Fund to assist the Administering Authority in setting the funding strategy for employers at the 2019 valuation of the Fund.

Liquidity/Maturity risk

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

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

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

Climate Risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns under review and will commission advice from the Fund actuary on the potential effect on funding as required.

Liability risk

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

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

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

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

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A.

Regulatory and compliance risk

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

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

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

- How Government will address the issues of GMP indexation and equalisation for the LGPS beyond expiry of the current interim solution from 6 April 2021
- The timing of any regulations in relation to the remedy to compensate members for illegal age discrimination following the outcome of the McCloud/Sargeant cases. Whilst the Government's application for leave to appeal has been denied there is currently still uncertainty relating to the remedy and exactly how this will apply to the LGPS
- The outcome of the cost management process as at 31 March 2016 and 31 March 2020, noting and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% before the process was paused due to the ~~of pay will change as a result of the McCloud/Sargeant ruling~~
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

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

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

8. Monitoring and Review

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

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

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

- if there has been significant market volatility
- if there have been significant changes to the NYPF membership and/or maturity profile

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

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

Actuarial Valuation as at 31 March 2019

Method and assumptions used in calculating the funding target

Risk Based Approach

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

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

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

Solvency Target

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

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

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

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

As at 31 March 2019 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 2019 this equates to a solvency discount rate of 4% p.a.

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

Probability of Funding Success

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

With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 80% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period)

Funding Target

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

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

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

Funding Targets and assumptions regarding future investment strategy

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

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

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

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

For Admission Bodies and other bodies whose liabilities are expected to be orphaned on exit (with the exception of the universities where a different approach will be adopted at the 2019 valuation as set out below), the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

Colleges and Universities

Due to concerns about the covenant strength of Colleges and Universities, the Administering Authority will, from the 2019 valuation onwards, adopt a Funding Target for Colleges and Universities which reflects the Administering Authority's views of the sector. This includes the two universities that are Admission Bodies in the Fund where there is no subsumption commitment, but which continue to admit new members to the Fund.

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

The Administering Authority may also adopt the Intermediate Funding Target for other employers where there are concerns about the covenant strength of the employer. At the 2019 valuation this decision will be informed by the high-level risk analysis of employers within the Fund carried out by the Fund Actuary. The Administering Authority will generally also adopt the Intermediate Funding Target for admission bodies that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.

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

Financial assumptions

Investment return (discount rate)

The discount rate for the 2019 valuation is as follows:

- 4.2% p.a. for employers where the Scheduled body / subsumption funding target applies
- 3.8% p.a. for employers where the Intermediate funding target applies
- 3.3% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2% p.a.) and 1.6% left service (which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.3% p.a. to take account of market expectations of future increases in gilt yields after the valuation date), for employers where the Ongoing orphan funding target applies.

Inflation (Consumer Prices Index)

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

Salary increases

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

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S2N tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health) 105%

Females (normal health) 105%

Males (ill-health) 105%

Females (ill-health) 115%

Future improvement to base rates

An allowance for improvements in line with the CMI 2018, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a., s_k of 7.5 and parameter A of 0.0.

Pre-retirement mortality

Males: As for normal health retirements but with a 40% scaling factor

Females: As for normal health retirements but with a 30% scaling factor

Retirement age

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

Assumed age at retirement
63
63
65
65
State Pension Age

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

Withdrawals

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

Retirement due to ill health

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

Tier 1 (upper tier)	90%
Tier 2 (middle tier)	5%
Tier 3 (lower tier)	5%

Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

80% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.
80% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

Take up of 50/50 scheme

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

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.5% of Pensionable Pay added to the cost of future benefit accrual.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "primary contribution rate") for the 2019 actuarial valuation

Investment return / Discount Rate (secure scheduled bodies and admission bodies with a subsumption commitment from a secure scheduled body)	4.2% p.a.
Investment return / Discount Rate (intermediate funding target)	3.8% p.a.
Investment Return / Discount Rate for orphan bodies	
In service	3.3% p.a.
Left service	1.6% p.a.
CPI price inflation	2.1% p.a.
Long Term Salary increases	3.35% p.a.
Pension increases/indexation of CARE benefits	2.1% p.a.

Please note that the discount rate shown above was that used as at the actuarial valuation as at 31 March 2019. The Fund has subsequently updated its investment strategy, carried out an investment strategy review which was based on a would lead to a discount rate assumption of 4.0% p.a. as at 31 December 2020, the date of carrying out the investment strategy review.

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North Yorkshire Pension Fund



**Admissions and Terminations Funding
Policy**



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1 Introduction

- 1.1 This document details the North Yorkshire Pension Fund's (**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 ¹Funding Strategy Statement (FSS).

2 Admissions to the Fund

- 2.1 Admission bodies are a specific type of employer under the Regulations that do not automatically qualify for admission into the Local Government Pension Scheme (**Scheme**) and must satisfy certain criteria set out in the Local Government Pension Scheme Regulations 2013 (as amended) (**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 County Council (**NYCC**) 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) admission bodies will be admitted on a 'fully funded' basis i.e. a funding shortfall or surplus will not be passed to the admission body unless the transferring employer requests that a proportion of (or all of) the funding shortfall or surplus is passed to the admission body.
- 2.4 All actuarial and legal fees will be recharged to the transferring employer or the admission body. The Administering Authority will ask for confirmation of who is paying the fee before the invoice is issued.

3 Subsumption, guarantor or bond requirements for entry

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

¹ The FSS can be found on the Fund's website at www.nypf.org.uk > Pension Fund / Investments > Policies and Strategies.
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- 3.2 Whilst each application is assessed on its own merits under the above criteria, the Administering Authority wishes to limit the risk to the Fund and to other employers arising from any proposed admission. The Administering Authority's expectation is that in the substantial majority of all admissions it will require the admission body to provide either a qualifying bond or guarantee. The Administering Authority further considers that the costs inherent in the provision of a third party bond by the admission body is sufficient reason why it may not be desirable for the admission body to secure a bond. Therefore, the Administering Authority will in most cases be prepared to accept that the admission instead proceeds on the basis of a guarantor being offered. This is most often the transferring employer.
- 3.3 Further, when considering applications for admission body status the Administering Authority's clear preference is that there should be a subsumption commitment from a suitable Scheme employer (as well as a guarantor from within the Fund). However, where there is no suitable party willing to give a subsumption commitment and/ or where there is no suitable and willing guarantor, the Administering Authority will still consider applications on a case-by-case basis.
- 3.4 A subsumption commitment means that a Scheme employer in the Fund (usually the transferring employer) agrees that they will take on responsibility for the future funding of the liabilities of the admission body once they have exited the Fund, and (where relevant) the admission body has paid any exit payment as determined by the actuary.
- 3.5 A guarantor provides a commitment to meet any obligation or liability of the admission body under the admission agreement.
- 3.6 The guarantor must be a party permitted to give such a guarantee under the Regulations and must be acceptable to the Administering Authority. Usually, this is the transferring employer.
- 3.7 The Administering Authority will, if it deems appropriate, accept an admission where there is no guarantee or subsumption commitment offered. This acceptance may be subject to additional conditions. Such conditions will often include the following:
- the Fund's actuary will be asked to use the low risk funding target or the ongoing orphan funding target to assess contribution requirements; and/or
 - the admission body must have a bond or indemnity from an appropriate third party in place. Any bond amount will be subject to review on a regular basis in line with the Regulations; and
 - the admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide.
- 3.8 Some relevant factors that the Administering Authority may consider when deciding whether to apply any of the conditions above, in the absence of a guarantor or subsumption commitment, are:
- uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
 - if the admission body has an expected limited lifespan of participation in the Fund;
 - the general trading risk of the proposed admission body and their financial record;
 - the average age of employees to be admitted and whether the admission is closed to new joiners.

Admission bodies formerly known as Transferee Admission Bodies (TABs)

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V3.5_June-August 2021

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

Admission bodies formerly known as Community Admission Bodies (CABs)

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

Town and Parish Councils

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

Grouped bodies

- 3.15 The Fund generally groups the following types of employers for setting contribution rates.
- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 1 April 2008, Drainage and Burial Boards).
 - Local Management of Schools (LMS) Pools (NYCC 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 NYCC or the CoYC depending on which pool they are in.

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

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

Other scheduled bodies

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

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

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

4 Employer contributions, initial notional asset transfer and funding targets

- 4.1 The Fund's actuary will calculate the employer contributions payable from the start of the ~~admission agreement~~ employer's participation in the Fund.
- 4.2 These will consist of the future service rate (FSR) or primary contribution rate, additional (secondary) contributions required to remove any funding shortfall, and an allowance for the possible cost of the McCloud judgement / Cost Management process as set out in paragraphs 4.25 to 4.28. Where the ~~admission body~~ 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 ~~admission body~~ employer at the commencement date. This shows the notional assets attributable to the ~~admission body~~ employer, along with the value of liabilities using the appropriate funding target. This is needed even when the ~~admission body~~ 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 recalculated 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 ~~admission body~~ employer once the contract ends or it has otherwise exited the Fund (e.g. when the last active member has left or, for admission bodies, the contract has ended).
- 4.6 Unless specific instruction to adopt a different approach is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority will determine the notional asset transfer from the ceding Council to the new academy using a 'Share of Shortfall' approach. Under this approach any shortfall in respect of the transferring members transfers to the new academy in the same proportion as the payroll of the transferring members compared with the payroll of the ceding Council. If the ceding Council is estimated to have no shortfall at the commencement date of the new academy, the assets transferring to the new academy will be capped at 100% of the transferring liabilities.
- 4.7 Where a new academy is set up as a multi-academy trust (MAT), the new MAT may elect to join the Fund under two different approaches which are set out below. When a new academy joins an existing MAT, the approach will be the same as the existing MAT.:
- i) Each academy within the MAT is treated as a separate employer in the Fund. Each academy within the MAT has a separate contribution rate and shortfall amount calculated at the commencement date of the new academy.

ii) The MAT is treated as a single employer in the Fund. At the commencement date of the MAT, the MAT will be treated as a single employer and contributions will be calculated at that date consisting of a future service (primary) rate and shortfall contributions. For any new academies joining in an inter-valuation period, the contributions for the new academy would generally be set in line with the employer contributions of the MAT calculated at the preceding triennial valuation of the Fund (or commencement date of the MAT if later).

4.8 Historically, the Administering Authority have also allowed MATs to adopt an alternative approach to the two approaches set out above, which is for academies within the MAT to be pooled together for the purpose of setting their future service (primary) contribution rate but then any shortfall contribution amounts are based on the position of each individual academy within the MAT. This approach is no longer available for any new MATs joining the Fund.

4.9 For new standalone academies the future service (primary) rate on commencement of participation will be expressed as a percentage of pay and any shortfall contributions are generally expressed as monetary amounts. The recovery period used to set any shortfall contributions on commencement will generally be set equal to that used for the ceding Council at the preceding triennial valuation of the Fund.

Scheduled and subsumption body funding target

4.106 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 admission body 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 admission body 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).

4.117 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.

4.128- 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.

4.139 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 admission agreement employer's participation in the Fund and increases the risk of a shortfall or surplus emerging over the period of participation of the admission body employer in the Fund.

Intermediate funding target

- 4.140 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.
- 4.151 This approach would also be used to set contributions and at exit for ~~admission bodies~~ employers that have an appropriate subsumption commitment provided by a suitable Scheme employer that is subject to the intermediate funding target.
- 4.162 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

- 4.173 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 ~~admission body~~ 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 ~~admission body~~ employer once the ~~admission body~~ employer has exited the Fund.
- 4.184 On the exit of the ~~admission body~~ employer, its liabilities will become 'orphan liabilities' in the Fund. This means that should a shortfall arise in respect of these liabilities after the ~~admission body~~ employer has exited the Fund, all remaining employers in the Fund would be required to pay additional contributions to pay off this shortfall.
- 4.195 In that case, the exit valuation of the ~~admission body~~ 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 ~~admission body~~ employer the Administering Authority would wish to back the orphan liabilities with low risk investments such as government bonds.
- 4.206 The assumptions used under the ongoing orphan funding target are broadly designed to target the low risk funding target at exit of the ~~admission body~~ employer but reflect the fact that exit of the ~~admission body~~ 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.
- 4.217 Prior to the exit date it is still assumed that the assets of the ~~admission body~~ 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.
- 4.228 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

4.23-19 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 ~~admission body~~ employer.

4.24-0 The low risk approach assumes a notional investment in government bonds for the ~~admission body~~ employer. Under this approach the investment risk is substantially reduced and it is expected that the assets and liabilities of the ~~admission body~~ employer would move broadly in line with either other. It does not eliminate investment risk and other funding risks remain, but it gives more certainty that the employer rate is providing funding to 'match' the liabilities. However, it gives a substantially higher contribution rate as no allowance for any expected outperformance of the Fund's assets over the low risk funding target is factored in.

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

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

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

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

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

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

~~4.262~~ When determining the notional level of assets to be allocated to the new employer no allowance will generally be made for the potential past service liabilities arising due to the McCloud judgement / Cost Management process.

~~4.273~~ 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.

~~4.284~~ 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

~~4.295~~ 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.

~~4.3026~~ The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
- it appears likely to the Administering Authority the Scheme employer will become an exiting employer; or
- the Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

~~4.3127~~ 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.

~~4.3228~~ 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

OFFICIAL

V3.5 June-August 2021

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

4.3329 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) considerations will apply:

- whether a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies the relevant scheme employer;
- a material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation;

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

4.354 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.

4.362 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.

OFFICIAL

V3.5 June-August 2021

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.

4.373 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.

4.384 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.

4.395 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.

4.4036 The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. In addition, employers should adhere to the notifiable events framework as set out in the Pensions Administration Strategy. Employers should be aware that all advisory fees, including actuarial, legal and any other costs incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

5 Termination of an employer

Exit events

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

Basis of exit valuations

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

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

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

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

5.9 Following the termination of the grouped body, any residual assets and liabilities will be subsumed by any guarantor body for the group, or in the absence of a guarantor, subsumed by the Fund as a whole.

Grouped Bodies - LMS Pools admitted prior to 1 April 2019

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

Academies

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

Where an employer within a multi-academy trust (MAT) fails, unless that academy is being treated as an employer in its own right, there is no power wi

~~Where employers within a MAT are treated as individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves~~

~~Rather than requiring a lump sum payment, the Administering Authority will consider allowing the remaining academics within the MAT to subsume the assets and liabilities may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case, the Administering Authority will instruct the Fund Actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.~~

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

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

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

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

Notification of termination

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

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

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

- a deficit, in that the liabilities have a higher value than the assets. In this situation paragraphs 5.197 to 5.32978 below will apply; or
- a surplus, in that the assets have a higher value than the liabilities. In this situation paragraphs 5.340289 to 5.43879 below will apply.

OFFICIAL

V3.5 June-August 2021

- 5.17 In the event that a valuation under Regulation 64 results in there being no deficit or surplus, then no further payments will be due from or to the exiting employer (save for any unpaid liability arising before the exit valuation).
- 5.18 It should be noted that existence of a subsumption commitment or other agreement entered in relation to any liabilities of the exiting employer does not mean that the exit valuation does not need to be carried out.

Payment of exit debt

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

Commented [SC1]: Have removed this wording as a formal policy on spreading of exit debt is now included below.

Suspending payment of exit amounts

- 5.24~~3~~ 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~~4~~ Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply:

- the employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice;
- the employer is not a 'closed' ~~Admitted Body~~ 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~~5~~ 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~~6~~ 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~~7~~ If one or more new active members are admitted to the Fund the employer's full participation in the Fund will resume.

5.29~~8~~ During the period of any suspension notice, the employer must continue to make contributions to the Fund as certified in the rates and adjustments certificate.

Spreading of exit payments

5.30 The starting position of the Administering Authority is that an exiting employer will be required to meet any exit liability owed as a single lump sum payment. However, the Administering Authority may allow phased exit payments as permitted under Regulation 64B.

5.31 It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage with the employer to consider the application and determine whether spreading the exit payment is appropriate, and the terms which should apply.

5.32 In determining whether to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

5.33 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment, this will normally weigh against the Administering Authority allowing the payment to be spread it will not normally be appropriate for the exit payment to be spread.

OFFICIAL

V3.5 June-August 2021

- 5.34 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.
- 5.35 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be up to 3 years but longer periods may be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.
- 5.36 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that ~~this may not be possible until after the employer has exited the Fund~~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 ~~level~~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

5.40⁹ 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 ~~within 14 days~~ 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).

5.41³⁰ The representations of the parties mentioned in paragraph 5.29 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.

5.42³¹ 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 amount of the surplus in question~~ extent to which there is a surplus;
- b) the proportion of the excess of assets which has arisen because of the value of the exiting employer's contribution;
- c) the representations received by the parties under paragraph 5.29 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; whether the surplus arises in whole or in part because of any agreement by another scheme employer to subsume the liabilities of the exiting employer;
- 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;
- e)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, or alternatively the extent that the asset value might have been affected by a temporary rise due to unusual or exceptional market conditions;~~

OFFICIAL

V3.5 June-August 2021

(g) any other relevant factors.

5.433 2 — No single factor will be conclusive and the Administering Authority will consider all the circumstances in the round in coming to its decision on the correct level of an exit payment. In order to help the parties in formulating their representations, the Administering Authority sets out below the factors it may consider, and some guidance as to the usual implication of those factors:

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

	<p><u>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).</u></p> <p><u>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;</u></p>
<p><u>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;</u></p>	<p><u>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</u></p>
<p><u>Any other relevant factors.</u></p>	<p><u>Dependent on the factor in question.</u></p>

Whilst the Administering Authority reserves its discretion to come to a different determination where circumstances indicate this might be reasonable, it expects that in the majority of cases, it will apply the following principles in making a determination:

~~in respect of paragraph 5.31(b), that the value of any surplus returned to the exiting employer will be capped at one hundred per cent (100%) of the total value of employer contributions made by the exiting employer during the course of its relevant participation in the Fund (and subject to further adjustment by reference to other factors). For the avoidance of doubt, the relevant sum will be limited to employer (and not employee) contributions, and without any investment return or interest on those contributions;~~

~~in respect of paragraph 5.31(d), where the surplus arises wholly or in part due to favourable actuarial assumptions arising from the existence of an enforceable subsumption commitment from~~

OFFICIAL

V3.5 June-August 2021

another scheme employer, the Administering Authority will not normally pay the surplus to the exiting employer (and will instead retain the same within the Fund).

~~Where an exit valuation has been prepared on the basis that a subsumption commitment exists and this shows a surplus, the exiting employer will be offered the option, at its own cost, to have the exit valuation undertaken again on the low risk funding target. In cases where a surplus would still exist where calculated on the low risk funding target, the total available for distribution to the exiting employer will be capped at the surplus when calculated on the low risk funding target (and subject to further adjustment by reference to other factors); and~~

~~in respect of paragraph 5.31(e), the Administering Authority may (but is not required to) request additional information or documentation in support of any claim by either party that a risk sharing arrangement exists. Where the Administering Authority reasonably believes that an exiting employer has not been exposed to a material extent to the usual financial risks associated with participation in the Fund by reason of a risk sharing arrangement with a third party, then in general no surplus will be distributed to the exiting employer. Examples of relevant "risk sharing" arrangements might include, but are not limited to:~~

~~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).~~

~~5.434~~ In making a determination under paragraph 5.31, the Administering Authority will take such legal, actuarial and investment advice as it considers appropriate.

~~5.435~~4 The Administering Authority will notify each of the parties identified in paragraph 5.29 of the amount of any surplus which it has determined should be returned to the exiting employer, if any (the "exit credit").

~~5.4365~~ 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
- ~~six months after the date on which the Administering Authority is provided with information needed to carry out the exit valuation; or~~
- such later date as the Administering Authority and the exiting employer may agree.

~~5.4376~~ 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 fashion.

~~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.

~~5.43987~~ 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).

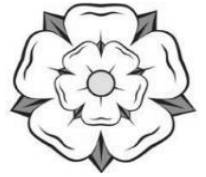
~~5.439508~~ When an exit credit payment is made, or if the Administering Authority determines that no exit credit is due, no further payments are due from the Administering Authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

Deferred Debt Agreements (DDAs)

~~5.5199~~ 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.

~~5.5245049~~ The Administering Authority's current policy is that Deferred Debt Agreements will generally not be permitted.

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Pensions Administration Strategy

August~~April~~ 2021



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Index

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

Pensions Administration Strategy

1.0 Purpose of Strategy

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

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

2.0 Regulatory Background

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

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

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

3.0 Review of the Strategy

This Strategy will be kept under review by the NYPF.

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

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

4.0 Performance Levels

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

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

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

5.0 Responsibilities and Duties of the Employer

5.1 Contact Person

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

5.2 Authorised Signatories

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

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

5.3 Disclosure and The Pensions Regulator's Requirements

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

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

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

5.4 Employee's Guide

Under the Occupational Pension Schemes (Disclosure of Information) Regulations 2013 the employer must ensure that all new employees eligible to join the LGPS receive a copy of the Employees' Guide to the scheme as follows:

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

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

5.5 Member details – Employer performance levels

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

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

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

5.6 Year end information

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

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

5.7 **Contribution deductions**

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

5.8 **Payment of contributions to the NYPF**

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

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

The employer must email a monthly return to pension.contributions@northyorks.gov.uk in advance of their payment. The monthly return is in a prescribed format and is provided by the Integrated Finance team. The return must include the following information:

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

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

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

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

5.9 **Additional Voluntary Contributions (AVCs)**

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

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

5.10 **Discretionary Powers**

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

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

5.11 **Employer Decisions**

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

5.12 **Independent Registered Medical Practitioner**

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

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

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

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

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

5.14 **General Data Protection Regulation**

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

5.15 **Internal Dispute Resolution Procedure**

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

5.16 **Fines imposed on the NYPF**

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

5.17 **Charges to the employer**

The NYPF will, under certain circumstances, consider giving written notice to employers under regulation 70 on account of the employer's unsatisfactory performance in carrying out its scheme functions when measured against levels of performance established under **paragraph 5.5** above. The written notice may include charges imposed by the NYPF for chasing employers for outstanding information as detailed in the NYPF Employer Charging Policy.

5.18 **Notifiable Events**

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

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

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

6.0 **Responsibilities and Duties of the NYPF**

6.1 **Regulatory Issues**

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

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

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

6.2 **NYPF Performance Levels**

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

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

6.3 **Support to Employers**

The NYPF will support employers in running the LGPS by:

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

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

6.4 **Independent Registered Medical Practitioner**

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

6.5 **Services to Members**

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

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

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

6.6 **Multiple Language Literature**

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

6.7 **Data Protection Act 2018**

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

6.8 **Internal Dispute Resolution**

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

7.0 **Contribution Rates and Administration Costs**

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

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

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

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

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

8.0 Communications

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

9.0 Notifying Employers of a Change in Policy

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