

North Yorkshire Pension Fund



North Yorkshire Pension Fund

# Annual Report and Accounts 2020/21



North Yorkshire  
County Council

# Contents

Part 1 – Management and Financial Performance .....	3
Part 2 – Scheme Administration .....	8
Part 3 – Investment Policy and Performance .....	10
Part 4 – Asset Pooling .....	14
Part 5 – Pension Administration Activity .....	17
Part 6 – Membership, Contributions and Scheme Benefits .....	19
Part 7 – Governance Documentation .....	23
Part 8 – Training .....	25
Part 9 – Glossary and Contact Details .....	26
Appendix A .....	28
Appendix B .....	59
Appendix C .....	63

# Part 1 – Management and Financial Performance

## 1.1 Introduction

North Yorkshire County Council (NYCC, the Council) is the statutory administering authority for the North Yorkshire Pension Fund (NYPF, the Fund), which is part of the Local Government Pension Scheme (LGPS, the Scheme). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC, the Committee), which is a committee of the Council.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer

contribution rates being set every three years by the Fund's Actuary. These contributions are supplemented by earnings on the Fund's investments in order to pay retirement benefits.

The day to day running of the Fund is delegated to the Treasurer who is the Corporate Director - Strategic Resources of the Council and is responsible for implementing the decisions made by the PFC. Supporting him is a team of staff split into two sections. The pension administration team administers all aspects of member records, pension benefits etc. and the finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

## 1.2 Pension Fund Committee

PFC membership as at 31 March 2021 was as follows:

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Helen Swiers (Vice-Chairman)	Councillor, NYCC	Yes
Mike Chambers MBE	Councillor, NYCC	Yes
Don MacKay	Councillor, NYCC	Yes
Clifford Lunn	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Andy Solloway	Councillor, NYCC	Yes
Angus Thompson	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils' representative of Local Government North Yorkshire and York	Yes
Christian Vassie	Councillor, City of York Council	Yes
David Portlock	Chairman of the Pension Board	No
3 Unison representatives	Union Officials	No

The powers delegated to the PFC are detailed in paragraph 2.1 of the Governance Compliance Statement (see Part 7).



During the year the PFC formally met on seven occasions supported by its Investment Consultant and the Independent Adviser, as well as the Treasurer. The Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their individual investment strategies.

### 1.3 Fund Administrators, Advisers and Investment Managers

Treasurer	Gary Fielding
Investment Consultant	Aon
Independent Professional Observer	Peter Scales (AllenbridgeEpic)
Actuary	Aon
Investment Adviser	Leslie Robb
Legal Services	Ward Hadaway Head of Legal Services, NYCC
Auditor	Deloitte
Banker	Barclays Bank
Custodian	Bank of New York Mellon
Performance Measurement	BNY Mellon Asset Servicing
Asset Pool & Operator	Border to Coast Pensions Partnership (BCPP)
Fund Managers	Arcmont Baillie Gifford Dodge & Cox Hermes Investment Management Leadenhall Legal & General Investment Management M&G Investment Management Newton Investment Management Permira PIMCO Threadneedle Pensions Veritas
AVC Provider	Prudential

### 1.4 Risk Management

Risk management is the process by which the Fund identifies and addresses the risks associated with its activities. Risk management is a key part of the NYPF's governance arrangements, and the Fund has its own dedicated risk management policy and risk register with key risks also appearing on the Administering Authority's corporate risk register. Risks are identified and assessed, and controls are in place to mitigate risks. The Fund's risk register is reviewed every year by the PFC and Pension Board and is monitored during the year by officers. The latest review highlighted:

- (a) Fund solvency remains a high risk, despite the improved funding position, due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.
- (b) Another key risk relates to the LGPS pooling arrangements (see Part 4). This is a major change to the way in which the Fund is managed so should be considered a significant risk.

In addition, the approach to managing third party risk such as late payment of contributions is contained in the Pensions Administration Strategy (see Part 7). Contributions received from employers are monitored, the date of receipt is recorded and appropriate action is taken for late payments. For persistent material breaches of this protocol, the employer may be reported to the Pensions Regulator.

The Council's internal audit team regularly undertake audits across different aspects of the Fund's management and administration. These findings are reported to the PFC and Pension Board as appropriate. Assurance from the appointed Fund managers is obtained through the receipt of control reports.

Further detail about how the Fund manages other risks can be found in Note 18 Nature and Extent of Risks Arising from Financial Instruments in the Statement of Accounts in Appendix A.

### 1.5 Accounting and Cash Flow

Prior to the start of the 2020/21 financial year, a budget was prepared for NYPF which detailed the annual cost of running the Fund. A cashflow forecast was also produced which detailed the main inflows and outflows of the Fund in the year, for example, contribution income, benefits payable, transfers in and transfers out. The budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The total running costs of the Fund in 2020/21 were £31.5m against a budget of £30m, resulting in an overspend of £1.4m, as shown in the table below:

EXPENDITURE	Budget 2020/2021 £000	Outturn 2020/2021 £000	Variance £000
<b>Admin Expenses</b>			
Finance and Central Services	430	415	-15
Provision of Pensioner Payroll (ESS)	140	138	-2
Pensions Administration Team	1,090	1,059	-31
Pension Data Reconciliation	50	60	10
McCloud	0	0	0
Other Admin Expenses	270	244	-26
	<b>1,980</b>	<b>1,916</b>	<b>-64</b>
<b>Oversight and Governance</b>			
Actuarial Fees	40	21	-19
Custodian & Performance Monitoring Fees	50	70	20
Consultants Fees	290	273	-17
Pooling Project Costs	70	143	73
Pooling Operational Charge	600	711	111
Other O & G Expenses	100	63	-37
	<b>1,150</b>	<b>1,281</b>	<b>131</b>
<b>Investment Fees</b>			
Investment Management Base Fee invoiced	2,200	2,812	612
Performance Fees invoiced	2,000	2,406	406
Investment Fees deducted from Fund	22,760	23,080	320
	<b>26,960</b>	<b>28,298</b>	<b>1,338</b>
<b>TOTAL</b>	<b>30,090</b>	<b>31,495</b>	<b>1,405</b>

The main reasons for the variances were:

- Investment fees - Investment fees incurred in the year were higher than had been anticipated when the 2020/21 budget was set, as they are based on the values of the Fund's assets and these have increased above the original expectations since the start of the year.
- Admin Expenses - Costs were lower than expected due to reduced costs for the Pensions Administration team and lower website review costs.
- Oversight and Governance - Costs were higher than had been anticipated when the budget was set against the Pooling Operational Charge. This is as a result of a partnership fund withdrawal from the Pool (details under part 4 - Asset Pooling). Costs are now split between 11 and not 12 pension funds.

This analysis of expenditure that was reported to the PFC as part of the quarterly Fund management arrangements has been analysed differently in the Statement of Accounts to comply with accounting requirements and guidance.

The table below shows the 2020/21 cashflow statement for the Fund:

	Actual Cashflow 2020/2021 £000
<b>SCHEME PAYMENTS</b>	
<b>Benefits</b>	
Pensions	-95,937
Lump Sums	-25,625
	<b>-121,562</b>
<b>Payments to and on account of leavers</b>	
Transfers out	-7,992
Refunds to leavers	-387
	<b>-8,379</b>
<b>Operational Expenses</b>	
Admin Expenses	-1,916
Oversight and Governance	-1,281
	<b>-3,197</b>
<b>TOTAL PAYMENTS</b>	<b>-133,138</b>
<b>SCHEME RECEIPTS</b>	
Employer and Employee Contributions	133,082
Transfers in (from other schemes)	10,575
<b>TOTAL RECEIPTS</b>	<b>143,657</b>
<b>SCHEME SURPLUS/ (DEFICIT)</b>	<b>10,519</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	
Fees Invoiced Paid to Fund Managers	-5,219
Investment Income from Fund Managers	4,786
Withdrawals and (Deposits) with Fund Managers	-37,135
<b>TOTAL CASH FLOW FROM INVESTMENT</b>	<b>-37,568</b>
<b>SURPLUS/ (DEFICIT) AFTER INVESTMENT</b>	<b>-27,049</b>
<b>CASH BALANCE B/F</b>	<b>138,897</b>
<b>CASH BALANCE C/F</b>	<b>111,848</b>

The actual cashflow for the Fund in 2020/21 was a surplus of £10m.

# Part 2 – Scheme Administration

## 2.1 Administering Authority Arrangements

The Fund's administration is the responsibility of Gary Fielding, the Treasurer.

Staff within the pension administration team are responsible for administering the Scheme, including the calculation and administration of benefit payments and transfer values, recording employee contributions, the maintenance of pension records and communications with all stakeholders.

Staff within the finance team are responsible for maintaining the Fund's accounts and investment records, monitoring employer contributions, preparing quarterly reports to the PFC, producing the Annual Report and Accounts and acting as the main point of contact with the Fund's managers, advisers and auditors.

## 2.2 Disputes Process

The Fund deals with disputes under the statutory Internal Dispute Resolution Procedure (IDRP). This is a two stage process and further information is available on the Fund's website at [www.nypf.org.uk/formsandguides/publications.shtml](http://www.nypf.org.uk/formsandguides/publications.shtml).

However, as part of the pension team's customer care policy, all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2020/21 eight cases were received via the IDRP process. This represents less than 0.01% of total work processed in the year.

## 2.3 Pensions Administration

The NYPF covers the largest geographical area in England and Wales and the varied methods of communication utilised aim to tackle the challenges when communicating with both Scheme members and employers. Continued support has been provided for employers to ensure they are confident in carrying out their obligations under the Scheme. Face to face support and guidance has been provided and employers are encouraged to use the dedicated employers' area on the NYPF website.

An online portal to enable monthly data returns is being rolled out which removes the need for an annual year end return ensuring accurate data is received promptly.

Following the Education Act 2011 there continues to be a significant growth in scheme employers converting to Academies. A dedicated NYPF contact continues to provide schools with appropriate actuarial information regarding employer contribution rates and deficits.

Scheme members have access to a dedicated telephone helpline and email address. The online self-service module of the Altair administration system continues to provide members with access to their Annual Benefit Statements. Members are also asked to use the online benefit projector to carry out their own pension benefit estimates. Although members are encouraged to use electronic means of communication, NYPF still provides paper versions of documents on request. This is felt to be particularly important for members who may not have access to, or wish to use, electronic methods of communication.

## 2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their contact details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates processes. As at 31 March 2021 there were 31,816 registered users.

A small number of staff from employers within the Fund have direct upload access to the pensions database (with access to their employees only). This allows them to carry out basic pensions administration processes (creating new starter records, updating hours and personal information) and upload associated documents. Work is monitored via a 'task' which is created on the member record by the employer detailing what they have done. All changes can be tracked through an audit report which is run by the NYPF Processes team.

## 2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members can view their Annual Benefit Statements online. The majority, representing 98% of all statements, are delivered in this way with only 1,682 being posted to members in 2020/21.

## 2.6 NYPF Website

All essential information and guides are held on the website at [www.nypf.org.uk](http://www.nypf.org.uk) along with links to further national guidance. Employees and employers are able to use the website to refer questions to a generic pensions email address which is specifically resourced each day to provide a prompt response to queries. An 'Employers Only' area provides a central location to access forms and guides with the facility to securely submit forms electronically.

## 2.7 Data Quality

The Pensions Regulator's guidelines on data collection and security have been applied by the Fund and validation checks are carried out across all areas of activity. Periodic checks are carried out across the database continually to ensure that data gaps or queries are caught in 'real-time'. Other validation checks are carried out at each year end and queries are sent to the employer to resolve. This has become more complex with the introduction of the Career Average Revalued Earnings (CARE) Scheme as NYPF cannot validate CARE pay provided by employers.

In accordance with the requirements of the Pensions Regulator the NYPF completed a data quality assessment and scoring exercise resulting in data scores of:

Common Data: 97.52%

Conditional Data: 94.95%

Common data is the set of data that is defined as necessary and applicable to all members of all schemes. This data is required to identify Scheme members and includes surname, date of birth, National Insurance number and address. The Pensions Regulator has identified 10 Common data items.

Conditional data is the set of data that is defined as additional detailed data required for the administration of a pension scheme. This data is dependent on scheme type, structure and system design. For example, employer, salary history, contributions, transfer in details, etc.

A data improvement plan has been developed to ensure the continued improvement of the data quality.

Support is sought where appropriate from the internal audit service in order to encourage employers to maintain a consistent level of data accuracy including validating any data before it is supplied. Data is only accepted from named authorised signatories after the appropriate validation checks have been made.

# Part 3 – Investment Policy and Performance

## 3.1. Investment Policy

### (a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2016 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGPS fund. Full details of the investment policy are shown in the Investment Strategy Statement (see Part 7).

### (b) Investment Management arrangements

As at 31 March 2021 the following investment management arrangements were in place:

- › Baillie Gifford managed an active global (i.e. including UK) equity portfolio, namely Long Term Global Growth (LTGG). This portfolio is in the form of a pooled vehicle, rather than being invested in segregated holdings. It is managed without reference to a benchmark, however the FTSE All World index is used for performance measurement purposes
- › BCPP managed a UK Equities portfolio through a pooled vehicle against the FTSE All Share Index
- › BCPP managed a global equities portfolio in the form of a pooled vehicle against the MSCI All Countries World Index
- › M&G managed an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
- › Hermes managed an active UK Property portfolio through a pooled fund with the objective of outperforming the IPD Other Balanced Property Funds index
- › Threadneedle and Legal & General both managed active UK Property portfolios during the year through pooled funds with the objective of outperforming the All Balanced Property Funds index
- › Newton managed a Diversified Growth Fund portfolio during the year through the Real Return (RR) pooled fund, with the objective of significantly outperforming the cash benchmark
- › Veritas and Dodge and Cox managed active global equity portfolios in the form of a pooled vehicle against the MSCI All Country World index
- › Arcmont and Permira managed private debt portfolios through pooled Funds, both are managed without reference to a benchmark but have an objective to significantly outperform cash
- › Leadenhall managed three pooled Insurance Linked Security portfolios, all have an objective to significantly outperform against Money Market Fund returns
- › The Fund held a cash investment with NYCC Treasury Management.
- › BCPP managed an Infrastructure portfolio in a pooled fund that has the objective to outperform a long term absolute benchmark
- › LGIM managed an equity protection strategy against a proportion of the Fund’s global equity holdings.
- › BCPP managed an active Gilts portfolio through a pooled vehicle against the FTSE UK Index Linked Gilts over 15 Years Index

- › BCPP managed an active UK corporate bonds portfolio through a pooled vehicle against the iboxx Sterling Non-Gilts Index
- › BCPP managed a private debt portfolio through a pooled vehicle that has the objective to outperform against a long term absolute benchmark
- › PIMCO managed an active global bonds portfolio through a pooled vehicle without reference to a benchmark but have an objective to significantly outperform cash

The agreed asset class structure for the investment portfolio as at 31 March 2021 was as follows:

	%
Equities	50
Alternatives	22.5
Bonds	22.5

### (c) Custody of Investments

BNY Mellon Asset Servicing is the custodian for the Fund’s assets. There is one exception, being:

- (i) Internally Managed Cash, which is held in the Fund’s bank account with Barclays Bank, Northallerton. Money in this account forms part of the balance of funds invested by the Council for treasury management purposes. A formal Service Level Agreement exists between the Council and the Fund so that the Fund receives an interest rate return equivalent to that achieved by the Council.

The main services provided by BNY Mellon are the custodianship of the Fund’s assets, including settlement of trades and collection of income, investment accounting, and performance measurement of the fund managers.

## 3.2 Performance

### (a) Fund and Manager Performance

Pension Fund investment is a long term business, so as well as considering the annual performance of the Fund, performance over extended periods in comparison to peers is also considered; this principle is applied both to individual managers and the overall Investment Strategy of the Fund.

The return produced by the Fund is a contributory factor in setting the employer contribution rates. The mix of assets within the Fund has been established to generate the greatest possible return within appropriate limits of risk.

Performance for the year was +0.2% compared to the benchmark return of -1.5%.

Performance for the North Yorkshire Pension Fund compared with the benchmark for 5 years is shown below.

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	27.1%	13.1%
Benchmark	17.0%	9.1%
Performance against benchmark	+10.1%	+4.0%

The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2021 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund as at 31st March 2021		Share of Fund as 31st March 2020		Fund Performance	Customised Benchmark	+/-
	£000	%	£000	%	%	%	%
<b>Investments managed by Border to Coast Pension Partnership:</b>							
BCPP - Global Equity Alpha	1,208,259	26.8	813,510	23.0	48.5	39.6	+9.0
BCPP - UK Equities	172,881	3.8	120,164	3.4	43.9	26.7	+17.2
BCPP - Index Linked Gilt Fund	141,521	3.1	0	0.0			
BCPP - Investment Grade Credit	114,983	2.5	0	0.0			
BCPP - Infrastructure 1A	9,223	0.2	8,549	0.2			
BCPP - Private Debt	5,332	0.1	0	0.0			
BCPP - Infrastructure 1B	4,418	0.1	0	0.0			
BCPP - UK Unquoted Equities	1,182	0.0	833	0.0			
	1,657,799	36.6	943,056	26.6			
<b>Investments managed outside of Border to Coast Pension Partnership:</b>							
Baillie Gifford & Co. - LTGG	761,048	16.8	595,897	16.8	84.7	39.6	+45.1
M&G Investments	341,823	7.6	473,067	13.4	1.9	1.5	+0.4
Veritas	273,800	6.1	216,499	6.1	26.1	39.6	-13.5
Dodge & Cox	260,688	5.8	169,549	4.8	53.8	39.6	+14.2
PIMCO	192,755	4.3	0	0.0			
LGIM Equity Protection	192,738	4.3	313,901	8.9	-38.6	-38.6	+0.0
Threadneedle	173,158	3.8	170,226	4.8	1.7	2.5	-0.7
Newton Investments	170,503	3.8	142,871	4.0	19.3	0.1	+19.3
NYCC Treasury Management	100,184	2.2	133,832	3.8	0.4	0.1	+0.3
Legal & General	72,281	1.6	70,474	2.0	2.6	2.5	+0.1
Leadenhall Remote Fund	57,898	1.3	55,491	1.6	4.3	-0.0	+4.4
Leadenhall Diversified Fund	55,174	1.2	54,266	1.5	1.7	-0.0	+1.7
Permira	52,008	1.2	57,539	1.6	4.0	6.0	-2.0
Leadenhall NAT CAT Fund	51,222	1.1	53,767	1.5	-4.7	-0.0	-4.7
Arcmont (formerly Bluebay)	43,368	1.0	39,319	1.1	6.7	6.0	+0.7
Hermes	35,015	0.8	35,993	1.0	1.8	2.5	-0.7
Fidelity International	2,421	0.1	2,719	0.1			
UK Equity Transition	2	0.0	0	0.0			
Standard Life Investments - Equities	0	0.0	25	0.0			
Internally Managed (cash and net debtors)	16,228	0.4	13,044	0.4			
	2,852,314	63.4	2,598,479	73.4			
<b>Total Fund</b>	<b>4,510,113</b>	<b>100.0</b>	<b>3,541,535</b>	<b>100.0</b>	<b>27.1</b>	<b>17.0</b>	<b>+10.1</b>

Please note that full year performance figures are not yet available for investments managed by Border to Coast Pension Partnership and LGIM Equity Protection.

### (b) Analysis of Accounts

The Statement of Accounts for the year 2020/21 is shown at Appendix A.

The value of the Fund's assets at 31 March 2020 was £3,542m, and this increased by £969m during the year to give a value of £4,511m at 31 March 2021.

### Analysis of Fund Account over three years to 2020/21

	2020/21	2019/20	2018/19
	£000	£000	£000
Net additions/(withdrawals) from dealings with members	10,518	-6,725	4,058
Net investment return	-24,036	-9,792	-7,867
Change in market value of investments	982,096	-17,152	250,447
<b>Net increase/(decrease) in the Fund</b>	<b>968,578</b>	<b>-33,669</b>	<b>246,638</b>

### Analysis of Net Asset Statement over three years to 2020/21

	2020/21	2019/20	2018/19
	£000	£000	£000
Fixed Interest Securities	33,768,242	468,984	639,513
Equities	1,182	833	394,926
Pooled Funds	3,767,819	2,641,322	2,016,885
Pooled Property	279,864	276,103	288,502
Cash Deposits	105,209	138,523	220,042
Other	2,129	2,727	4,136
<b>Total Investment Assets</b>	<b>4,493,885</b>	<b>3,528,492</b>	<b>3,564,004</b>
Long-Term Debtors	203	42	-
Current Assets and Current Liabilities	16,025	13,001	11,200
<b>Net Assets of the Fund</b>	<b>4,510,113</b>	<b>3,541,535</b>	<b>3,575,204</b>

### 3.3 Voting Arrangements

The Committee delegated the exercise of voting rights to Pension Investment Research Consultants Limited (PIRC) for all directly owned shares until September 2019 when all equity investments were made through pooled investments. All voting rights are now delegated to the Fund's investment managers. Votes are executed according to predetermined Shareholder Voting Guidelines agreed by the PFC. These guidelines are aligned to the UK Stewardship Code and to best practice in other jurisdictions. The Fund monitors voting decisions on a regular basis and a summary of the voting activity in 2020/21 is provided in the table below:

In Favour	5,609	Against	1,315	Abstained/Withheld	309
-----------	-------	---------	-------	--------------------	-----

# Part 4 – Asset Pooling

## Background

In 2015 the Government issued the ‘LGPS: Investment Reform Criteria and Guidance’ which set out its intention to work with the 89 Administering Authorities in the Local Government Pension Scheme (LGPS) to establish asset pooling arrangements with the following objectives to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure

This has led to the creation of eight asset pools, significantly changing the approach to investing. These regulatory changes do not however affect the responsibility for determining the investment strategy which remains with individual Funds.

## NYPF Pooling Arrangements

In order to satisfy the requirements of the guidance issued by the Government, the Fund has become a shareholder of the Border to Coast Pensions Partnership (“BCPP”, or “the Pool”). BCPP is an FCA-regulated Operator and Alternative Investment Fund Manager (AIFM), that became operational in July 2018.

The Administering Authorities of the LGPS Funds that are participating in the pool are a combination of “like-minded” UK-based local government Unitary Authorities, Non-Metropolitan County Councils and Metropolitan District Councils with total assets of around £50bn. These are listed in the table below:

Administering Authority	Local Government Pension Fund
Bedford Borough Council	Bedfordshire Pension Fund
Cumbria County Council	Cumbria Pension Fund
Durham County Council	Durham Pension Fund
The East Riding of Yorkshire Council	East Riding Pension Fund
Lincolnshire County Council	Lincolnshire Pension Fund
North Yorkshire County Council	North Yorkshire Pension Fund
South Yorkshire Pensions Authority	South Yorkshire Pension Fund
Surrey County Council	Surrey Pension Fund
Middlesbrough Council	Teesside Pension Fund
The Borough Council of South Tyneside	Tyne and Wear Pension Fund
Warwickshire County Council	Warwickshire Pension Fund

The core principles of BCPP include the following:

- One Fund one vote – so regardless of Fund size, all Funds will be treated equally
- Equitable cost sharing
- Funds retain governance role and ownership of asset allocation
- Generation of improved net-of-fees risk adjusted performance

## Border to Coast Pensions Partnership

BCPP is responsible for designing, delivering and operating a range of investment funds and services to allow Partner Funds, BCPP’s shareholders and only customers, to implement their investment strategies. BCPP develops a range of internally and externally managed investments across a range of asset classes in both public and private markets. The team of 77 employees are based in Leeds.

## Governance

The Fund will hold BCPP Ltd to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of BCPP. The performance of the pool company is overseen by the shareholder representatives from each Authority on an ongoing basis and formally once a year at the BCPP AGM.
- A representative on the Joint Committee which, as an investor, will monitor and oversee the investment operations of BCPP. The Chair of each of the Funds’ Pension Fund Committees sit on the Joint Committee. There is also a non-voting scheme member representative that sits on the Joint Committee, who is nominated by the Funds’ Local Pension Boards.
- Officer support to the representatives above from the Officer Operations Group and the Statutory Officer Group. Day to day oversight will be provided by these officer groups.

## Pooling Costs

The Fund has incurred both set-up costs and ongoing costs since the inception of BCPP and these are detailed in the tables below.

	2020/21	2019/20	2018/19	Cumulative Since Inception
	£000	£000	£000	£000
<b>Set-up costs</b>				
Recruitment			2.7	17.1
Legal			4.2	26.6
Procurement			5.7	36.2
Other support (e.g. IT, Accommodation)			0.3	2.0
Other working capital	348.5		833.3	1,181.8
Staff costs			9.7	61.9
Other costs	191.5	357.6	443.9	1,027.8
<b>Total Set-up Costs</b>	<b>540.0</b>	<b>357.6</b>	<b>1,299.8</b>	<b>2,353.4</b>



	2020/21	2019/20	2018/19	Cumulative Since Inception
	£000	£000	£000	£000
<b>Transition Costs</b>				
Transition fees		259.0		259.0
Taxation (seeding relief)		1,143.4		1,143.4
Other transition costs		1,254.7		1,254.7
<b>Total Transition Costs</b>	<b>0.0</b>	<b>2,657.1</b>	<b>0.0</b>	<b>2,657.1</b>

During 2020/21 there were three transfers to BCPP's fixed income funds and there were no explicit costs incurred. At this early stage no savings have yet been realised. These savings are expected to be realised in the longer term. The set-up and transition into the different sub-funds is expected to involve several years of upfront costs before savings can be achieved. In the July 2016 submission to MHCLG it was estimated that the pool overall would recover its costs and start to achieve savings within two to five years.

BCPP is taking a phased approach to the launch of its investment funds. It is therefore expected that the transitioning of the Fund's assets will continue over a number of years. In 2021/22 transitions are expected to take place into BCPP's fixed income investments and Listed Alternatives.

### Ongoing costs

In addition to the set up costs above there are also ongoing costs that have been incurred in 2020/21. The table below compares costs within and outside of the pool:

	Asset Pool	Non-asset Pool	Fund Total
	£000	£000	£000
<b>Management fees</b>			
- Ad valorem	4,186	11,720	15,906
- Performance		2,417	2,417
Transaction costs	1782	3,649	5,431
Other costs	1157	3,878	5,035
<b>Total</b>	<b>7,125</b>	<b>21,664</b>	<b>28,789</b>

## Part 5 – Pension Administration Activity

The number of staff (in FTE terms) at the Council involved in pension administration was 30.77 completing an average of 3,376 cases each. The ratio of members to full time equivalent staff is 3,305:1. The NYPF has a net operating cost of £15.24 per member whilst the average operating cost for all authorities was £30.25 as calculated by the annual CIPFA benchmarking exercise.

### (a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Funds can be compared. NYPF's performance in these areas for the year to 31 March 2021 is shown here:

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer in quote	10 days	94.90
Letter detailing transfer out quote	10 days	92.11
Process and pay refund	5 days	94.12
Letter notifying estimate of retirement benefits	10 days	93.98
Letter notifying actual retirement benefits	5 days	86.23
Process and pay lump sum retirement grant	5 days	86.23
Initial letter acknowledging death of active/deferred/pensioner member	5 days	31.97
Letter notifying amount of dependant's benefits	5 days	31.97
Calculate and notify deferred benefits	10 days	79.03

For the year ending 31 March 2021, 93% of customers surveyed ranked the service provided by the NYPF as good or excellent.

### (b) Benefit Calculation Activity

The number of cases processed during the year requiring benefit calculations is shown here:

Task	Number
Retirements	4,685
Transfers In	271
Refunds	936
Frozen Refunds	656
Preserved Benefits	1,936
AVCs/ARCs	0
Divorce cases	202
Deaths in Service	34
Deaths of Pensioners	681

**(c) Administration**

The total numbers of joiners and leavers during 2020/21 were:

Joining	8,246
Retiring	
Incapacity	38
Normal Retirement Date (NRD)	157
Pre NRD	609
Post NRD	653
Redundancy/Efficiency	80
Flexible	42
Deaths	777
Other Leavers	6,389

The performance and activity reflect the efforts the pension administration team goes to in providing a first class service to the Fund membership. NYPF continues to encourage all stakeholders to utilise technology effectively in all communications. Examples of this over 2020/21 include:

- Continued to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits

- Encouraged members to plan for their retirement by promoting the use of the benefit calculators available online via member self-service
- Develop relationships with new employers to support them with the requirements of the LGPS. There continues to be significant growth in scheme employers largely in respect of schools converting to Academies
- Offering guidance and support to all employers
- Dedicated newsletter for retired members
- Roll out of online employer portal for monthly data collection

Administration activity statistics are compiled for national benchmarking purposes and are based on tasks undertaken by the pension administration team; therefore they will not reflect numbers reported elsewhere.

# Part 6 – Membership, Contributions and Scheme Benefits

## 6.1 Membership

NYCC operates the NYPF for its own employees (excluding teachers) together with those of the other local authorities within the County area, and certain other bodies eligible to join the Fund, under the terms of the LGPS regulations. The Fund does not cover teachers, uniformed police or fire-fighters for which separate statutory arrangements exist.

Membership of the LGPS is not compulsory, although employees who are 16 years old or over are automatically admitted to the Scheme unless they elect otherwise.

Employees therefore have various options to provide a pension in addition to the new State Pension:

- to be a member of the NYPF
- to purchase a personal pension plan or a stakeholder pension managed by a private sector company

The following table summarises the membership of the NYPF over the past 5 years:

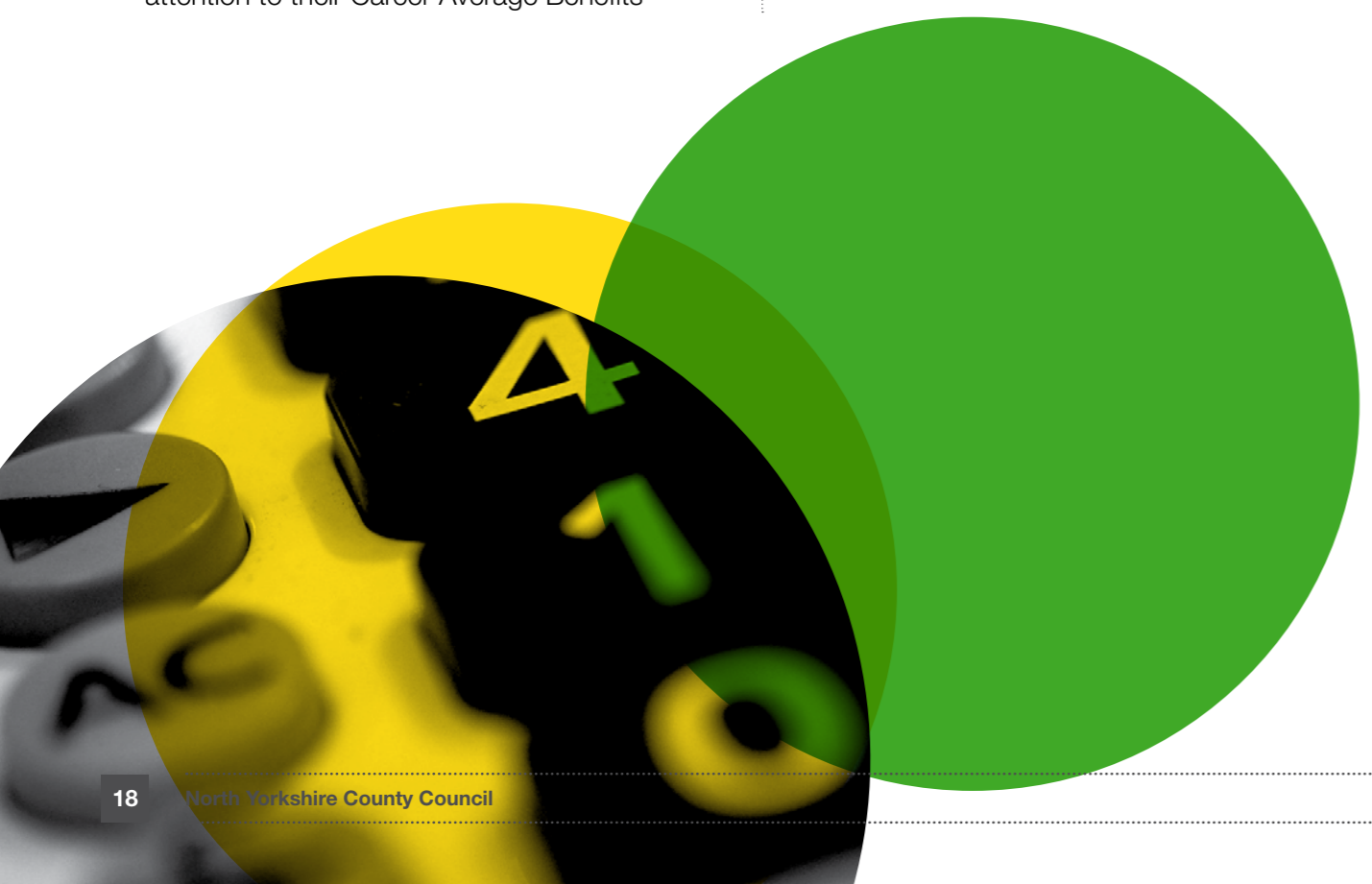
Membership Type	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Current contributors	33,559	33,110	33,462	33,403	33,640
Deferred pensions	33,147	35,799	37,207	38,848	38,836
Pensioners receiving benefits	20,441	21,462	22,724	24,181	25,419
Undecided leavers				1,959	3,813

## 6.2 Contributions

The Fund is financed by contributions from both members and employers, together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested as described in the Investment Strategy Statement (see Part 7).

The total contributions received for 2020/21 on an accruals basis were £133m, and NYCC being the main employer in the Fund contributed £57.9m. Employer contributions are set every three years by the Actuary as part of the Triennial Valuation. The last Triennial Valuation took place as at 31 March 2019, at which the funding level of the Fund was reported as 114% (90% as at 31 March 2016) by the actuary.

Details of the employer contribution rates can be seen in the latest Valuation Report by following this link: [www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf](http://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf)



### 6.3 Employer Analysis

At 31 March 2021 there were 129 contributing employer organisations within NYPF including the County Council. Full details of all employers can be found in the Statement of Accounts (see Part 7).

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	86	0	86
Admitted Body	48	5	43
<b>Total</b>	<b>134</b>	<b>5</b>	<b>129</b>

### 6.4 Member Rates

For member contributions a banded structure has been in place since April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2019 as follows:

Band	Range	Contribution rate
1	£0 to £14,400	5.5%
2	£14,401 to £22,500	5.8%
3	£22,501 to £36,500	6.5%
4	£36,501 to £46,200	6.8%
5	£46,201 to £64,600	8.5%
6	£64,601 to £91,500	9.9%
7	£91,501 to £107,700	10.5%
8	£107,701 to £161,500	11.4%
9	£161,501 or more	12.5%

The employer has the discretion to decide how often the contribution rate is changed if the pensionable pay of the member changes. This will usually be once a year, or where there are contractual changes to a member's post(s).

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum

contributions following the 2019 Valuation are shown at [www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf](http://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf)

### 6.5 Scheme Benefits

The LGPS is a comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be paid. More detailed information, including the Scheme booklet 'A Long Guide to the Local Government Pension Scheme for Employees in England and Wales', can be found on the NYPF website at [www.nypf.org.uk/formsandguides/schemeguides.shtml](http://www.nypf.org.uk/formsandguides/schemeguides.shtml). A paper copy can be requested by ringing the NYPF at County Hall, Northallerton on 01609 536335.

#### Normal Pension Age

The Normal Pension Age is a member's State Pension Age for both men and women (earlier voluntary retirement is allowed from age 55 but benefits are reduced for early payment). However, some members have a protected Normal Pension Age of 65 years.

On retirement, both a pension and a lump sum retirement grant are payable for service up to 31 March 2008. For service from 1 April 2008 only a

pension is payable, with no automatic lump sum. However, members do have the option to convert an amount of pension to a lump sum.

#### Pension (Normal)

The calculation of pension benefits depends on the dates of membership involved. From 1 April 2014 the LGPS changed to a Career Average Revalued Earnings (CARE) scheme. The pension for membership from 1 April 2014 is worked out as 1/49<sup>th</sup> of pensionable pay for each year.

For membership up to 31 March 2014 benefits are worked out on a 'final salary' basis. A normal pension is based on the full time equivalent pensionable pay received in the last year of service, or the better of the two previous years, if this gives a higher figure. Also, applicable from 1 April 2008, members who have a reduction in their pensionable pay in the last 10 years (up to date of retirement) can base benefits on the average of any 3 consecutive years in the last 13 years. Pensions are calculated as 1/80<sup>th</sup> for each year of membership of the scheme for service up to 31 March 2008 and as 1/60<sup>th</sup> for service between 1 April 2008 and 31 March 2014.

#### Pension (Ill Health)

An ill health pension is based on the full time equivalent pensionable pay received in the last year of service and a split of the 80<sup>ths</sup> and 60<sup>ths</sup> accrual for membership up to 31 March 2014. A pension of 1/49<sup>th</sup> of pensionable pay applies for membership from 1 April 2014 onwards. There are three tiers of ill health benefits depending on whether a member can carry out any gainful employment before their Normal Pension Age.

#### First Tier:

If it is unlikely that the member will be capable of gainful employment before Normal Pension Age (NPA), LGPS service is enhanced by 100% of the remaining potential pension to NPA. This is based on 1/49<sup>th</sup> of an 'Assumed Pensionable Pay' figure which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and NPA.

#### Second Tier:

If it is unlikely that the member will be capable of gainful employment within 3 years of leaving but is likely to be capable of undertaking gainful employment before reaching NPA, LGPS service is enhanced by 25% of the remaining potential pension to NPA.

#### Third Tier:

If it is likely that the member will be capable of undertaking some gainful employment within 3 years of leaving the member receives payment of the benefits built up to the date of leaving with no enhancement. The benefits are only payable for a maximum period of 3 years (reviewed at 18 months to assess any improvement or deterioration in health).

#### Lump Sum Retirement Grant

For service prior to 31 March 2008, the lump sum retirement grant is calculated as 3/80<sup>ths</sup> for each year of service, with an appropriate enhancement in respect of ill health. For service after this date there is no automatic lump sum, however, pension entitlement can be converted to a lump sum at the rate of £1 of pension for £12 of lump sum retirement grant. A maximum lump sum of 25% of the capital value of the benefits accrued in the scheme can be taken.

#### Death Grant

##### Death in Service

A lump sum death grant usually equal to three times pensionable pay, worked out on a prescribed basis known as 'Assumed Pensionable Pay', would be payable to the member's spouse or nominee.

If a member has a deferred benefit and / or a pension in payment from a previous period of membership, the lump sum death grant will be the greater of any lump sum death grant payable in respect of those benefits or the death in service lump sum death grant of three times their assumed pensionable pay.

### Death after Retirement

A death grant is payable in certain circumstances where death occurs after retirement. Retirement pensions are guaranteed for ten years and where death occurs within that period, and the pensioner dies before age 75, a death grant is payable. This provision only applies to a pensioner member who has a period of active membership in the Scheme on or after 1 April 2008. For pensioners who retired prior to this date the guarantee is limited to five years.

### Death of a member with Preserved Benefits

A lump sum death grant equal to the current value of the deferred retirement lump sum for leavers prior to 1 April 2008, or five times the preserved annual pension for leavers on or after this date is payable to the member's spouse or nominee.

### Spouses, civil partners and eligible cohabiting partners pensions

Any surviving spouse, cohabiting partner or civil partner is entitled to a pension based on 1/160<sup>th</sup> of the member's final pay for each year of service up to 31 March 2014. For membership from 1 April 2014 the surviving spouse, cohabiting partner or civil partner is entitled to a pension based on 1/160<sup>th</sup> of career average pensionable pay.

Benefits are payable to a cohabiting partner provided the member paid into the LGPS on or after 1 April 2008 and subject to certain qualifying conditions being met.

The pension available to a cohabiting partner is based on post April 1988 membership only (unless the member elected to pay additional contributions to make any pre April 1988 membership count).

### Children's Pension

Each child under age 18, or still in full-time education and under age 23, will receive a proportion of the spouse's, civil partner's or cohabiting partner's pension depending on the number of eligible children and whether or not a spouse's, civil partner's or cohabiting partner's pension is payable.

### Pension Increases

Pensions are increased in accordance with the Pensions (Increase) Act 1971. All pensions paid from the scheme are protected against inflation, rising in line with the Consumer Price Index.

### AVCs

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The PFC has appointed Prudential as the nominated provider for this purpose. Further details are available from the Prudential on 0345 600 0343. Lines are open Monday - Friday, 8.30am - 6.00pm.

## Part 7 – Governance Documentation

The main governance documentation is as follows:

- Investment Strategy Statement link is [www.nypf.org.uk/Documents/Investment%20Strategy%20Statement\\_v3.0\\_July%202021.pdf](http://www.nypf.org.uk/Documents/Investment%20Strategy%20Statement_v3.0_July%202021.pdf)
- Governance Compliance Statement link is [www.nypf.org.uk/Documents/Governance%20Compliance%20Statement\\_v1.4\\_April%202021.pdf](http://www.nypf.org.uk/Documents/Governance%20Compliance%20Statement_v1.4_April%202021.pdf)
- Funding Strategy Statement link is [www.nypf.org.uk/Documents/FSS\\_%20Aug%202020.pdf](http://www.nypf.org.uk/Documents/FSS_%20Aug%202020.pdf)
- Communications Policy link is [www.nypf.org.uk/Documents/Atch%206%20-%20Comms%20Policy\\_v1.3\\_April%202021.doc.pdf](http://www.nypf.org.uk/Documents/Atch%206%20-%20Comms%20Policy_v1.3_April%202021.doc.pdf)
- Pension Administration Strategy link is [www.nypf.org.uk/Documents/Atch%201%20-%20Admin%20Strategy\\_v1.3\\_April%202021.pdf](http://www.nypf.org.uk/Documents/Atch%201%20-%20Admin%20Strategy_v1.3_April%202021.pdf)
- Employer Charging Policy link is [www.nypf.org.uk/Documents/Atch%205%20-%20Charging%20Policy\\_v1.3\\_April%202021.pdf](http://www.nypf.org.uk/Documents/Atch%205%20-%20Charging%20Policy_v1.3_April%202021.pdf)

All of these documents can be found on the NYPF website at [www.nypf.org.uk/nypf/policiesandstrategies.shtml](http://www.nypf.org.uk/nypf/policiesandstrategies.shtml)

A short summary of each document is included here. The full documents are available on the links above.

### (a) Investment Strategy Statement

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS).

The ISS must include:

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investments;
- The authority's approach to risk, including the ways in which risks are to be measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

### (b) Governance Compliance Statement

Under the LGPS Regulations 2013 (as amended), an administering authority is required to publish a document describing how the Fund must assess its governance arrangements and compliance with any principles listed in the guidance. The main areas covered by this are:

- Governance arrangements
- Representation and meetings
- Operational procedures
- Key policy / strategy documents
- Assessment of compliance with best practice principles

**(c) Funding Strategy Statement**

The Funding Strategy Statement (FSS) has been prepared in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The main purpose is to:

- establish a clear and transparent Fund-specific Strategy which will identify how employers' pension liabilities are best met going forward
- support the regulatory requirement to maintain contribution rates for employers as nearly constant as possible
- take a prudent longer-term view of funding those liabilities

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method and assumptions and results of the 2019 actuarial valuation

**(d) Communications Policy**

This document sets out the communication strategy for communication with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities.

**(e) Pensions Administration Strategy**

This document sets out the administration protocols that have been agreed between the Fund and its employers. It includes the responsibilities and duties of the employer and NYPF, performance levels, communications and charging policy.

NYPF'S Local Pension Board is responsible for assisting the Fund in securing compliance with the regulations, and to ensure the efficient and effective governance and administration of the LGPS. The Pension Board therefore has an oversight role in the governance of the Fund. The Board produces its own Annual Report each year that details its roles and responsibilities and activities over the year. This can be found on the NYPF website at <https://www.nypf.org.uk/Documents/Pension%20Board%20-%20Annual%20Report%202018-19.pdf>

# Part 8 – Training

**8.1 Public Sector Pensions – Finance Knowledge and Skills**

The PFC recognises the importance of ensuring that all Members and officers charged with the financial management, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge their duties and responsibilities. The PFC also seeks to ensure that those Members and officers are both capable and experienced by making available the training necessary for them to acquire and maintain the appropriate level of expertise, knowledge and skills.

Following the issue of CIPFA guidance “Pensions Finance Knowledge and Skills Frameworks” the PFC provides routes through which the recommended knowledge and skills set out in the guidance may be acquired, as described below.

**8.2. Training for Pension Fund Committee Members and Officers****(i) Internally Provided**

Six Investment Strategy workshops were held throughout the year, all of which were well attended by PFC Members and officers of the Fund.

During the year Members and officers also made use of the CIPFA Knowledge & Skills resource library and accessed the Trustee Needs Analysis (TNA) where appropriate, which is aimed at identifying gaps in knowledge and skills, as a complement to alternative training resources.

**(ii) Externally Provided**

In addition to the training provided through workshops as described previously, Members and officers are encouraged to attend courses, conferences and other events supplied by organisations other than the Council. These events provide a useful source of knowledge and guidance from speakers who are experts in their field. Attendance at these events is recorded and reported to the PFC each quarter.

Events attended by PFC Members during 2020/21 were:

Event	Place	Date
BCPP Conference	virtual	2 Oct 2020
PLSA Conference	virtual	12 - 16 Oct 2020

Details of the training undertaken by Members is recorded and reported at each PFC meeting. The latest report can be found by looking in the appendix to the pensions administration report in the link below: <https://edemocracy.northyorks.gov.uk/documents/s7285/Appendix%206%20-%20Member%20Training%20Log.docx.pdf>

# Part 9 – Glossary and Contact Details

## Active member:

Current employee who is contributing to a pension scheme.

## Actuary:

An independent professional who advises the Council on the financial position of the Fund.

Every three years the Actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

## Additional Voluntary Contributions (AVC):

An option available to active members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

## Administering Authority:

North Yorkshire County Council as Administering Authority is responsible for the administration of the Scheme.

## Admitted Body:

An organisation who has entered into a service agreement with a Scheme employer. The parties and NYCC (as the Administering Authority) enter into an admission agreement to allow the staff who transferred to the new organisation to participate in the LGPS.

## Alternatives:

An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts.

## Asset Allocation:

The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a fund will reflect the fund's investment objectives.

## Benchmark:

A measure against which the investment policy or performance of an investment manager can be compared.

## CARE (Career Average Revalued Earnings):

From 1 April 2014, the LGPS changed from a final salary scheme to a CARE scheme. It is still a defined benefit scheme but benefits built up from April 2014 are worked out using a member's pay each scheme year rather than the final salary. The pension earned each Scheme year is added to the member's pension account and inflation is added so it keeps its value in line with inflation.

## Deferred Members:

Scheme members who have left employment or ceased to be an active member of the Scheme whilst remaining in employment, but retain an entitlement to a pension from the Scheme.

## Defined Benefit Scheme:

A type of pension scheme where the pension that will ultimately be paid to the member is calculated with reference to a formula and is not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

## Diversified Growth Funds (DGF):

An alternative way of investing in shares, bonds, property and other asset classes.

## Employer Contribution Rates:

The percentage of the salary of members that employers pay as a contribution towards the members' pension.

## Equities:

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

## Fixed Interest Securities:

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

## Index:

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

## Pooled Funds:

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

## Return:

The total gain from holding an investment over a given period, including income and any increase or decrease in market value.

## Scheduled Body:

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

## Money Helper

Since the Money and Pensions Service (MaPS) was formed in 2019, it has operated three legacy consumer facing brands: the Money Advice Service, The Pensions Advisory Service and Pension Wise.

MaPS was created as a single body to bring together financial guidance services and content, making it easier for customers to find what they are looking for in one joined-up service.

Consolidating three brands into one means a better and enhanced consumer experience can be provided – a single source of information and guidance where information can easily be found in one place.

## Unrealised Gains/Losses:

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

## Contact Information

### North Yorkshire Pension Fund

County Hall  
Northallerton  
North Yorkshire  
DL7 8AL

Telephone: **01609 536335**

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

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

### Money Helper

Telephone: **01159 659570**

Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)

Website: [moneyhelper.org.uk](http://moneyhelper.org.uk)

# Appendix A

## Statement of responsibilities for the financial statements

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below:

### a) The Administering Authority

The Administering Authority is North Yorkshire County Council. The Administering Authority is required to:

- make arrangements for the proper administration of the financial affairs of the Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### b) Treasurer

The Treasurer is responsible for the preparation of the Fund's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom Based on International Reporting Standards (the Code). This document includes the financial statements for the Pension Fund only. The financial statements of North Yorkshire County Council are published separately.

In preparing these financial statements, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

- kept proper accounting records, which were up to date; and
- taken responsible steps for the prevention and detection of fraud and other irregularities.

### Certificate

I hereby certify that the Annual Report and Accounts give a true and fair view of the financial position of the North Yorkshire Pension Fund as at 31 March 2021 and its income and expenditure for the financial year then ended.

### Gary Fielding

Treasurer  
North Yorkshire Pension Fund

## North Yorkshire Pension Fund

### Fund account for the year ended 31st March 2021

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

## North Yorkshire Pension Fund

### Net Assets Statement

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

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

## Notes to the North Yorkshire Pension Fund accounts for the year ended 31st March 2021

### 1. Description of the Fund

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

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

#### (a) General

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

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

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

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

#### (b) Membership

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

Organisations participating in NYPF include:

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

At 31 March 2021 there were 129 contributing employer organisations within NYPF including the County Council itself, and over 97,000 individual members, as detailed on the next pages.



**86 Scheduled Bodies including 44 Academies**

Ainsty 2008 Internal Drainage Board	North Yorkshire Police and Crime Commissioner
Askham Bryan College	Northallerton & Romanby Joint Burial Board
Chief Constable (North Yorkshire Police)	Northallerton Town Council
City of York Council	Norton on Derwent Town Council
Craven College	Pickering Town Council
Craven District Council	Richmond Town Council
Easingwold Town Council	Richmondshire District Council
Filey Town Council	Ripon City Council
Foss 2008 Internal Drainage Board	Ryedale District Council
Fulford Parish Council	Scarborough Borough Council
Glusburn Parish Council	Scarborough Sixth Form College
Great Ayton Parish Council	Selby College
Hambleton District Council	Selby District Council
Harrogate Borough Council	Selby Town Council
Haxby Town Council	Skipton Town Council
Hunmanby Parish Council	Sutton in Craven Parish Council
Knaresborough Town Council	Tadcaster Town Council
Malton Town Council	Vale of Pickering Internal Drainage Board
North York Moors National Park Authority	Whitby Town Council
North Yorkshire County Council	York College
North Yorkshire Fire & Rescue	Yorkshire Dales National Park Authority

**Academy Trusts**

Areté Learning Trust - Northallerton School & Sixth Form College	Norton College
Areté Learning Trust - Richmond School & Sixth Form College	Outwood Grange Academies Trust
Areté Learning Trust - Stokesley School & Sixth Form College	Pathfinder Multi Academy Trust
Bishop Wheeler Catholic Academy Trust	Red Kite Learning Trust
Dales Academies Trust	Rodillian Multi Academy Trust - Brayton
David Ross Education Trust – Thomas Hinderwell Primary Academy	Rossett School
Ebor Academy Trust	Ryedale Learning Trust
Elevate Multi Academy Trust	Scalby Learning Trust - Friarage Community Primary School
Enquire Learning Trust - East Whitby Primary Academy	Scalby Learning Trust - Newby & Scalby Primary School
Enquire Learning Trust - Roseberry Primary Academy	Scalby Learning Trust - Scalby School
Enquire Learning Trust - Stakesby Primary Academy	Scarborough University Technical College
Enquire Learning Trust - Stokesley Primary Academy	Selby Educational Trust
Elevate Multi Academy Trust	South Bank Multi Academy Trust
Enquire Learning Trust - East Whitby Primary Academy	South Craven Academy Trust
Enquire Learning Trust - Roseberry Primary Academy	South York Multi Academy Trust
Enquire Learning Trust - Stakesby Primary Academy	St Margaret Clitherow Catholic Academy Trust
Enquire Learning Trust - Stokesley Primary Academy	STAR Multi Academy Trust
Great Smeaton Primary Academy	The Bishop Konstant Catholic Academy Trust
Hope Learning Trust	The Woodlands Academy
Huntington Primary Academy	Wellspring Academy Trust
Lingfield Education Trust – Cambrai Primary School	Yorkshire Causeway Schools Trust
Moorlands Learning Trust	Yorkshire Collaborative Academy Trust
Nicholas Postgate Catholic Academy Trust – All Saints School	Yorkshire Endeavour Academy Trust
Northern Star Academies Trust	

**43 Admitted Bodies**

ABM Catering Ltd	Independent Cleaning Services
Absolutely Catering Ltd	ISS Mediclean Ltd
Align Property Partners Ltd	Lifeways Community Care Ltd
Aramark Ltd	Make It York
Betterclean Services Ltd	Mellors
Beyond Housing	RCCN Ltd
Bulloughs Cleaning Ltd	Richmondshire Leisure Trust
Cater Link Ltd	Ringway
Catering Academy Ltd	Sanctuary Housing Association
Chartwells Compass	Springfield Home Care
Churchill Contract Services Ltd	Streamline Taxis
Churchill Security Solutions Ltd	University of Hull (Scarborough)
City of York Trading Ltd	Urbaser Ltd
Elite	Veritau Ltd
Everyone Active (SLM Scarborough)	Veritau North Yorkshire Ltd
Explore York Libraries and Archives	Welcome to Yorkshire
Gough and Kelly Security Ltd	Wigan Leisure and Culture Trust
Greenwich Leisure Ltd	York Archaeological Trust Ltd
Grosvenor Facilities Management	York Mind
Hexagon Care	York Museums and Galleries Trust
Human Support Group Ltd	York St John University
Hutchison Catering Ltd	

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

	31st March 2021	31st March 2020
<b>Number of Employers with Active Members</b>	129	157
<b>Employees in the Fund</b>		
NYCC	15,968	16,331
Other employers	17,672	17,072
<b>Total</b>	<b>33,640</b>	<b>33,403</b>
<b>Pensioners</b>		
NYCC	13,839	13,165
Other employers	11,580	11,016
<b>Total</b>	<b>25,419</b>	<b>24,181</b>
<b>Deferred Pensioners</b>		
NYCC	24,271	24,278
Other employers	14,565	14,570
<b>Total</b>	<b>38,836</b>	<b>38,848</b>

**(c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 and that set the contribution rates for 2020/21, 2021/22, 2022/23; details of the rates for individual employers are available on the Fund's website.

**(d) Benefits**

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

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable,

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

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

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

## 2. Basis of Preparation

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

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

## 3. Summary of Significant Accounting Policies

### Fund Account – Revenue Recognition

#### (a) Contribution Income

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

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

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

#### (b) Transfers to and from other Schemes

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

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

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

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

#### (c) Investment Income

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

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

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

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

### Fund Account – Expense Items

#### (d) Benefits Payable

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

#### (e) Taxation

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

#### (f) Management expenses

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

##### Administrative expenses

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

##### Oversight and governance

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

##### Investment management expenses

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

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

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

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

### Net Assets Statement

#### (g) Financial Assets

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

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

**(h) Foreign Currency Transactions**

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

**(i) Derivatives**

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

**(j) Cash and Cash Equivalents**

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

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

**(k) Liabilities**

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

**(l) Actuarial Present Value of Promised Retirement Benefits**

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

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

**(m) Additional Voluntary Contributions**

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

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

**(n) Contingent assets and contingent liabilities**

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

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

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

**4. Critical Judgement in Applying Accounting Policies****Pension Fund Liability**

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

**Investment in Border to Coast Pensions Partnership (BCPP)**

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

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

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

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

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

**6. Events After the End of the Reporting Period**

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

## 7. Contributions Receivable

	2020/21	2019/20
By category	£000	£000
<b>Employees' Contributions</b>	31,195	29,314
<b>Employers' Contributions</b>		
Normal contributions	98,843	82,625
Deficit recovery contributions	1,271	4,403
Early Retirement Recharges	1,541	3,429
Compensatory Added Years Recharges	232	245
<b>Total Contributions</b>	133,082	120,016
By authority	2020/21	2019/20
Contributions Receivable	£000	£000
North Yorkshire County Council	57,935	48,200
Other Scheduled Bodies	68,397	64,790
Admitted Bodies	6,750	7,026
	133,082	120,016

## 8. Transfers In from Other Pension Funds

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

## 9. Benefits Payable

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

## 10. Payments To and On Account of Leavers

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

## 11. Management Expenses

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

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

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

**a) Investment Management Expenses**

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

**12. Investment Income**

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

**a) Taxes on Income**

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

**13. Other Fund Account Disclosures**

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

**14. Investments****a) Reconciliation of Movements in Investments**

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

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

## b) Analysis of Investments

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

## c) Investments analysed by Fund Manager

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

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

**(d) Stock Lending**

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

**15. Analysis of Derivatives**

The Fund does not hold derivatives.

**16. Fair Value – Basis of Valuation**

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.

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

**Sensitivity of assets valued at level 3**

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

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

**a) Fair Value Hierarchy**

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

**Level 1**

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



**Level 2**

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

**Level 3**

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

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

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

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

**b. Reconciliation of Fair Value Measurements Within Level 3**

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

**17. Financial Instruments****(a) Classification of Financial Instruments**

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

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

**b) Net Gains and Losses on Financial Instruments**

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

## 18. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management

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

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

#### (a) Market Risk

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

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

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

The Fund manages these risks in two ways:

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

#### Other Price Risk

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

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

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

### Other Price Risk – Sensitivity Analysis

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

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

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

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

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

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

### Interest Rate Risk

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

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

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

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

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

### Currency Risk

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

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

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

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

Asset Type	Value as at 31st March 2021	Value on 8.5% Increase	Value on 8.5% Decrease
	£000	£000	£000
Overseas Equities	2,299,233	2,494,668	2,103,798

Asset Type	Value as at 31st March 2020	Value on 8.6% Increase	Value on 8.6% Decrease
	£000	£000	£000
Overseas Equities	1,655,171	1,795,861	1,514,482

### (b) Credit Risk

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

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

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

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

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

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

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

### (c) Liquidity Risk

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

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

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

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

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

## 19. Funding Arrangements

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

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

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

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

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

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

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

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

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

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

## Commutation Assumption

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

## 50:50 Option

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

## 20. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to

the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an **Appendix**.

## 21. Current Assets

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

### (a) Long Term Debtors

	2020/21 £000	2019/20 £000
<b>Long Term Debtors</b>		
Reimbursement of Lifetime Tax Allowances	203	42

## 22. Current Liabilities

Creditors	2020/21	2019/20
	£000	£000
Investment Creditors	0	0
Sundry Other Creditors	7,548	3,402
	7,548	3,402

## 23. Additional Voluntary Contributions (AVCs)

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

## 24. Agency Services

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

## 25. Related Party Transactions

### North Yorkshire County Council

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

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

The Fund's cash holdings for cashflow purposes are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2021 the Fund had an average investment balance of £9.0m (£11.3m during 2019/20) and

received interest of £42.6k (£102.7k received in 2019/20) on these funds. The Fund also holds a cash investment with NYCC Treasury Management. The value of this investment at the end of 2020/21 was £100.3m (£133.8m in 2019/20).

### Governance

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

### Key Management Personnel

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

## 26. Contingent Liabilities and Contractual Commitments

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

## 27. Contingent Assets

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

## 28. Impairment Losses

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

# Appendix B

## Statement of the Actuary

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

#### Introduction

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

#### Actuarial Position

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

**Plus**

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

**Less**

  - 1.6% of pensionable pay to remove surplus in excess of a funding level of 110% over a recovery period of 21 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

- In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

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

- The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

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

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

The assets were valued at market value.

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

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based

on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with  $s_k$  of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

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

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement as appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities

• **Increases to Guaranteed Minimum Pensions (GMPs):**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response sets out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

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

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

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

(where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

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

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

• **Goodwin**

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

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

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

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

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

[www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf](http://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf)

**Aon Solutions UK Limited**

May 2021

## Appendix C

### INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF NORTH YORKSHIRE COUNTY COUNCIL ON THE NORTH YORKSHIRE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28.

#### Respective responsibilities of the Treasurer and the auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements, the Treasurer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of North Yorkshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

#### Opinion

In our opinion, the pension fund financial statements are consistent, in all material respects, with the pension fund financial statements in the full annual statement of accounts of North Yorkshire County Council for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have not considered the effects of any events between the date we signed our report on the pension fund financial statements in the full annual statement of accounts (13 August 2021) and the date of this statement.

#### Use of our report

This report is made solely to the members of North Yorkshire County Council ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Nicola Wright (Key Audit Partner)

For and on behalf of Deloitte LLP  
Newcastle upon Tyne, United Kingdom  
November 2021



## Contact us

W: [www.northyorks.gov.uk](http://www.northyorks.gov.uk) E: [customer.services@northyorks.gov.uk](mailto:customer.services@northyorks.gov.uk)

T: **01609 780 780** (Monday to Friday 8.00am - 5.30pm closed weekends and bank holidays)

**North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD**

You can request this information in another language or format at

[www.northyorks.gov.uk/accessibility](http://www.northyorks.gov.uk/accessibility)