

2022/2023

# Annual Report & Accounts



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# foreword

The Fund was created on the reorganisation of local government in 1974 and East Riding of Yorkshire Council became the Administering Authority on 1 April 1996.

At 31 March 2023 the Fund was valued at £6244.6m, having paid out £198.1m during the year for the benefit of Scheme members. This is a small decrease in the Fund value, £18.0m from 31 March 2022. Investment performance was above the bench mark but below the long-term target. Interest rates rose steeply from their historic lows, and high inflation proved stubbornly resistant to the attempts of central banks to bring it under control, both of which contributed to significant falls in financial markets. However, the Fund's investments were diversified across a range of asset classes, and this helped to protect against the worst of these falls.

Alternatives was the strongest performer, with infrastructure producing particularly high returns. Investments such as wind and solar farms typically generate inflation linked income and have some form of Government backed guarantee. Equities performed better than expected. The Fund's high allocation to UK equities protected it against a weak US Dollar, and against the impact of the energy crisis as the UK market has a higher proportion of energy companies than other markets. Bonds performed very poorly, primarily due to the jump in interest rates at the time of the Government's mini budget in September 2022.

Throughout 2022-23 the number of Scheme Employers in the Fund with active members was 324 (31 March 2022: 325). There were 8 new Scheme Employers joining the Fund during 2022-23 with 9 existing Scheme Employers ceasing their membership of the Fund. All employees, other than teachers, of the Administering Authority and the majority of the Scheme Employers are entitled to participate in the Scheme. Employees of Scheme Employers classed as designating bodies, such as town and parish councils, and employees of the 61 Admission Bodies may be nominated for membership by their employer. Teachers, police officers and firefighters have separate pension arrangements.

Although membership is not compulsory, it is automatic for all employees who have a contract of employment that is for at least 3 months and who are under the age of 75. Employees have freedom of choice to leave the Scheme and make alternative pension arrangements.

At 31 March 2023 the total membership records administered by the East Riding Pension Fund was 126,131, an increase of 4.75% in the year (2022: 120,427). For active members, each separate employment contract is classed as a record where an individual has multiple employments, and the number of active member records has increased by 10.0% to 44,336 (2022: 40,299). For pensioner members each pension entitlement is classed as a record where an individual is in receipt of more than one pension and the number of pensioner member records, including the pensions paid to spouses and dependants of the former scheme members, has increased by 4.22% to 37,715 (2022: 36,189). All the membership figures are based on the up to date position recorded on the pension administration system, with all previous years restated on a consistent basis. The average pension payment is £4,967.64 per annum, equivalent to a weekly payment of £92.57.

The Fund generated a return of 0.7% for the year to 31 March 2023 compared to the strategic benchmark return of -2.6%. Over the three years to 31 March 2023 the Fund returned 8.9% per annum, compared to the strategic benchmark return of 7.6% per annum and the long-term investment objective of 5.1% per annum.

The Fund continues to be managed in a cost-effective manner with total pension administration, investment management, and oversight and governance costs equating to just 0.15% (2022: 0.13%) of funds under management.

The key challenge for the Fund in the year ahead is to maintain investment performance in an environment of rising interest rates and inflation at levels not seen for over 30 years.

**Julian Neilson**  
**Director of Finance**  
**East Riding of Yorkshire Council**  
**31 August 2023**

# the local government pension scheme

## Legal Framework

The Local Government Pension Scheme (LGPS) has been in existence since 1922 and has developed into a comprehensive scheme providing pensions for all members and their spouses, civil partners or eligible cohabiting partners and eligible children.

The current scheme, LGPS 2014, is a Career Average Revalued Earnings (CARE) scheme. The scheme rules for LGPS 2014 are contained within the LGPS Regulations 2013 (Statutory Instrument Number 2013 No. 2356) and subsequent amendments and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (Statutory Instrument Number 2014 No. 525). Amendments to LGPS 2014 are made under the Public Service Pensions Act 2013. Details of the main provisions of LGPS 2014 can be found at <http://lgpsregs.org/schemeregs/lgpsregs2013.php>

The Regulations specify the type and amounts of pension and other benefits payable in respect of scheme members who leave, retire or die, and also fix the member contributions rates payable on an ongoing basis. Employees have the freedom to opt-out and make their own pension provision.

Employer contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. Following the 2022 Actuarial Valuation, the Actuary issued the new rates payable by scheme employers for the period from 1 April 2023 to 31 March 2026. Details of the new rates can be found on the East Riding Pension Fund website at [https://downloads.eastriding.org.uk/pensions-erpf/investments-and-funding/valuation-reports/ERPF\\_Valuation\\_Report\\_2022.pdf](https://downloads.eastriding.org.uk/pensions-erpf/investments-and-funding/valuation-reports/ERPF_Valuation_Report_2022.pdf)

Whilst the Regulations are fixed on a national basis, the LGPS is managed by a designated Administering Authority, and throughout England and Wales there are 85 such authorities. East Riding of Yorkshire Council is responsible for administering the 'East Riding Pension Fund' for the benefit of its own employees and the employees of the scheme employers and admission bodies. Full details of the scheme employers participating within the Fund are shown on pages 5 to 7. Teachers, Police Officers and Firefighters are excluded from the LGPS as they are members of separate statutory pension schemes.

HM Revenues and Customs has granted the LGPS 'exempt approval' for the purposes of the Income and Corporation Taxes Act 1988. Since April 2006, the LGPS has been classified as a registered public service pension scheme under Part 4 of Chapter 2 of the Finance Act 2004. It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, the Pensions Act 2004, the Pensions Act 2021 and meets the Government's standards under the automatic enrolment provisions of the Pensions Act 2008.

## The East Riding Pension Fund Local Pension Board

As required under section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), the East Riding Pension Fund Local Pension Board (ERPFLPB) was established on 25 February 2015 and is made up of three employer representatives and three member representatives. ERPFLPB is responsible for assisting East Riding of Yorkshire Council (as administering authority) in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator.

Details of the activities of the ERPFLPB can be found on the East Riding Pension Fund website at [www.erpf.org.uk/local-pension-board](http://www.erpf.org.uk/local-pension-board)

## Fund Membership

The 324 employers, including East Riding of Yorkshire Council, with active members in the Pension Fund in 2022/23 are listed below:

### ADMINISTERING AUTHORITY

East Riding of Yorkshire Council

### SCHEDULE 2 EMPLOYERS (269)

Adelaide Primary Academy  
 Ainthorpe Primary Academy  
 Airmyn Park Primary School  
 Alderman Cogan Primary Academy  
 All Saints Church of England Infant Academy  
 All Saints Church of England Junior Academy  
 Anlaby Common Parish Council  
 Appleton Primary Academy  
 Archbishop Sentamu Academy  
 Aspire Academy  
 Barton upon Humber Town Council  
 Beacon Academy  
 Bellfield Academy  
 Beverley Grammar School  
 Beverley Town Council  
 Biggin Hill Primary Academy  
 Bilton Community Primary Academy  
 Bishop Burton College  
 Bottesford Town Council  
 Bricknell Primary Academy  
 Bridgeview School  
 Bridlington Town Council  
 Brigg Town Council  
 Broadacre Primary Academy  
 Broughton Town Council  
 Buckingham Primary Academy  
 Bude Park Primary Academy  
 Bursar Primary Academy  
 Burton upon Stather Parish Council  
 Cambridge Park Academy  
 Canon Peter Hall Academy  
 Cavendish Primary Academy  
 Chiltern Primary School  
 Christopher Pickering Primary School  
 Cleethorpes Academy  
 Cleeve Primary Academy  
 Clifton Primary School  
 Collingwood Academy  
 Compass Academy  
 Consortium Academy Trust Central Team  
 Coomb Briggs Academy  
 Coritani Academy  
 Cottingham Croxby Primary Academy  
 Cottingham High School  
 Craven Primary Academy  
 Crowle Academy  
 Dorchester Primary Academy  
 Driffield School  
 Driffield Town Council  
 Dunswell Primary Academy  
 Easington CE Primary Academy

East Ravendale Academy	Kingswood Parks Primary Academy	St Bernadette's Academy
Eastfield Primary Academy (Immingham)	Kirk Ella and West Ella Parish Council	St Charles RC Primary Academy
Eastfield Academy (Hull)	Laceby Acres	St George's Primary Academy
Edward Heneage Academy	Lisle Marsden Academy	St James' CE Academy
Elliston Primary Academy	Littlecoates Primary Academy	St John of Beverley Catholic Primary School
Elloughton cum Brough Town Council	Longhill Primary Academy	St Joseph's Catholic Primary Academy (Goole)
Emergency Services Fleet Management (Humberside) Limited	Macaulay Academy	St Joseph's Catholic Primary Voluntary Academy (Cleethorpes)
Endike Primary School	Malet Lambert Academy	St Mary and St Joseph's (Pocklington) Catholic Primary School
Endsleigh Holy Child VC Academy	Malton Primary Academy	St Mary Queen of Martyrs VC Academy
Enfield Academy of New Waltham	Marfleet Primary Academy	St Mary's Academy (Brigg)
Engineering UTC Northern Lincolnshire	Market Weighton Town Council	St Mary's Catholic Primary Voluntary Academy (Grimsby)
Epworth Academy	Maybury Primary Academy	St Marys College
Epworth Town Council	Melbourne Community Academy	St Mary's (Market Weighton) Catholic Primary School
Estcourt Primary Academy	Melior Community College Academy	St Nicholas Primary Academy
Euler Academy	Mersey Academy	St Norbert's Catholic Primary Academy
Fairfield Academy	Middlethorpe Academy	St Peter's CE Primary Academy
Francis Askew Primary School	Mountbatten Academy	St Richards RC Primary Academy
Franklin College	Neasden Primary Academy	St Thomas More Academy
Frederick Holmes Academy	New Waltham Academy	St Vincents VC Academy
Ganton School	Newbald Parish Council	Scartho Junior Academy
Gilberdyke Academy	Newington Academy	Scawby Academy
Gillshill Primary Academy	Newland School for Girls	Sevenhills Academy
Goole High School	Newland St John's CE Academy	Sidmouth Primary Academy
Goole Town Council	North Cave Church of England Primary Academy	Siggleshorne Primary Academy
Great Coates Primary Academy	North Cave Parish Council	Signhills Academy
Griffin Primary Academy	North East Lincolnshire Council	Signhills Infants Academy
Hall Road Academy	North Eastern Inshore Fisheries and Conservation Authority	Sirius Academy North
Havelock Academy	North Ferriby Parish Council	Sirius Academy West
Healing Primary School	North Lincolnshire Council	South Axholme Academy
Healing Science Academy Limited	Oasis Academy Henderson Avenue	South Cave Parish Council
Hedon Town Council	Oasis Academy Immingham	South Hunsley School and Sixth Form College
Hessle Community Academy	Oasis Academy Nunthorpe	Southcoates Primary Academy
Hessle Town Council	Oasis Academy Parkwood	Spring Cottage Academy
Hibaldstow Academy	Oasis Academy Wintringham	Springfield Primary Academy
Hibaldstow Parish Council	Old Clee Primary Academy	Sproatley Endowed Primary Academy
Highlands Primary Academy	Oldfleet Primary Foundation Trust School	Stamford Bridge School
Holderness Academy and Sixth Form College	Ormiston Maritime Academy	Stepney Primary Academy
Hook C of E Primary School	Ormiston South Parade Academy	Stockwell Academy
Hornsea Town Council	Our Lady and St Peter Catholic Primary School	Stoneferry Primary School
Howden School	Ouse and Humber Drainage Board	Strand Academy
Howden Junior School	Outwood Academy Brumby	Sullivan Centre
Hull Collaborative Academy Trust Central Team	Outwood Academy Foxhills	Sutton Park Primary Academy
Hull Collaborative Academy Trust Catering Team	Outwood Junior Academy Brumby	Swanland Parish Council
Hull College	Paisley Primary Academy	Swanland Primary School Academy Trust
Hull Culture and Leisure Limited	Parkstone Primary Academy	TEC Partnership
Hull Trinity House Academy	Patrington CE Primary Academy	Thanet Primary Academy
Humber Bridge Board	Pearson Primary School	The Axholme Academy
Humberside Fire Authority	Phoenix Park Academy	The Boulevard Academy
Humberston Academy	Pilgrim Academy	The Boulevard Centre
Humberston Cloverfields Academy	Pocklington Junior School	The Chief Constable of Humberside Police
Humberston Park Academy	Priory Primary Academy	The Green Way Academy
Hunsley Primary School	Quay Academy	The Marvell College
Huntcliff Academy	Reynolds Primary Academy	The Parks Academy
Immingham Town Council	Rise Academy	The Police and Crime Commissioner for Humberside
Ings Primary School	Riston Primary Academy	The St. Lawrence Academy
John Leggott College	Rokeby Park Academy	The Snaith School
JLSFC Services Ltd	Ron Dearing UTC	The Vale Academy
Kelvin Hall School	Rowley Parish Council	Thoresby Primary Academy
Keyingham Primary School	St Anthonys Primary Academy	Thorpepark Academy
Kingston upon Hull City Council	St Augustine Webster Academy	Thrunscoe Primary Academy
Kingstown Works Limited	St Bede's Academy	
Kingswood Academy		

Tweendykes Academy  
 Ulceby St Nicholas Primary School  
 University of Lincoln  
 Venn Academy Trust Central Team  
 Victoria Dock Academy  
 Waltham Tollbar Academy  
 Waltham Leas Primary Academy  
 Wansbeck Academy  
 Weelsby Primary Academy  
 Welholme Primary Academy  
 Westcott Primary Academy  
 Westwoodside Academy

Wheeler Academy  
 Whitehouse Pupil Referral Unit  
 Whitgift Academy  
 Wilberforce College  
 Willerby Parish Council  
 William Barcroft Junior Academy  
 Willoughby Road Primary Academy  
 Willows Academy  
 Winifred Holtby Academy  
 Winterton Community Academy  
 Winterton Town Council  
 Withernsea Primary Academy

Withernsea Town Council  
 Wold Primary Academy  
 Woldgate School and Sixth Form College  
 Wolfreton School and Sixth Form College  
 Woodland Primary Academy  
 Woodlands Academy  
 Worlaby Academy  
 Wrawby St Mary's C of E Primary Academy  
 Wybers Wood Academy  
 Wyke College  
 Yarborough Primary Academy

## ADMISSION BODIES (54)

Cater Link Ltd (Humberston Academy)  
 Churchill Contract Services Ltd (Outwood Brumby)  
 City Health Care Partnership CIC  
 Civica UK Ltd  
 Compass Contract Services UK Ltd (Baysgarth School)  
 Compass Contract Services UK Ltd (Delta MAT)  
 Compass Contract Services UK Ltd (New Waltham Primary Academy)  
 Compass Contract Services UK Ltd (Old Cleve)  
 Compass Contract Services UK Ltd (Sir John Nelthorpe School)  
 Compass Contract Services (UK) Ltd (The Vale)  
 Compass Contract Services (UK) Ltd (Waltham Leas)  
 Compass Contract Services UK Ltd (Winterton Community Academy)  
 Compass Contract Services UK Ltd (Winterton Junior School)  
 Compass Contract Services UK Ltd (Wolds Learning Partnership)  
 Dolce Ltd (DRET)  
 ENGIE Services Limited  
 Hull and Goole Port Health Authority  
 Hull Resettlement Project Ltd  
 Humber NHS Foundation Trust (ERYC)  
 Humber NHS Foundation Trust (Hull)  
 Humberside Independent Care Association  
 Hutchison Catering Ltd (Ebor Academy Trust)

Independent Cleaning Services Ltd (Sir John Nelthorpe School)  
 Independent Cleaning Services Ltd (The Axholme Academy)  
 Independent Cleaning Services Ltd (Winterton Community Academy)  
 Independent Cleaning Services Ltd (Delta Academies Trust)  
 ISS Facility Services PFI  
 ISS Mediclean (Outwood Academy)  
 KGB Cleaning Services Ltd  
 Lincolnshire Housing Partnership Ltd  
 Lincs Inspire Limited  
 Mellors Catering Services Ltd (Delta)  
 Mountain Healthcare Ltd  
 North East Lincolnshire Clinical Commissioning Group  
 NPS Humber Ltd  
 Ongo Homes Ltd  
 Pickering and Ferens Homes  
 Pinnacle Housing Ltd  
 Robertson Facilities Management Ltd  
 Robertsons Facilities Management Ltd PFI  
 Sodexo Ltd (Beacon Academy)  
 Sodexo Ltd (Littlecoates Primary Academy)  
 Sodexo Ltd Nunthorpe  
 Sodexo Ltd (Oasis Community Learning)  
 T(n)S Catering Management Ltd (Delta – Willoughby Road)  
 Taylor Shaw Ltd (Frederick Gough)

Taylor Shaw Ltd (St Bedes)  
 Taylor Shaw Ltd (The St Lawrence Academy)  
 The Deep (EMIH) Ltd  
 University of Lincoln Students' Union

# scheme management and advisers

<b>Fund Managers</b>	Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA	Schroder Investment Management (UK) Limited 1 London Wall Place London EC2Y 5AU
<b>Pool Provider</b>	Border to Coast Pensions Partnership Limited 5th Floor Toronto Square Toronto Street Leeds LS1 2HJ	
<b>Secretary to the Pensions Committee</b>	Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA	
<b>Custodian</b>	State Street Bank and Trust Company Quartermile 3 10 Nightingdale Way Edinburgh EH3 9EG	
<b>AVC Provider</b>	Prudential Craigforth, Stirling FK9 4UE	
<b>Actuary</b>	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB	
<b>Legal Adviser</b>	Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA	
<b>Banker</b>	NatWest Bank 60 Market Place, Beverley HU17 8AH	
<b>Fund Accountant/ Director of Finance</b>	Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA	
<b>Fund Auditor</b>	Mazars LLP The Corner Bank Chambers 26 Mosley Street Newcastle upon Tyne NE1 1DF	

<b>Scheme Administrator</b>	Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA	
<b>Fund Adviser</b>	MJ Hudson Allenbridge 8 Old Jewry London EC2R 8DN	
<b>Performance Measurement</b>	Portfolio Evaluation Limited Wing B, Office 2 Rosemount Bowcliffe Hall Estate Bramham Leeds LS23 6LP	
<b>Officers</b>	<p>Darren Stevens Executive Director of Corporate Resources East Riding of Yorkshire Council County Hall Beverley HU17 9BA</p> <p>Tom Morrison Head of Investments East Riding Pension Fund PO Box 164 Church Street Goole DN14 5YZ</p>	<p>Julian Neilson Director of Finance East Riding of Yorkshire Council County Hall Beverley HU17 9BA</p> <p>Liz Vollans Pensions Manager East Riding Pension Fund PO Box 118 Church Street Goole DN14 5YU</p>

## Management Arrangements of Fund

The arrangements for the management of the Fund are:

- The Pensions Committee meet at quarterly intervals to determine overall strategy, to review retrospectively detailed implementation of policy and to consider performance, with a further two meetings being held to consider other pensions administration matters;
- The fixed income portfolio is managed by the Corporate Resources Directorate and Border to Coast Pensions Partnership;
- The UK equity portfolio is managed by Border to Coast Pensions Partnership;
- Overseas investments are managed by Schroder Investment Management and Border to Coast Pensions Partnership;
- Alternative assets are managed by the Corporate Resources Directorate and Border to Coast Pensions Partnership;
- The Corporate Resources Directorate administers obligations to pensioners and Fund contributors.

## Custodial Arrangements

Investments managed by the Director of Corporate Resources and Schroder Investment Management (UK) Limited are held by State Street Bank and Trust Company in the nominee name of The East Riding Pension Fund. State Street Bank and Trust Company are also empowered to carry out stock lending on behalf of the Fund (see note D to the accounts).



## risk management

East Riding Pension Fund recognises the importance of effective risk management including the identification and management of its key risks. Risk is defined as a condition, act, situation or event with the ability or potential to impact on the Fund either by enhancing or inhibiting performance, attainment of objectives or meeting stakeholder expectations. Risk management is the process by which the Pension Fund systematically identifies, assesses and seeks to mitigate the risks associated with its activities, and is a key component of the overall governance process. Effective risk management is a clear indicator of good governance and a risk register is the primary control document for the identification, assessment and monitoring of key risks.

The Fund's key objectives are to:

- ensure the long term solvency of the fund and that sufficient funds are available to meet all benefits as they fall due for payment;
- administer the fund effectively and efficiently in accordance with regulations; and
- communicate effectively with all key stakeholders.

The Fund's risk management strategy includes a risk register which identifies its key risks, details the consequence of those risks, and highlights the controls which are currently in place to mitigate those risks. For each risk the register includes:

- a brief description of each risk;
- an estimate of the severity of the risk before any risk controls have been implemented;
- a description of the controls currently in place to mitigate the risk;
- the revised severity of the risk as a result of the controls already in place; and
- additional control requirements that have been identified.

The Fund's risk register is reviewed on a semi-annual basis by the Pensions Committee and by the Local Pension Board each quarter. The latest risk register is included below. In the interests of brevity the risk scores, which are based on the likelihood of the risk occurring and the potential impact on the Fund, have been omitted from the table.

The Fund's risk register is included below.

Risk Ref.	Risk Name	Controls
F/SLR01	Asset values are insufficient to meet the cost of liabilities	<ul style="list-style-type: none"> <li>· Investment strategy review every three years alongside each valuation, or more frequently if required</li> <li>· Annual review of performance and asset allocation every year in November</li> <li>· Quarterly review of performance and asset allocation</li> <li>· Diversification of investments across managers and asset classes</li> <li>· Independent assurance on risk controls for the Fund and its investment managers</li> <li>· Triennial valuation to assess the value of liabilities, most recently at March 2022</li> <li>· ESG incorporated into the investment strategy and investment processes with a particular focus on climate change</li> </ul>
F/SLR02	Staffing and system resources are insufficient to adequately meet the needs of the Pensions service	<ul style="list-style-type: none"> <li>· East Riding of Yorkshire Council pay and reward review underway</li> <li>· Review by continuous assessment team resources, monitor workloads and performance and implement agile working practices which ensure we are flexible and responsive to the needs of staff and the section</li> <li>· Implement the digitalisation and automation of administration processes, procedures, and platforms</li> <li>· Consider the impact that future projects may have on internal resources, including McCloud remedy and Pensions Dashboards</li> <li>· In house and external training is readily available to all staff and a dedicated officer is in place to support the training function.</li> <li>· Telephone support provided by ERYC contact centre team to reduce impact of increased customer contact on administration teams</li> </ul>
F/SLR03	Failure to establish adequate cyber security controls and business continuity	<ul style="list-style-type: none"> <li>· Disaster recovery and business continuity plans in place for each IT system. IT Protocols in place for both ERYC ICT and Civica</li> <li>· Review by continuous assessment business continuity arrangements</li> <li>· IT systems operated in line with corporate policies and procedures</li> <li>· The Fund is GDPR compliant and carries out Data Protection Impact Assessments before implementing any changes which may affect member data</li> <li>· All PCs and laptops have been VPN enabled to ensure all pensions administration and investment staff can work from home securely.</li> <li>· UPM has facility to restrict and control access to reduce risk of fraud and ensure audit trails are in place</li> </ul>

Risk Ref.	Risk Name	Controls
F/SLR04	Regulatory changes are not implemented correctly	<ul style="list-style-type: none"> <li>· Membership of North East Pension Officers Forum and National Technical Group, and attendance at external webinars and conferences.</li> <li>· Review by continuous assessment section resources and specialist knowledge and skills required.</li> <li>· A dedicated training officer is in place to provide training to administration staff and ensure effective training is identified and available to all staff.</li> <li>· UPM facility is utilised to test calculations and processes to ensure benefits are calculated in accordance with current regulations and legislation changes are implemented correctly.</li> <li>· Department for Levelling Up, Housing and Communities (DLUHC) Consultation papers and bulletins issued for LGPS, LGA and SAB are considered and reviewed at monthly office management team meetings</li> </ul>
F/SLR05	Failure to ensure adequate data presence and quality	<ul style="list-style-type: none"> <li>· The quality of common and conditional data is measured and reported annually to the Pensions Regulator</li> <li>· Scheme employers are informed of statutory responsibilities and employer training is provided as required or identified</li> <li>· Monthly data team validates monthly data received and liaises directly with employers where any issues are identified</li> <li>· Valuation data is measured annually to identify data issues</li> <li>· Data Improvement Strategy sets out clear objectives to achieve ongoing data improvement.</li> <li>· The Pensions Administration Strategy is reviewed annually and employers consulted.</li> </ul>
F/SLR06	Scheme employers are not conversant or compliant with statutory requirements or ERPF policies	<ul style="list-style-type: none"> <li>· Scheme employers are informed of statutory responsibilities and employer training is provided as required or identified</li> <li>· Data Improvement Strategy sets out clear objectives to identify employers who have high number of data issues.</li> <li>· Admissions policy sets out policy and pension obligations for admitting scheme employer into ERPF, including requirements for admission bodies.</li> <li>· Funding Strategy Statement sets out funding approach for active and ceased employers</li> <li>· Bi-monthly meetings with Funds actuary reviews individual employer funding matters</li> <li>· Pensions Administration Strategy and Communications policy in place and reviewed annually. Employer consultation is carried out.</li> </ul>

Risk Ref.	Risk Name	Controls
F/SLR07	Failure to complete the 2022 triennial Fund valuation	<ul style="list-style-type: none"> <li>· Timetable and project scope have been agreed with Funds actuary, Hymans Robertson, and regular meetings are taking place</li> <li>· Data cleansing using Hymans data portal to help understand quality of membership data and identify any problem employers</li> <li>· Employer assets are updated using Hymans HEAT system</li> <li>· Employer covenant review to understand existing employer positions, including affordability, pooling and guarantor arrangements and funding risk</li> <li>· Valuation specific training is provided to key officers and decision makers</li> </ul> <p>Communication and engagement with stakeholders is maintained and relevant consultations carried out</p>
F/SLR08	Significant financial losses are suffered in relation to Border to Coast	<ul style="list-style-type: none"> <li>· Regular contact with Border to Coast on investment management arrangements, including quarterly meetings, bi-monthly officer operations group meetings.</li> <li>· Monitoring and oversight of governance and performance through the S151 Officer, Pensions Committee and the Joint Committee.</li> </ul> <p>Involvement in asset transfers from the initial planning stage through to post implementation review, with Border to Coast, the external transition manager and the external transition adviser.</p>

In addition, an investment management risk schedule is reviewed by the Pensions Committee on a quarterly basis which considers issues such as Fund performance, regulation and compliance, and personnel and structure.

Other risks pertaining to the Fund are disclosed in the Funding Strategy Statement (pages 75 to 109) and Note 5 Disclosure Relating to Financial Instruments (page 66).

## Internal Controls and Assurance

The Investment Strategy Statement requires an annual written statement from the Investment Managers that they have adhered to the principles set out in the Statement. Statements are received from the Executive Director of Corporate Resources, Schroder Investment Management and Border to Coast Pensions Partnership.

In addition, assurance to assess the internal controls and procedures at Schroder Investment Management, Border to Coast Pensions Partnership and State Street Global Services, the Fund's custodian, is also sought

- Schroder Investment Management prepares an Internal Controls report which covers the control objectives and procedures relating to its investment activities. The report is audited by Ernst & Young in accordance with International Standard on Assurance Engagement (ISAE) 3402, issued by the International Accounting and Assurance Standards Board, and the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/06.
- Border to Coast Pensions Partnership prepares an Internal Controls report which covers the control objectives and procedures relating to its investment activities. The report is audited by KPMG in accordance with the International Standard on Assurance Engagements (Revised) 3000 and the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/06.
- State Street Global Services prepares Service Organisation Control reports on its General Fund Accounting and Custody controls and its Information Technology controls. These reports are audited by Ernst & Young in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the ISAE 3402.

All of these assurance reports included unqualified opinions and no material issues were identified.

## Audit

During the financial year SWAP Internal Audit Partnership reviewed the operations of the Investments and Pensions Administration sections to ensure that there were adequate controls and procedures in place. The results of these audits are shown in the table below:

	Assurance Opinion	Risks Reviewed
<b>Investments</b>	Substantial	Medium
<b>Pensions Administration</b>	Substantial	Medium



# financial performance

## Analytical Review

The following tables show the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report on pages 22 to 26.

Fund Account	2021/22	2022/23
Net Contributions/ - Benefits	-27,728	-47,241
Return on Investments	541,162	29,294
Net increase / decrease in the Fund	513,434	-17,997

Net Asset Statement	2021/22	2022/23
Bonds	544,263	495,903
Equities	718,772	0
Pooled Funds	4,900,861	5,623,367
Cash	98,496	107,068
Other	250	18,307
Net Assets of the Scheme Available to Fund Benefits	6,262,642	6,244,645

## Analysis of pension contributions

The following table provides an analysis of contributions:

	2021/22					2022/23				
	Total	On Time		Late		Total	On Time		Late	
	£000	£000	%	£000	%	£000	£000	%	£000	%
Employer – Primary	108,777	108,137	99.4	640	0.6	93,971	91,016	96.9	2,955	3.1
Employee – Primary	40,666	40,471	99.5	195	0.5	44,929	43,941	97.8	988	2.2
	149,433	110,321	99.4	835	0.6	138,900	134,957	97.2	3,943	2.8

In 2022/23, in total, 117 monthly contribution payments were received late, of which 78 were received within 1 month of the due date, 27 were received within 1 and 3 months, and 12 were received after more than 3 months.

In 2021/22, in total, 108 monthly contribution payments were received late, of which 57 were received within 1 month of the due date, 22 were received within 1 and 3 months, and 29 were received after more than 3 months.

## Outturn

The following tables show the outturn for the Fund Account and the Net Asset Statement for the two years to 31 March 2023.

Fund Account	2021/22		2022/23	
	Forecast	Actual	Forecast	Actual
	£000	£000	£000	£000
Contributions	160,000	171,188	161,000	159,991
Payments	(191,000)	(198,916)	(188,500)	(207,232)
Management expenses	(8,302)	(7,991)	(7,990)	(9,111)
Net investment income	160,000	164,986	165,000	163,012
Change in market value	450,000	384,167	385,000	(124,657)
Net increase in the Fund	570,698	514,434	514,510	(17,997)

Net Asset Statement	2021/22		2022/23	
	Forecast	Actual	Forecast	Actual
	£000	£000	£000	£000
Bonds	800,000	554,263	504,000	495,903
Equities	680,000	718,772	617,500	0
Derivatives	5,000	0	0	0
Pooled Investment Vehicles	4,300,000	4,900,861	4,892,000	5,623,367
Cash	150,000	98,496	114,000	107,068
Other	15,000	250	250	18,307
Total Investment Assets	5,950,000	6,262,642	6,127,750	6,244,645

## Operational Expenses

	2021/22	2022/23	2023/24
	Budget	Budget	Budget
	£000	£000	£000
<b>Pensions Administration</b>			
Employees	1,797	1,927	2,131
Supplies and Services	593	1,115	312
Professional Fees	76	196	566
Central costs	199	199	199
	2,665	3,437	3,208
<b>Investment Management</b>			
Employees	370	370	440
Supplies and Services	460	470	420
External Fund Managers	4,231	3,666	3,150
Custodian	100	100	100
Central costs	70	70	70
LGPS Pooling Costs	489	501	785
	5,720	5,177	4,965
<b>Total</b>	<b>8,385</b>	<b>8,614</b>	<b>8,173</b>

The CIPFA guidance 'Accounting for LGPS Management Costs' recommends disclosure of management fees for pooled investments that are not included in the investment management costs with a corresponding adjustment to the Fund Account and Net Asset Statement. These management costs have been obtained using financial information available for each of the Fund's unquoted pooled investments and in 2022/23 amounted to £20.012m, split between management fees of £17.477 and performance fees of £2.535m (2021/22 £21.681m, split between management fees of £18.820 and performance fees of £2.860m).

However, it should be noted that the accounting periods of these investments may differ from the Fund's accounting period and, therefore, the costs incurred may not be directly comparable. As a result it has been deemed prudent to show these costs as a note rather than adjust the Fund Account and Net Assets Statement as per the recommended guidance.

## Analysis of Pension Overpayments

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£	£	£	£	£	£	£
Overpayments recovered	65,134	42,635.34	52,342.75	46,867.76	45,853.03	41,166.22	252,832.88
Overpayments written off							
Deaths	3,671.76	3,859.41	4,828.51	7,701.16	6,176.06	6,877.56	29,442.70
GMP	-	-	-	-	-	-	-
<b>Total</b>	<b>3,671.76</b>	<b>3,859.41</b>	<b>4,828.51</b>	<b>7,701.16</b>	<b>6,176.06</b>	<b>6,877.56</b>	<b>26,236.90</b>
Annual Payroll (net)	116,419,949	122,741,475.65	129,837,923	133,948,529	137,155,569	143,388,571	667,072,067.82
Write offs as % of Payroll	0.003%	0.003%	0.004%	0.006%	0.005%	<0.5%	<0.2%
Number of cases - Written off	253	151	158	231	209	364	1,113
Number of cases - Recovered	206	136	202	240	232	128	938
Number of cases - in process of recovery	27	16	12	10	13	12	63



# administrative management performance

East Riding of Yorkshire Council (ERYC) has been a member of the CIPFA Pensions Administration benchmarking club since 2005. On an annual basis the Pensions Section completes a comprehensive questionnaire containing a breakdown of budget costs between pensions administration and other functions within the section including communications, IT, accountancy and the commissioning of actuarial work. Data is also provided on LGPS members, Fund employers, workloads, staffing, IT arrangements, industry standard performance indicators and current best practice.

The 2022 CIPFA Pensions Administration benchmarking club report, issued in November 2022, compared the performance of ERYC in 2020/21 with other participating local authorities who administer the Local Government Pension Scheme (LGPS). The key findings for 2021/22 were:

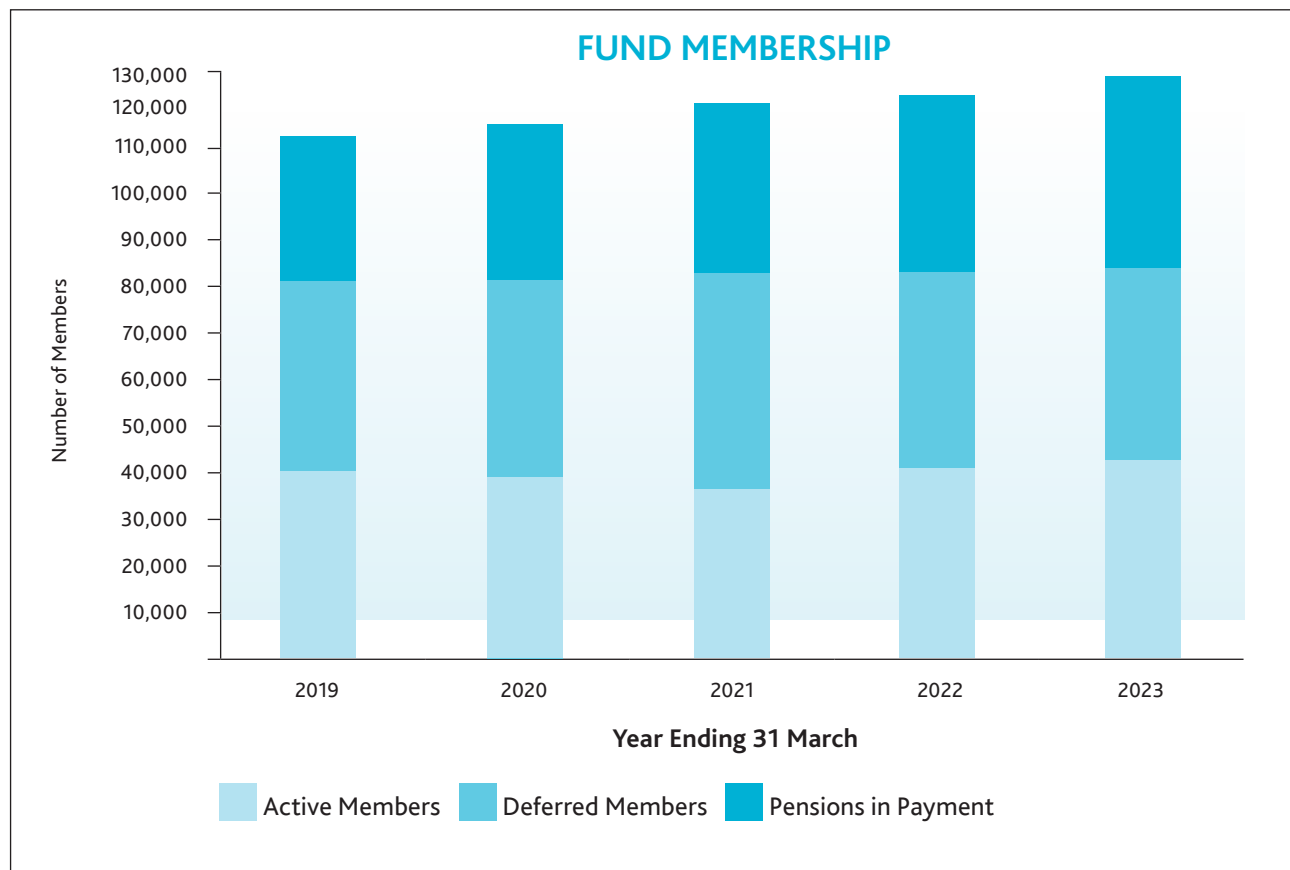
- The annual cost of administering the LGPS per member. The key benchmark for Pensions Administration is the cost of administering the LGPS per member and the Fund's cost for 2021/22 was £16.75(2020/21 £20.86) compared to the average of £21.41 (2020/21 £31.90).
- The annual cost administering the LGPS per FTE member of staff is £40,000. The benchmarking average is £77,674.

## Five Year Analysis of Fund Membership Data

The figures in the tables below and graphs opposite show key statistics and illustrate trends over the last five years:

	2019	2020	2021	2022	2023
Active Members	40,234	38,761	38,417	40,299	44,336
Deferred Beneficiaries	43,178	44,467	44,217	43,939	44,080
Deferred Members	39,671	40,373	40,202	40,185	40,077
Frozen Refunds	3,507	4,094	4,015	3,754	4,003
Pensions in Payment	31,470	33,194	34,528	36,189	37,715
Total Membership	114,882	116,422	117,162	120,427	126,131

### Five Year analysis of Fund Membership



# investment policy and performance

## Asset Allocation

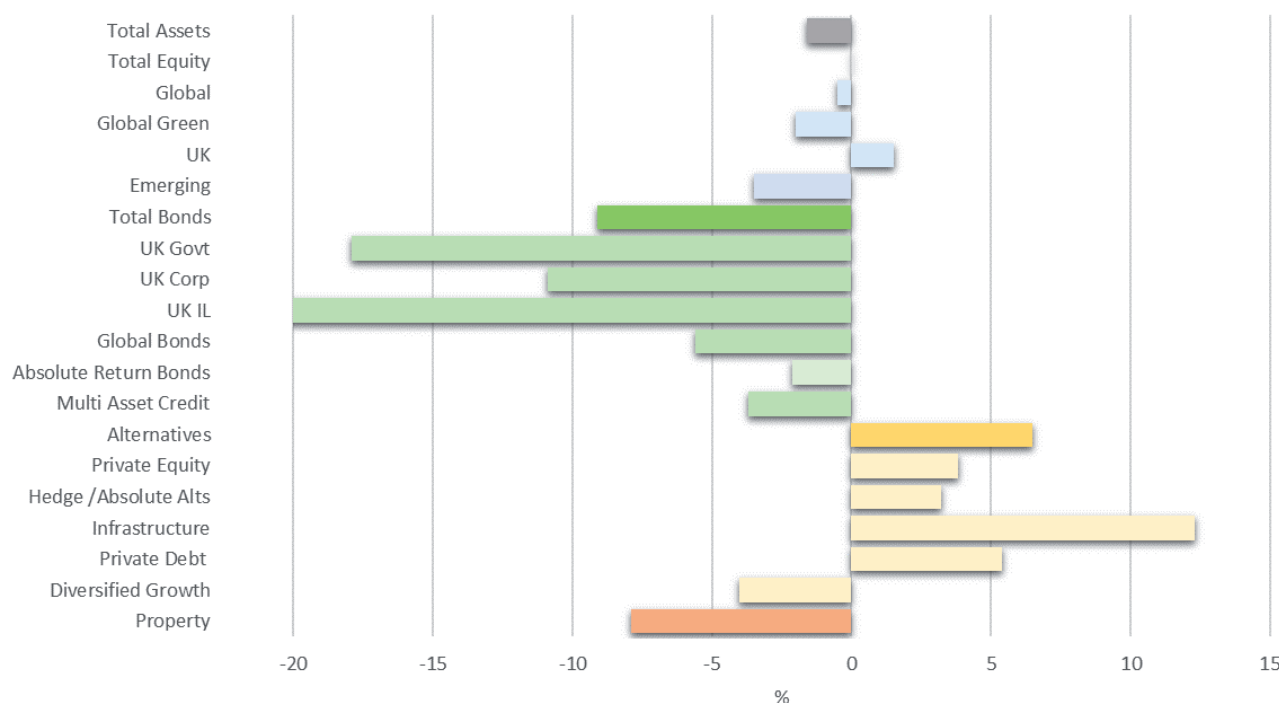
The strategic asset allocation of the Pension Fund is determined on a triennial basis in conjunction with the actuarial valuation exercise. It aims to meet the long term target rate of return with an acceptable level of risk and includes an appropriate diversification of asset classes. The strategic asset allocation is agreed by the Pensions Committee and the Fund's advisers and investment managers.

The Pensions Committee determines the tactical asset allocation of the Pension Fund on a quarterly basis in light of financial market conditions and following advice from the Fund's advisers and investment managers. The Pensions Committee also regularly reviews the long term investment strategy to ensure that it remains appropriate.

Following the triennial review in 2022 the Fund's strategic asset allocation, which was effective 1 April 2020 is as follows:

	Strategic Allocation	Range
Growth	55%	+/- 10%
Protection	10%	+/- 5%
Income	35%	+/- 3%

## Investment Markets Performance 2022/23



## Equities

Equity markets struggled over the year due to concerns over high inflation and rising interest rates. Inflation rose to 40-year highs across the UK, Europe and the US, which squeezed company profitability. A proportion of the impact was passed to consumers, at least in the short term. Central banks increased interest rates in attempts to bring down inflation, which increased corporate borrowing costs and dampened consumer demand. This was a delicate balancing act, aiming for some economic growth while risking recession. In places such as the UK, inflation was staying stubbornly high, increasing the likelihood of further interest rate rises. Prospects for equities ended the year looking weak.

The UK market performed relatively well, due to another significant issue which weighed heavily on equity markets in the year, the energy crisis. Following the Russian invasion of Ukraine in February 2022 the supply of oil and gas was reduced. This dramatically affected the price for countries which received energy from Russia and for those which did not, as all those countries competed for a more limited resource. The UK market contains a much larger proportion of energy companies which did exceptionally well in these conditions. All other sectors underperformed in the year as companies struggled to deal with higher costs. The European market also did well for this reason, despite its proximity to the conflict.

## Fixed Income

Global bond yields rose throughout the year in response to rising interest rates and the prospect of more to come. This made it a bad year for global bonds, but the year was a terrible one for UK bonds. The Government's mini budget in September 2022 announced tax cuts and large increase in spending but this was not well received by the financial markets. Panic set in, Sterling crashed to its lowest ever level against the US Dollar, and UK Government bond yields shot up to their pre global financial crisis levels. Bond markets stabilised as the year went on, but the damage was done.

## Property and other Alternatives

Property performed poorly in the year. Although rental income is linked to inflation, inflation has also put pressure on tenants which have been reassessing their needs for commercial space. This has been most acute for the office and retail sectors, where the trends of home working and shopping online were accelerated as companies adjusted to post the pandemic environment. Inflation on construction costs and rising borrowing costs affecting building and redevelopment projects also contributed to the poor performance.

Infrastructure performed well for a few reasons. Some contractual arrangements are guaranteed by governments and income often is linked to inflation, protecting margins. The proportion of investments in energy generation is growing, and they did extremely well as the energy crisis dragged on. Private credit was another good performing asset class. Loans to companies are on a floating rate basis so profits increased as interest rates increased. However, the risk of company defaults also increased as economic conditions became more challenging.

## Market Outlook

Global growth is expected to slow down over the next few years but remain positive. Growth is expected to be stronger in emerging markets, but this in part due to the catching up of their recovery from the pandemic, which has been slower than in developed markets. Inflation has continued to fall, increasing expectations that interest rate cuts will not be too far away. However, this is not always going to be the case, with the UK being one example of inflation proving stickier and further interest rises possible.

The outlook is unclear, with the markets being volatile and particularly sensitive to data releases such as on inflation, wage growth and employment levels. Factors such as a run up in oil prices could have a significant effect, including on central banks views on further action needed to control inflation. Investors will need to proceed with caution.

## Investment performance

The following table shows the performance of the Fund relative to its strategic benchmark:

Annualised performance	1 year	3 years	5 years	10 years
East Riding Pension Fund	0.7%	8.9%	5.6%	7.0%
Strategic benchmark	-2.6%	7.6%	4.2%	6.0%

Source: PIRC

The Fund subscribes to the Pensions Investment Research Consultants (PIRC) advisory voting service which provides voting recommendations based on industry best practice. Further details of PIRC's voting guidance is shown in the "UK Shareowner Voting Guidelines 2016" guidance document which is available at [www.pirc.co.uk](http://www.pirc.co.uk).

However, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside of these principles on which the Fund will take a view.

The external investment manager will vote in accordance with its "Investment and Corporate Governance" policy which is available at [www.schroders.com](http://www.schroders.com).

The Fund's investment managers can exercise their discretion not to vote in accordance with best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee.

The exercise of any other rights attaching to a particular investment will be considered on a case by case basis.

The Pensions Committee reviews the Fund's corporate governance and voting activity on a quarterly basis.

The voting activity of the Pension Fund during the financial year is summarised in the following table:

Number of meetings	Number of resolutions	Voted in accordance with stated policy	Not voted in accordance with stated policy
962	12,466	12,200	266

## Myners' Principles

The Myners' Principles are a set of principles for good investment governance, originally created in 2001 and subsequently updated in 2008. The Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 required local government pension funds to produce a statement in their annual report regarding compliance with these Principles on a "comply or explain" basis. Although this is no longer required under the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 it is still considered best practice.

### Principle 1: Effective Decision-Making

- Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice, and resources necessary to take them effectively and monitor their implementation.
- Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

### Principle 2: Clear Objectives

- Trustees should set out an overall investment objective for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant, and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

### Principle 3: Risk and Liabilities

- In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include sponsor covenant strength, the risk of sponsor default, and longevity risk.

**Principle 4: Performance Assessment**

- Trustees should arrange for the formal measurement of the performance of investments.
- Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report this to scheme members.

**Principle 5: Responsible ownership**

- Trustees should adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.
- Trustees should periodically report to members on the discharge of such responsibilities.

**Principle 6: Transparency and Reporting**

- Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against objectives.
- Trustees should provide regular communication to members in the form they consider most appropriate.

The Pension Fund's compliance with the Myners' Principles is shown in the following table:

Principle	Evidence of compliance
Effective Decision Making	<p>The Pensions Committee meets on a quarterly basis to discuss current issues, future policy and tactical asset allocation.</p> <p>Working Groups are formed when an issue requires particular attention. A Working Group was set up in September 2016 to consider the Pension Fund's strategic asset allocation following the initial results of the latest triennial actuarial valuation and to make recommendations to the Pensions Committee.</p> <p>The Committee have appointed suitably qualified investment managers to manage the investments of the Fund on their behalf.</p> <p>The Fund takes advice from its independent advisor and external investment manager, both of whom attend the quarterly Pensions Committee meetings. This is in addition to the advice received from the Executive Director of Corporate Resources and the Fund's actuary.</p> <p>A formal training programme, in accordance with the requirements of the CIPFA Knowledge and Skills Framework, has been implemented.</p>
Clear Objectives	<p>The overall Fund objective is directly linked to the risks and returns outlined in the Actuary's report, with the expected return on investments contained within the Investment Strategy Statement.</p> <p>The Fund's strategic asset allocation is specifically designed to achieve the fund objective, with tactical asset allocation reviewed at the quarterly meetings. Specific asset allocation weightings are detailed in the Investment Strategy Statement.</p> <p>In determining the Fund's asset allocation, the Committee consider all asset classes in terms of their suitability and diversification benefits.</p>

<b>Risk and Liabilities</b>	<p>The Administering Authority has an active risk management programme in place including a Pension Fund-specific risk register and risk management schedule.</p> <p>The Pension Fund's risk register identifies the key risks inherent in the Pension Fund, an estimate of the severity of each risk, a summary of current control measures, and the identification of additional control measures.</p> <p>A description of the risk assessment framework used for potential and existing investments is included in the Investment Strategy Statement under "Risk and diversification of investments".</p> <p>The Committee reviews the Pension Fund's risk management schedule on a quarterly basis and the risk register on a semi-annual basis.</p>
<b>Performance Assessment</b>	<p>The performance of the Fund's investment managers is assessed on a regular basis, using data provided by State Street Investment Analytics, a specialist performance measurement organisation.</p> <p>Investments made by the Fund's investment managers are reviewed by the Committee on a quarterly basis.</p> <p>The internal and external fund managers have Fund-specific performance benchmarks that are reviewed on a regular basis. Peer group benchmarks are used for comparison purposes only.</p>
<b>Responsible Ownership</b>	<p>The Committee's policies on corporate governance, socially responsible investment, and shareholder voting are outlined in the Investment Strategy Statement.</p>
<b>Transparency and Reporting</b>	<p>The following core documents are published on the Pension Fund's website:</p> <ul style="list-style-type: none"> <li>- Pension Fund Annual Report and Accounts. In addition, a summary is sent annually to all Members in a newsletter</li> <li>- Investment Strategy Statement</li> <li>- Governance Compliance Statement</li> <li>- Funding Strategy Statement</li> <li>- Statement of Compliance with the FRC UK Stewardship Code</li> <li>- Pension Committee Agendas and Minutes</li> </ul>

# scheme administration report

## Administration

There are 58 full time equivalent staff involved in the administration function for the Fund and its 324 employers, made up of the following teams:

- **The Member Services team** is responsible for providing a benefits administration service for active, beneficiary, and deferred members. On a day-to-day basis the team calculate benefit entitlement for members leaving the scheme, both before and at retirement, deal with incoming and outgoing transfer payments, calculate benefits in respect of deceased members, and provide scheme members with the options to aggregate benefits as well as dealing with ad-hoc projects as they arise, for example McCloud, which directly impact on member benefit entitlement. The team also manage the response to member enquiries through the telephone helpline, face to face, email and written communication.
- **The Digital Solutions team** is responsible for the development of the Universal Pensions Management (UPM) system, updating software and fixes while maintaining system stability, providing technical IT support to the section. The team also provide training demonstrations for staff and external bodies on system developments and are responsible for the running of bulk annual updates, such as Pensions Increase.
- **The Financial Control team** undertake routine and non-routine tasks and deal with monthly, quarterly, annual and triennial events. They also monitor, collect and reconcile payments required from Scheme employers in respect of employee and employer pension contributions, and rechargeable amounts due to the Fund. The team have responsibility for the payment of all the East Riding Pension Fund pensioners.
- **The Data and Employer Governance team** is responsible for the Monthly Data Collection from Employers, including the creation and maintenance of all active member records. This includes calculating benefit entitlement for members leaving the scheme before retirement. The team also deal with annual and ad-hoc projects, including checking and updating records at year end and producing and checking the valuation data. Regular data cleaning is performed to improve and maintain accurate data, including the calculation of the data scores for the Pensions Regulator and liaising with the Scheme employers to ensure accurate data is received and recorded.

The Funds staffing levels are continuously assessed and monitored against workloads to ensure sufficient resources are available to meet the needs of the service.

During 2022/23 the Pensions Administration teams have focussed on delivering a high level of service to the Funds scheme members and employers. Digital technology has been at the heart of the communication strategy and is key to the continuous improvement of quality data so that the Fund can continue to meet the changing needs of scheme members and employers. Member engagement with ERPF member self-service has increased significantly and this is helping to meet the changing needs of members by providing immediate access to information and enabling members to view and update their own personal information.

Staff are continuing to embrace agile working and team protocols are in place to enable effective blended working practices. There has been a focus on building resilience and succession planning, especially for key person roles, and changes have been implemented in areas to ensure that the changing face of LGPS pensions administration can be met. A newly created training strategy for staff is ensuring gaps in knowledge are addressed.

For scheme employers a revised Pensions Administration Strategy (PAS) was implemented in June 2022. This strategy will assist employers in understanding their responsibilities with regards pensions administration and employers who are identified as non-compliant with the PAS will be supported and where necessary and an improvement plan may be put in place. A copy of the PAS can be found on page 33.

Two additional posts for the Data and Employer Governance team were approved and these posts have been filled to support employer governance and help to manage ongoing and future data requirements. Training sessions to help

scheme employers understand their responsibilities were provided online during 2022/23 to support employers.

The actuarial valuation at 31 March 2022 was carried out by the Fund's actuary, Hymans Robertson, with employer contributions being set for the period 1 April 2023 to 31 March 2026. The Funding Strategy Statement (FSS) was reviewed and, following circulation with all active scheme employers for consultation, the revised document was approved by Pensions Committee and implemented from 1 April 2023.

In October 2022 the Fund measured the scheme data so that this could be reported in the Pensions Regulator (TPR) Scheme Return. The Fund is required to keep specific data on members and beneficiaries and is required to measure how much data is held and how accurate that data is. A score for both the common and scheme-specific data was reported based on a subset of member and beneficiary data. The results provided to TPR showed that 94.06% of scheme-specific and 99.80% of common data was present and accurate.

### Staffing numbers in the Pensions section

There are 58 full time equivalent staff involved in the administration function for the Fund.

The Fund continually reviews the administration structure to ensure that sufficient resources are in place within the teams to enable the section to continue to deliver on the increasingly challenging day to day work, whilst also having the scope to carry out essential data work and other important projects.

A dedicated training officer ensures that staff receive comprehensive training to ensure they are fully conversant with the UPM system and scheme regulations. Coaching and mentoring is provided to encourage succession planning.

### Funding Strategy Statement and Scheme employers

Throughout 2022/23 there were 324 Scheme employers with active members in the Fund, including 54 admitted bodies. In total the Fund has 9 ceased employers with no active members during 2022/2023, as shown in the table below:

	Active as at 31 March 2022	New Employers 2022/23	Ceased Employers	Total as at 31 March 2023
Scheduled body	264	6	0	270
Admitted body	61	2	9	54
Total	325	8	9	324

As part of the management of admitted bodies, risk assessments are carried out to ensure that there is a strong covenant in place and that a new employer can meet its long-term Fund commitments.

### Communications

The Communications Policy has been reviewed for 2022/2023 and updated to cover the ongoing development of digital services and communications.

The following communication activity took place during 2022/23:

- 35,365 deferred members received an annual benefit statement
- 31,354 active members received an annual benefit statement
- 31,791 pensioner members received a combined P60/payslip newsletter
- 889 active members received a letter informing them that they would not receive an annual benefit statement due to information outstanding on their records
- 2 workshops/training sessions for ERPFMSS and ERPF Online Services/Employer Administration/MDC
- Attendance at the National Local Government Pension Scheme Technical Group

- Employers Annual General Meeting
- [www.erpf.org.uk](http://www.erpf.org.uk) has been available as a resource for both Scheme employers and scheme members
- The Fund's 2020-21 Report and Accounts have been published via [www.erpf.org.uk](http://www.erpf.org.uk)
- 22,939 members received a letter inviting them to register for ERPF Member Self Service

During 2023-24, MDC will be rolled out to the remaining Scheme employers with the aim of having all Scheme employers submitting monthly data by 31 March 2024.

The Fund wants digital services to become the contact method of choice for members and is enabling this by providing access to its online secure portal, East Riding Pension Fund Member Self Service (ERPFMSS). ERPFMSS gives scheme members access to their pension accounts online, allowing them to model the benefits they are entitled to, review documents and complete administration forms. A member engagement strategy sets out how the Fund will promote and implement ERPFMSS and encourage members to access administration services digitally and enable self-service.

The Fund's communication methods and the ways in which the Fund engages with scheme members will play a significant role in ensuring the Fund's future success, retaining members in the LGPS, discouraging opt outs, and encouraging non-members to reconsider the benefits of the LGPS. The updated version of the Communications Policy was approved by Pensions Committee on 12 March 2021 and can be found on page 121.

### Developments for 2023/24

In 2023/2024 work will be undertaken to build resilience and succession planning within the pensions administration team, especially for key person roles, and to identify skills gaps to ensure that the changing face of LGPS pensions administration can be met.

The continued implementation and utilisation of technology solutions will help to improve the quality of data and meet the changing needs of members and employers. This will include promoting ERPFMSS for scheme members to access their own pension record and calculations and implementing the member engagement strategy to ensure that members utilise the new member online facility.

The Fund is preparing to implement new statutory guidance, which is expected during 2023-24, to demonstrate even better governance by identifying and resolving any gaps to ensure the Fund is compliant with regulatory changes.

### Audit

The administration of pensions is regarded as one of the Council's major financial systems and is reviewed on an annual basis. The findings from the internal audit report issued in April 2023 indicated a substantial level of assurance on the controls operated over the administration of pensions.

### Internal Dispute Resolution Procedure

The Internal Dispute Resolution Procedure (IDRP) is a way of dealing with complaints from active, deferred or pensioner members of the Local Government Pension Scheme (LGPS) about decisions relating to their pension benefits made by either their employer or by East Riding of Yorkshire Council ("the Council"), as the administering authority for the Fund.

- Scheme employers and the Council as administering authority have to make decisions about a member's benefits under the rules of the LGPS. If for any reason a member is not happy about a decision that has been made, or not been made, about their LGPS membership or benefits, then members are encouraged to contact the Assistant Pensions Manager at the Fund who will seek to clarify or correct any misunderstandings or inaccuracies. If the member is still not happy, they can apply to the Fund to have their complaint reviewed under stage 1 of the IDRP. For complaints against the administering authority, the review under stage 1 is undertaken by another administering authority specified by the Council. This ensures that the stage 1 decision is independent of the Council. The member must apply for a review under stage 1 within 6 months of the date of the notification of the decision about which the member wishes to make a complaint.
- If the member is dissatisfied with the stage 1 decision, they may move to stage 2 of the IDRP within 6 months of the stage 1 decision and this is reviewed by the Pensions Manager who will not have had any previous involvement in the complaint.

If the member is still dissatisfied, they have the right to refer their complaint to The Pensions Ombudsman (TPO), free of charge. There is no financial limit on the amount of money that TPO can make a party award the member. Its determinations are legally binding on all parties and are enforceable in court.

Contact with TPO about a complaint needs to be made within three years of when the event(s) the member is complaining about happened or, if later, within three years of when the member first knew about it (or ought to have known about it). There is a discretion for those time limits to be extended.

In 2022/23, 2 complaints against decisions made by the administering authority were received under stage 1. Neither of these progressed to stage 2 of the IDR process. There were 6 complaints which went to stage 2 against decisions made by Scheme employers under stage 1. 4 were dismissed, 1 upheld and 1 was partially upheld by the Pensions Manager at stage 2.

### Compliments

The Fund received 25 compliments from members and Scheme employers expressing their satisfaction with the level of service, expertise and quality of information provided by the administration teams.

### Administration Performance

The Fund has been a member of the CIPFA Pensions Administration benchmarking club since 2005. On an annual basis the Pensions Administration team completes a comprehensive questionnaire containing a breakdown of budget costs between pensions administration and other functions within the pensions section, including governance and financial management. Data is also provided on LGPS members, Fund employers, workloads, staffing, IT arrangements, and current best practice.

The 2022 CIPFA Pensions Administration benchmarking club report compared the performance of the Fund in 2021-22 with 15 other LGPS funds. The key findings for 2021-22 were:

#### Annual cost of administering the LGPS per member.

The key benchmark for pensions administration is the cost of administering the LGPS, per member. The Fund's cost for 2021-22 was £16.75 per member compared to the average of £21.41. The table below is an analysis of the Fund's cost per member compared with the average cost for the LGPS funds in the benchmarking club.

Cost per member 2021-22	East Riding Pension Fund	Average fund
Benefits Processing	11.53	11.58
Employer Engagement –training and communication	1.48	2.48
IT/Systems	1.64	3.37
Pensioner Payroll	0.99	1.47
Membership Engagement – helpdesk and member event	0.17	1.79
Management costs	0.99	1.42
Income	-0.04	-0.70
Total cost per member	16.75	21.41

**Annual cost of employing a full time equivalent (FTE) member of staff to administer the LGPS.** The Fund's staff cost for 2021-22 was £40,000 pa per FTE staff compared to the average of £77,674. The administration performance in terms of meeting service standards over the year ending 31 March 2023 are given in Table 1 below: In addition, Table 2 on page 35 shows details of the most common casework areas completed by the administration team.

During 2022/23, a total of 2,176 new pensioners were set up. These are analysed by ill-health, early and normal retirement.

Type of Pensioner	Number set up during 2022/23
Ill Health	94
Early	1,234
Normal	848

## Scheme Administration

Table 1: Key performance indicators

Process	Fund KPI's	No. of cases completed	No. of cases completed within KPI	% No. of cases completed within KPI
Deaths - Initial letter acknowledgement death of active/deferred/pensioner member	5 Days	1,570	886	56.43%
Deaths - Letter notifying amount of dependant's benefit	10 Days	1,417	940	66.34%
Retirements - Letter notifying estimate of retirement benefits	15 Days	3,846	2,888	75.09%
Retirements - Letter notifying actual of retirement benefits	15 Days	2,177	2,156	99.04%
Deferment - Calculate and notify deferred benefits	30 Days	2,548	1,741	98.33%
Transfers in - Letter detailing transfer in quote	10 Days	148	50	33.78%
Transfers out - Letter detailing transfer out quote	10 Days	227	133	58.59%
Refund - Process and pay a refund	10 Days	310	301	97.10%
Joiners - Send notification of joining the LGPS to scheme member	40 Days	10,472	10,399	99.30%
Divorce Quote - Letter detailing cash equivalent value and other benefits	45 Days	228	217	95.18%
Divorce Settlement - Letter detailing implementation of cash equivalent value and application of pension sharing order	15 Days	12	8	66.67%

Table 2: Common casework areas

Process		No. cases outstanding at start of period	No. cases commenced in year	No. cases completed in year	No. cases outstanding at year-end	% completed in year
Deaths - Initial letter acknowledgement death of active/deferred/pensioner member		11	1596	1570	37	97.70
Deaths - Letter notifying amount of dependant's benefit		72	1596	1417	251	84.95
Retirements - Letter notifying estimate of retirement benefits	Active	471	1826	1480	817	73.92
	Deferred	808	2098	2366	540	
	Total	1279	3924	3846	1357	
Retirements - Letter notifying actual of retirement benefits	Active	40	981	973	48	92.40
	Deferred	38	1297	1204	131	
	Total	78	2278	2177	179	
Retirements - Process and pay lump sum retirement grant	Active	40	981	973	48	92.40
	Deferred	38	1297	1204	131	
	Total	78	2278	2177	179	
Deferment - Calculate and notify deferred benefits		1602	5684	2548	4738	34.97
Transfers in - Letter detailing transfer in quote		25	266	148	143	50.86
Transfers in - Letter detailing transfer in		2	76	70	8	89.74
Transfers out - Letter detailing transfer out quote		66	248	227	87	72.29
Transfers out - Letter detailing transfer out		0	55	49	6	89.09
Refund - Process and pay a refund		35	295	310	20	93.94
Divorce quote - Letter detailing cash equivalent value and other benefits		49	214	228	35	86.69
Divorce settlement - Letter detailing implementation of cash equivalent value and application of pension sharing order		19	5	12	8	50.00
Member estimates/projections		327	333	526	134	79.70
Joiners - Send notification of joining the LGPS to scheme member		689	10082	10472	299	97.22
Aggregation - Send notification of aggregation options		1612	1833	1449	1996	42.06

# pension administration strategy

## 1. Aims and objectives

### 1.1. Introduction

The East Riding Pension Fund (ERPF) administers the Local Government Pension Scheme (LGPS) on behalf of 265 Scheme employers ranging from the four unitary councils to colleges, academies, housing associations and admitted bodies within the historic Humberside area. It provides pension administration to over 116,000 Scheme members who are either actively contributing, have deferred benefits or are currently receiving a pension from ERPF.

Legislative changes continue to challenge the LGPS with the introduction of the Career Average Revalued Earnings (CARE) scheme in 2014, the additional governance requirements from the introduction of Local Pension Boards (LPB) and the Pensions Regulator (tPR) and the national changes to contracting out and the state pension.

During this period it is essential to communicate effectively with Scheme members to explain the changes and reassure them of the scheme's stability and benefit structure. To achieve this it is vital that ERPF and the Scheme employers work closely together to provide a customer focused and professional service whilst continuing to increase efficiencies and value for money.

### 1.2. Purpose of the strategy

The purpose of this strategy is to set out the processes and procedures that both Scheme employers and ERPF will follow to ensure effective communication and transfer of information. It will define the roles of both parties to form a clear understanding and expectation of what will be delivered. The strategy will also set out the level of performance that is expected of each party and how this will be measured and reported. Lastly the strategy sets out how underperformance will be managed with Scheme employers.

### 1.3. Key objectives

The key objectives of the strategy are to ensure that:

- ERPF and Scheme employers are aware of and understand their responsibilities under the LGPS regulations;
- ERPF and Scheme employers are delivering their administrative functions;
- benefits are administered in line with the LGPS regulations;
- accurate records are maintained for calculating pensions and Scheme employer liabilities;
- standards for both ERPF and Scheme employers are set, monitored and published appropriately;
- an effective method of communication is in place between both ERPF and the Scheme employer and Scheme members;
- training is provided to ensure that both ERPF and Scheme employers have the necessary skills to perform their functions; and
- ERPF deliver an online administrative service for Scheme employers to improve security and efficiency.

## 2. Regulatory framework

### 2.1. The Regulations

ERPF have made this strategy under regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013. This regulation allows the administering authority to prepare a written statement on:

- procedures for liaison and communication with Scheme employers in relation to which it is the administering authority;
- the establishment of levels of performance which the administering authority and its scheme employers are expected to achieve in carrying out their Scheme functions by:
  - the setting of performance targets;
  - the making of agreements about levels of performance and associated matters; or
  - such other means as the administering authority considers appropriate.
- procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that Scheme employer's unsatisfactory performance in carrying out its Scheme functions when measured against the levels of performance established in Section five of the strategy; and
- the publication by the administering authority of annual reports dealing with the extent to which that authority and its Scheme employers have achieved the levels of performance established and such other matters that it considers appropriate.

### 2.2. Preparing and amending the strategy

In line with regulation 59 ERPF must consult with all Scheme employers when preparing or reviewing and making revisions to its pension administration strategy.

ERPF must publish:

- its pension administration strategy; and
- where revisions are made to it, the strategy as revised.

When the strategy is published and revised ERPF must send a copy to all of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

Both parties must have regard to the pension administration strategy when carrying out their functions under these Regulations.

## 3. Communication

### 3.1. How we communicate with our Scheme employers

To ensure that Scheme employers have the right support and information when providing information to ERPF we provide contact details for each area of the section. The current list of ERPF contact details can be found in appendix 1.

Contact details are provided for:

- Member maintenance team (MMT) – contact for queries regarding new joiners, early leavers, transfer of pensions and changes in Scheme member details;
- Retirements, estimates and deaths (RED) – contact for all queries regarding retirements, estimates and deaths;
- Training officer – contact for information on policies and training requests;

- Financial control team – (FCT) – contact for queries regarding monthly submission of contributions, contribution rates and FRS102/IAS19;
- Internal disputes resolution procedure (IDRP) – contact for any complaints made under IDRP;
- Online services & website – contact for any queries on our online services or website; and
- Outsourcing/potential employers – contact if you are thinking of becoming a Scheme employer or outsourcing staff.

In addition to the above ERPF take a multi channel approach when communicating with Scheme employers.

This is set out in the table below:

Resource	Delivered via	Frequency
Employer website	Dedicated area of <a href="http://www.erpf.org.uk">www.erpf.org.uk</a> with information designed specifically for Scheme employers	Constant
Employer bulletins	Bulletins to Scheme employers with important regulatory and procedural information	As and when required but at least 12 per year
New employer meetings	Designed for new Scheme employers entering the Fund or those taking back payroll/HR services in-house	As and when required
Employers guides	A set of Scheme employer guides that explain forms and processes needed to administer ERPF	Available on <a href="http://www.erpf.org.uk">www.erpf.org.uk</a> Emailed on request
Employer workshops	An opportunity for Scheme employers to cover new and/or complex topics in a workshop environment	As and when required but at least 4 per year
Employers annual meeting	An annual round up of scheme events and a presentation from the actuary explaining the valuation results if a valuation year	November
Annual Report & Accounts	Electronic	Available online at <a href="http://www.erfp.org.uk">www.erfp.org.uk</a>

### 3.3. Additional contacts

In addition to the three main contacts above Scheme employers are asked to nominate a contact for each of the following using the additional contacts form (appendix 3):

#### Over 12 Month Transfer Request

If a Scheme member has not transferred their pension within 12 months of joining ERPF they may ask you if the transfer can still go ahead, this is a Scheme employer's discretion. Please enter the person who will consider the requests within your organisation.

#### Internal Disputes Resolution Procedure (IDRP)

From time to time we receive complaints from Scheme members that are covered by IDRP, these complaints need investigating under strict timescales and you must follow the correct procedure. You should nominate someone within your organisation to deal with IDRP and enter their details here.

#### Supplier of the Year End Return

Scheme employers are responsible for submitting a year end return detailing Scheme member and Scheme employer contributions and the relevant pay information to allow ERPF to reconcile their pension contributions and to send Scheme members an annual benefit statement and pension savings statements where applicable. This submission must be made by the date set by the Fund for that Scheme year.

#### SS22a

With each year end return an SS22a must be submitted that balances the year end and the payments made within the year. This could be different from the person that submits your year-end return.

**FRS102/IAS19**

You may need an FRS102/IAS19 report for your accounts each year. Please supply the details of the person who will require this information.

**SU18 Contact**

When you submit your employee and employer contributions each month you should complete an SU18 form to go with your payment. Please provide the name of the person who will supply that form.

**4. ERPF duties****4.1. Scheme administration**

ERPF will administer the LGPS in line with the current LGPS regulations and with regard to any overriding legislation in force at the time.

The administration of the Scheme will take account of the statutory disclosure requirements and timescales.

**4.2. Scheme responsibilities**

- create a Scheme member record for all new employees admitted to the LGPS;
- collect and reconcile employer and employee contributions;
- maintain and update Scheme members records with any changes received by ERPF;
- at each triennial actuarial valuation ERPF will submit the required data in respect of each Scheme member and provide statistical information over the valuation period to the Fund Actuary so that he can determine the assets and liabilities for each Scheme employer;
- communicate the results of the triennial actuarial valuation to the Fund to each Scheme employer;
- provide every active, deferred and pension credit member with a benefit statement each year;
- provide an estimate of any associated cost of retirement on request by the Scheme employer;
- calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, Scheme members' options and statutory limits; and
- comply with HMRC legislation.

**4.3. Making decisions**

When ERPF make a decision regarding a Scheme member's benefits under the Scheme they will be notified of the decision within ten working days and informed of their right of appeal under IDRP.

**4.4. Discretions**

Under the LGPS Regulations 2013 and the LGPS (Transitional provision, Savings and Amendment regulations) 2014, ERPF have a number of discretions and a policy must be published on how these will be exercised. This policy will be reviewed, amended and publicised in line with the above regulations. A copy of ERPF's discretions can be found here: [www.erpf.org.uk/library-and-information](http://www.erpf.org.uk/library-and-information)

**4.5. IDRP**

ERPF will nominate an officer to act as the adjudicator at both Stage 1 and Stage 2 of the appeals procedure where the complaint is against ERPF.

ERPF will also nominate an officer to deal with Stage 2 complaints, where the Stage 1 appeal was made against the Scheme employer.

**4.6. Performance levels**

The following levels of performance will be measured within the Fund and reported to East Riding Pension Funds Local

Pension Board (ERPFLPB) for review and will be published in the Annual Report and Accounts each year:

#### 4.3. Making decisions

When ERPF make a decision regarding a Scheme member's benefits under the Scheme they will be notified of the decision within 10 working days and informed of their right of appeal under IDRP.

Service Report	Target Measures
Death in Deferment - Acknowledgement	90% of acknowledgement letters to be sent within 5 working days on receipt of all information
Death in Deferment - Benefits Payable	90% of payments to be made within 5 working days following receipt of all information
Death in Service - Benefits Payable	90% of payments to be made within 5 working days following receipt of all information
Death on Retirement - Benefits Payable	90% of payments to be made within 5 working days following receipt of all information
Death on Retirement - Acknowledgement	90% of acknowledgement letters to be sent within 5 working days following receipt of all information
Death on Retirement Acknowledgement No Liability	90% of acknowledgement letters to be sent within 5 working days following receipt of all information
Death in Service - Acknowledgement	90% of acknowledgement letters to be sent within 5 working days following receipt of all information
Deferred Retirement	90% of vouchers to be processed for payment within 5 working days on receipt of all information
Retirement - Quote	90% of letters and options to be provided to member within 5 working days of commencing a calculation
Retirement - Actual	90% of vouchers to be processed for payment within 5 working days on receipt of all information
Member Estimate	90% of Estimate and letter to be sent within 10 working days of producing a calculation
Employer Estimate	90% of Estimates and letter to be sent within 10 working days of producing a calculation
Joiners	Welcome letter to be sent within 40 working days of receipt of all information
Refund Payments	90% of vouchers to be processed for payment within 5 working days on receipt of all information
Deferred Notification to Member	90% of notifications to member within 10 working days following receipt of all information
Transfer In Quotes	90% of quotes to be provided within 10 working days after receipt of all information
Transfer Out Quotes	90% of quotes to be provided within 10 working days after receipt of all information
Payroll Member Death - Calculate Under or Overpayment	Under or Overpayment to be calculated within 30 days

## 5. Scheme employer duties

### 5.1. Responsibilities

Scheme employers are responsible for ensuring that Scheme member and Scheme employer contributions are deducted at the correct rate, including any additional contributions and submitting data to allow the Fund to maintain Scheme member records and calculate benefits.

ERPF is not responsible for verifying the accuracy of any information provided by the Scheme employer for the purpose of calculating benefits under the provisions of the LGPS. That responsibility rests with the Scheme employer.

Any over payment of pension benefits as a result of inaccurate information being supplied by the Scheme employer shall be recovered from that Scheme employer.

In the event of ERPF being fined by tPR, this fine will be passed on to the relevant Scheme employer where that Scheme employer's actions or inaction caused the fine.

### 5.2. ERPF Online services

Scheme employers will administer the scheme using the ERPF Online services portal. This ensures security of data transferred between Scheme employers and the fund and gives Scheme employers access to Scheme member data and information. The main contacts as detailed in section 3.2 should authorise access for users by completing the user declaration form (appendix 4). An individual account and login will be created for use by the authorised user only. If the user no longer requires access to ERPF Online services it is the responsibility of all of the three main contacts to inform ERPF to cancel the account.

### 5.3. Discretionary powers

The Scheme employer is responsible for exercising the discretionary powers given to them within the regulations. The Scheme employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its Scheme members.

ERPF provide a standard template for discretionary policies which can be downloaded here:

[www.erpf.org.uk/employers/employer-discretions](http://www.erpf.org.uk/employers/employer-discretions)

### 5.4. Scheme member contribution bands

Scheme employers are responsible for assessing and reassessing the contribution band that is allocated to a Scheme member. The Scheme employer must also inform the Scheme member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

### 5.5. Internal Disputes Resolution Procedure (IDRP)

Scheme employers must nominate an adjudicator to deal with appeals at Stage one of the IDRP where the dispute is against a decision the Scheme employer has made or is responsible for making. Scheme employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

### 5.6. Year-end submission

Scheme employers are responsible for submitting a year end return detailing Scheme member and Scheme employer contributions and the relevant pay information to allow ERPF to reconcile their pension contributions and to send Scheme members an annual benefit statement and pension savings statements where applicable. This submission must be made by 24 April.

### 5.7. Performance levels

The following levels of performance will be measured within the fund and will be reported to ERPFLPB for review and will be published in the Annual Report and Accounts each year:

Event for notification	Approved method of submission	Timescale for submission	Performance target
New member joins the scheme	ERPF Web New Starter Bulk interface (by arrangement)	Received within 3 weeks of the member joining the scheme	90% of new starter forms received within 3 weeks
Election to change scheme section (50/50 & main scheme)	ERPF Web 50-50	Received within 6 weeks of the member changing the scheme	90% of change of scheme elections notified within 6 weeks
Early leavers (non retirement)	ERPF Web Leaver Form	Received within 6 weeks of the members last day of scheme membership	90% of notifications received within 4 weeks of the last day of membership
Retirements	ERPF Web Notification of Retirement ERPF Web Leaver Form	ERPF Web Notification of retirement to be received 10 days before the active members retirement date ERPF Web Leaver Form to be received within 2 weeks of the members retirement date	100% of Notification of Retirement forms received 10 days before retirement date 90% of Web Leaver Forms received within 2 weeks of the members retirement date
Deaths	ERPF Web Leaver Form	Received within 10 days of the date the employer received notification of the death	100% of notifications received within 10 days of the date the employer received notification of the death
Year-end submission	Standard year-end template SS22a	Received by the date set by the Fund for each of the scheme years (31 March)	100% of returns received

## 6. Scheme employer payments

### 6.1. Payments by Scheme employers

Scheme employers will make all payments required under the LGPS regulations, and any related legislations, promptly to ERPF and /or its Additional Voluntary Contribution (AVC) provider, the Prudential, as appropriate.

### 6.2. Paying contributions

Member and Scheme employer contributions can be paid over at any time and must be accompanied by a SU18 form and monthly break down. The breakdown as a minimum must give details of all members, personal information such as NI Number and DOB, the employee and employer contributions paid and the member's relevant pay. The latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19th.

### 6.3. Late payment

Scheme employers will be reported to tPR where contributions are received late in accordance with the Regulator's code of practice.

### 6.4. Payment method

Contributions (but not AVCs) should be paid to ERPF by BACs payment direct to ERPF's bank account.

### 6.5. Early retirement and Augmentation costs

All Scheme employer's early retirement costs will be paid by lump sum following the Scheme member's retirement.

All additional pension costs must be paid in full in one payment.

### 6.6. Interest on late payment

In accordance with the LGPS regulations interest will be charged on any amount overdue from an employing authority

by more than one month.

#### 6.7. Scheme employer contributions

In accordance with the LGPS regulations interest will be charged on any amount overdue from an employing authority by more than one month.

#### 6.8. Actuarial Valuation

An actuarial valuation of the Fund is undertaken every three years by the Fund's actuary. The actuary balances the Fund's assets and liabilities in respect of each Scheme employer and assesses the appropriate contribution rate for each Scheme employer for the subsequent three years.

#### 6.9. Administration charges

The cost of running ERPF is charged directly to the Fund and the Fund's actuary takes these costs into account in assessing Scheme employers' contribution rates.

## 7. Unsatisfactory performance

### 7.1. Measuring performance

#### ERPF

The performance of ERPF will be monitored on a monthly basis using the UPM Civica pensions system.

The statistics will be reported to ERPFLPB who will consider the performance of ERPF and decide on any action that needs to be taken.

The minutes of the ERPFLPB meetings are available at [www.erpf.org.uk](http://www.erpf.org.uk) for Scheme employers to review.

Scheme employer's interests are represented on the ERPFLPB by three Scheme employer representatives.

All statistics will be published each year in the Fund's Annual Report and Accounts.

#### Scheme employers

The performance of Scheme employers will be monitored on a quarterly basis using the UPM Civica pensions system.

Where a Scheme employer is performing at a satisfactory level, no action will be taken and performance levels will not be published, although will be available for Scheme employers to review at their request.

### 7.2. Unsatisfactory performance

#### ERPF

If the performance of ERPF consistently falls below the standards outlined in this strategy ERPF will:

- prepare a report for the ERPFLPB to consider any action that needs to be taken;
- where necessary ERPF will self-report to tPR.

#### Scheme employers

ERPF will seek, at the earliest opportunity, to work closely with Scheme employers to identify any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

Where persistent and ongoing failure occurs and no improvement is demonstrated by a Scheme employer, and /or unwillingness is shown by the Scheme employer to resolve the identified issue, ERPF will take the following steps in line with the unsatisfactory performance procedure to resolve the situation in the first instance.

Where a Scheme employer declines to discuss performance issues a formal improvement notice will be sent and ERPF will contact the Scheme employer to discuss the reason for the unsatisfactory performance and an informal improvement plan will be put in place with a suitable deadline for review and improvement.

A letter will be sent to confirm agreement and outline the next steps of:

- improvement notice;
- administration charge;
- interest for late payment if applicable.

If the informal improvement notice is not successful ERPF will invite the Scheme employer to attend a formal improvement meeting and a further plan of improvement will be put in place with the Scheme employer. The details of this agreement will be sent as a formal improvement notice.

improvement plan will be put in place with a suitable deadline for review and improvement.

A letter will be sent to confirm agreement and outline the next steps of:

- improvement notice;
- administration charge;
- interest for late payment if applicable.

If the informal improvement notice is not successful ERPF will invite the Scheme employer to attend a formal improvement meeting and a further plan of improvement will be put in place with the Scheme employer. The details of this agreement will be sent as a formal improvement notice.

Where a Scheme employer declines to discuss performance issues a formal improvement notice will be sent and an administration charge will be made. In addition any outstanding interest payments due to late payment will be charged.

Where a formal improvement notice is not successful ERPF may:

- add the Scheme employer to the Fund's Risk Register;
- report the Scheme employer to tPR or Scheme Advisory Board; and
- escalate the case to the ERPFLPB/Pensions Committee.

During this time ERPF will continue to work with the Scheme employer to resolve any performance issues and an administrative charge will be made for all additional work due to unsatisfactory performance.

### **7.3. Circumstances where the administering authority may levy costs associated with an Scheme employer's poor performance**

Regulation 70 of the LGPS 2013 Regulations provide that an administering authority may recover from an Scheme employer any additional costs associated with the administration of the scheme incurred as a result of the unsatisfactory level of performance of that Scheme employer. Whilst ERPF will only consider this as a last resort there may be some instances where a charge is applied, for example:

- in circumstances where the performance of the Scheme employer results in fines being levied on the ERPF by tPR, Pensions Ombudsman or other regulatory body, an amount up to the amount of that fine will be recharged to that Scheme employer. In addition, there will be an additional charge equal to any associated legal, actuarial and administrative costs ERPF has incurred as a result of the Scheme employer's action or failure; and
- where the improvement plan as outlined in the last section of this strategy is not being adhered to, the ERPFLPB may determine that any other additional costs will be recharged. In these circumstances the ERPFLPB will determine the amount to be recharged and how this is to be calculated. The Scheme employer in question will be provided with a copy of that report and will be entitled to attend the ERPFLB meeting when this matter is being considered.

## **8. Appendices**

### **8.1. ERPF Contacts**

### **8.2. Main Contacts form**

### **8.3. Additional Contacts form**

### **8.4. User declaration**

# report of the actuary

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members / dependents benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 80% likelihood that the Fund will achieve the funding target over 20 years.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £6.263 million, were sufficient to meet 120% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £1.043 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report, available on the Funds website.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
	% p.a.
Discount rate	4.4%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.1 years	24.0 years
Future Pensioners*	21.9 years	25.5 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the previous formal valuation at 31 March 2022 due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

**Douglas Green FFA**

For and on behalf of Hymans Robertson LLP  
19 May 2023

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow  
G2 6DB

# actuarial valuation

Legislation requires an actuarial valuation of the Fund every three years. The purpose of the valuation is to establish that the Fund is able to meet its liabilities to past and present contributors.

The valuation is carried out in accordance with Regulation 62 of the Local Government Pension Scheme 2013 and the most recent valuation was carried out as at 31 March 2022 and resulted in a funding level of 120% (2019 109%). The next triennial valuation is due as at 31 March 2025 and any change in employers' contribution rates as a result of that valuation will take effect from 1 April 2026.

The results of the 2019 and 2022 valuations are set out in the tables below:

	2019	2022
	£m	£m
Past Service Liabilities		
Employees	1,643	1,811
Deferred Pensioners	953	1,086
Pensioners	2,038	2,323
Total Past Service Liabilities	4,634	5,220
Assets	5,058	6,263
(Deficit)/Surplus	424	1,043

The past service adjustment assumes that the deficit will be funded over a 20 year period.

The improvement in the funding position in the three years to 31 March 2022 is mainly due to strong investment performance over the period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth.

# governance

## Governance Policy Statement

East Riding of Yorkshire Council, as Administering Authority (and Scheme Manager) for the Local Government Pension Scheme is required by statute to publish a governance policy statement. The function of the Administering Authority is delegated to the Pensions Committee in accordance with the Constitution of the Council.

The Pensions Committee consists of ten Members of the East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils in the East Riding Pension Fund, and four trade union representatives attend Committee meetings to ensure that views of other interested parties are properly considered by the Committee. Only the ten Members of the East Riding of Yorkshire Council have voting rights but all Members have equal access to relevant committee papers, documents and advice. In addition, the Members' training programme is designed to help in evaluating expert advice.

The Committee normally meets six times a year, with at least four meetings devoted principally to investment business. The Committee does not establish any secondary committees or panels.

There are no representatives of admitted bodies on the Committee, so the Committee holds an Annual Meeting to which all employers are invited. This provides them with the opportunity to raise any concerns they may have directly with the Committee, which then ensures they can be properly considered by the Committee.

The Committee formally consults all employers on the Funding Strategy Statement every three years. There is no specific representation for deferred or pensioner members, but with the wide representation, including four trade union representatives, it is considered that their interests will be taken into account.

The Investment Strategy Statement sets out how the Pension Fund will be invested, while the Annual Report, which is submitted to the Annual Meeting of the Fund, completes the cycle of accountability.

The terms of reference for the Pensions Committee are included in the Constitution of the East Riding of Yorkshire Council which are available at [www.eastriding.gov.uk](http://www.eastriding.gov.uk).

### East Riding Pension Fund Local Pension Board

The East Riding Pension Fund Pension Board is established under the provisions of Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The role of the Board includes:

- securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- ensuring the effective and efficient governance and administration of the Scheme, including the governance arrangements in respect of pooling; and
- such other matters as the LGPS Regulations may specify.

The Board meets four times a year and is made up of six members, three employer representatives and three scheme member representatives.

The terms of reference for the Board are available on the Pension Fund's website [erpf.org.uk](http://erpf.org.uk)

This governance policy statement complies with Regulation 55 of the Local Government Pension Scheme Regulations 2013 and the guidance issued by the Secretary of State in 'Governance Compliance Statements Statutory Guidance – November 2008'. Further details are appended to this Statement.

This Governance Policy Statement was approved by the Pensions Committee on 17 March 2023 and took effect from 1 April 2023. The document is reviewed on an annual basis.

## East Riding Pension Fund Pension Board - Appendix 1

### Terms Of Reference

#### 1. Introduction

The purpose of this document is to set out the Terms of Reference for the Pension Board (the Board) of the East Riding Pension Fund.

#### 2. Responsibility and Role of the Board

The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (East Riding of Yorkshire Council) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and,
- such other matters as the LGPS Regulations may specify.

The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

In its role, the Board will have oversight of the administration and governance of the Fund including:

- the effectiveness of the decision making process;
- the direction of the Fund and its overall objectives;
- the level of transparency in the conduct of the Fund's activities; and,
- the administration of benefits and contributions.

Subject to further details, the activity of the Board will include:

- reviewing the Fund's governance and policy documents;
- reviewing compliance with the Fund's governance and policy documents;
- reviewing the administrative and investment performance of the Fund;
- reviewing shareholder voting and engagement arrangements;
- reviewing the Fund's Risk Register;
- reviewing Audit and Assurance reports; and,
- reviewing the Fund's website.

#### 3. Membership

The Board shall consist of six voting members and be constituted as follows:

- three Employer Representatives – Administering Authority (1), other scheme employers (ie organisations other than the Administering Authority who, under the Regulations, can participate in the LGPS) (2); and,
- three Scheme Member Representatives – active members (1), pensioner members (1), active/pensioner or deferred member (1).

Officers involved in the management and administration of the Fund are not permitted to become Board members.

Members of the Board will serve for a term of three years following which they may either retire from the Board or seek nomination for an additional term. The term of office may otherwise come to an end:

- for Scheme Member Representatives if they cease to be a member of the relevant group; and,
- for Employer Representatives who are councillors if they cease to hold office as a Councillor.

The Chair of the Board will be elected by the Board at its first meeting and will serve for a period of three years.

The Board may, with the approval of the Administering Authority, co-opt persons to advise and support them. Co-optees are not Board members and do not have voting rights. Due to the specialist knowledge and understanding required, Members will not be permitted to send substitutes to meetings when they are unable to attend themselves.

#### 4. Appointment of Board Members

Three Employer Representatives:

- one Employer Representative will be a Councillor from East Riding of Yorkshire Council who is not a member of the Pensions Committee and will be selected by the Council having taken account of their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS; and,
- two Employer Representatives to be nominated by the employer's forum—having demonstrated their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS. In the event of there being more than two nominations, the Scheme Manager will carry out a selection process.

Three Scheme Member Representatives:

To be identified as follows: the Administering Authority shall contact all Scheme Members including unions and professional associations affiliated to the Authority advising them of the role, the necessary knowledge and understanding required and the process applying toward becoming a Board Member; individual Scheme Members may put themselves forward; there will then be a selection process carried out by the Scheme Manager to assess relevant experience, their capacity to represent scheme members and their knowledge and understanding of the LGPS.

Members in all categories will only be appointed to the Pension Board by the Administering Authority if they either meet the knowledge and skills requirements set out in the relevant regulations and guidance (see Section 9) or commit to do so within three months of the appointment date.

#### 5. Meetings

The Board shall meet four times a year, at the Council's Offices in Beverley during working hours.

An extraordinary meeting will be called when the Chair considers this necessary and/or in circumstances where the Chair receives a request in writing by 50% of the voting membership of the Board.

#### 6. Quorum

A quorum will comprise three of the six members of which at least one shall be an Employer Representative and one a Scheme Member Representative.

#### 7. Decision Making

Each Member of the Board will have an individual voting right but it is expected that the Board will, as far as possible, reach a consensus.

#### 8. Standards of Conduct and Conflicts of Interest

The principles included in the East Riding of Yorkshire Council's Code of Conduct for Members will apply to all Members of the Board. The Code is set out in the Council's Constitution [www2.eastriding.gov.uk/council/committees/the-council/council-constitution-political-control-and-councillor-information](http://www2.eastriding.gov.uk/council/committees/the-council/council-constitution-political-control-and-councillor-information)

In accordance with s5(5) of the Public Service Pensions Act 2013, a Board Member must not have a financial or other interest that could prejudice them in carrying out their Board duties. Conflicts of interest shall be managed taking into account both the regulations set out in East Riding of Yorkshire Council's Constitution and the advice provided by the Pensions Regulator. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

## 9. Knowledge and Skills

Following appointment, each Member of the Board should be conversant with:

- the legislation and associated guidance of the LGPS; and
- any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund.

The Administering Authority will provide a training programme which all Board Members will be required to attend.

## 10. Accountability

The Board will refer all relevant recommendations and decisions to the Pensions Committee of the Administering Authority and, where appropriate to Full Council. It will present a report on its work each year within the Pension Fund's Annual Report and Accounts.

## 11. Publication of Pension Board Information

The Administering Authority will publish up to date information on the Council's website including:

- the names of the Board Member;
- the Board's Terms of Reference; and
- papers, agendas and minutes of Board meetings.

## 12. Data Protection

The Administering Authority is and remains the data controller responsible for Data Protection Act compliance.

## 13. Expense Reimbursement

Board Members will be reimbursed travel and subsistence costs in line with the Administering Authority's Members Allowance Scheme.

*The establishment of the Local Pension Board was approved on 25 February 2015 by East Riding of Yorkshire Council.*

## Pensions Committee as at 31 March 2023

### Members                      Number of meetings attended (max 6)

Councillor K Beaumont	2
Councillor P Greenwood (to April 2022)	1
Councillor D Healy	4
Councillor S Horton	5
Councillor D Jeffreys	6
Councillor M Lee	6
Councillor D Rudd	5
Councillor Sutton	3
Councillor J Whittle	6
Councillor N Wilkinson	3
Councillor D Winter	6

### Unitary Councillor Representatives

Councillor S Harness (North East Lincolnshire)	3
Councillor K Neal (Hull City Council)	3

### Trade Union Observers

S Carter (Unison)	1
R Weightman (Unite)	5

## Report of the Pensions Committee

The Pensions Committee is responsible for the administration of the East Riding Pension Fund in accordance with Statutory Regulations, under delegation contained in the Constitution of East Riding of Yorkshire Council. During the past year the Committee consisted of ten Members of East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils and four trade union representatives attend Committee meetings to ensure that the views of the other major employers and of individual members of the scheme are taken into account.

The Committee met quarterly to consider investment reports from the Executive Director of Corporate Resources, the external managers and the independent advisor. The Committee also met on two further occasions to consider pension administration issues. A number of training sessions were held throughout the year on governance, administration and investment issues to contribute to the member training programme.

During the year the Committee:

- approved the draft Annual Report and Accounts 2021-22
- reviewed the Fund's expenditure against budget for the 2022-23 financial year and approved the budget for the 2023-24 financial year
- reviewed the audit and assurance reports of the Fund's investment and administration functions, the Fund's investment managers and the custodian
- completed the review of the funding strategy and the 2022 valuation
- completed a detailed review of the Fund's investment strategy once the outcome of the 2022 valuation was known
- received reports on the development of investment arrangements at Border to Coast, the investment pool selected by the Fund to meet the requirements of the Government's LGPS reform agenda
- reviewed the management of the Fund's investments and analysed the performance of the Fund and its investment managers
- reviewed the corporate governance and voting activity of the East Riding investment team and of its investment managers
- adopted Border to Coast's updated policies on responsible investment including a Climate Change Policy, and determined that the Fund has a target to become carbon neutral by 2050 or sooner
- reviewed the Fund's administration and investment policies
- reviewed the Fund's strategic risk register
- reviewed the Fund's Treasury Management policy and treasury activity during the year
- reviewed the status of the Fund's UK and Overseas Withholding Tax reclaims

For the year ended 31 March 2023, the Fund generated a return of +0.7%, compared to the strategic benchmark return of -2.6%. Market conditions for investments were very challenging. High inflation around the world prompted central banks to increase interest rates to try to bring it under control. High inflation and rising interest rates made for tough economic conditions. Although this pain was expected to be relatively short lived, high inflation proved to be stubbornly persistent so these conditions may continue for some time.

Over the three years to 31 March 2023, the Fund generated a return of 8.9% per annum, compared to the strategic benchmark return of 7.6% per annum. The long-term investment objective was 5.1% per annum, reflecting the rate of return required to meet the cost of the Fund's liabilities. At the year end, the funding level was estimated at 120%.

The Pensions Committee is responsible for determining the Pension Fund's investment strategy, but the implementation of the strategy is in the process of being handed over to Border to Coast, which is increasingly responsible for managing the Fund's assets. Approximately 65% of the Fund's assets were managed by Border to Coast at the year end, with further asset transitions planned in the coming years.

All of the Fund's administration responsibilities will remain with East Riding of Yorkshire Council.

It is anticipated that there will continue to be significant changes to the Local Government Pension Scheme in the coming few years, which will represent a considerable challenge to the East Riding Pension Fund. In particular, the McCloud project and the requirement to establish pensions dashboards will require significant resource, as will addressing the Government agendas on levelling up, governance arrangements and reporting in relation to climate change. The Committee will strive to ensure the long-term sustainability of the Pension Fund in the light of these and other developments and ensure members are aware of their potential impact.

**Councillor D Rudd**  
**Chair**  
**April 2023**

## Training and Development

### Introduction

This is the training strategy for East Riding Pension Fund (the Fund) and is established to aid the Pensions Committee and Local Pension Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.

This strategy demonstrates to stakeholders the recognition by the Pensions Committee and Local Pension Board members of the importance of knowledge and understanding of pension issues in the effective management of the Fund.

### Objectives

The Funds objectives relating to skills and knowledge are to ensure Pensions Committee and Local Pension Board members:

- are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them
- have sufficient knowledge and understanding ensuring that all decisions, actions and other activities are carried out in an informed and appropriate way
- have sufficient expertise to be able to evaluate and challenge the advice, to ensure decisions are robust and soundly based, and to manage any conflicts of interest

### CIPFA training frameworks

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published frameworks for training in relation to Pensions Committee and Local Pension Board members. These frameworks and guidance support the requirement for members involved in Pension Fund decisions to be adequately trained.

The frameworks identify eight areas of knowledge and skills for those involved in LGPS pensions:

- Pensions legislation
- Pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Pensions services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices

### Programme of training

All members, including substitutes, of the Pensions Committee and Local Pension Board are required to undertake induction training before taking up their role.

The Funds rolling programme of training, which will be provided on a regular basis, will have regard to:

- guidelines issued by the Pensions Regulator
- the CIPFA Knowledge and Skills Framework
- the training needs of the members of the Pensions Committee and Local Pension Board, through periodic assessment using the CIPFA knowledge and skills framework
- the Funds current priorities, including governance, administration and investment matters
- ongoing specific requirements

Training provided will be open to both Pensions Committee and Local Pension Board members, however the depth of

understanding required may vary depending upon the issues expected to be faced by the Fund and whether the individual is involved with the Pensions Committee or the Local Pension Board.

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- ongoing specific requirements

Training provided will be open to both Pensions Committee and Local Pension Board members, however the depth of understanding required may vary depending upon the issues expected to be faced by the Fund and whether the individual is involved with the Pensions Committee or the Local Pension Board.

### Knowledge Assessment

The training needs of the members of the Pensions Committee and Local Pension Board will be assessed annually using Hymans online LGPS Knowledge Assessment.

The assessment compliments the LGPS Online Learning Academy provided by Hymans Robertson and will provide the Fund with a baseline of current knowledge levels of the Committee and Board members over the 8 topics in the CIPFA Knowledge and Skills framework

### LGPS Online Learning Academy

The LGPS Online Learning Academy supports the training needs of Pension Committee and Local Pension Board members.

The online training course covers all the key areas that members need to understand in order to successfully manage the running of the Fund, including:

- An introduction to LGPS oversight bodies, governance, legislation and guidance
- LGPS administration, including policies and procedures, pension fund auditing
- LGPS valuations, funding strategy and LGPS employers
- Investment strategy, pooling and responsible investment
- Performance monitoring and procurement
- Current issues in the LGPS

### Delivery of training

Training will be delivered through a variety of methods including:

- in-house training provided by officers and external providers
- shared training with other LGPS funds
- external training events
- attendance at webinars/seminars and conferences
- links to on-line training such as Hymans LGPS Online Learning Academy and the Pensions Regulator Toolkit for Public Service Schemes
- fund policies and documents

- regular updates from Fund officers and/or advisors
- circulated reading material

#### Delivery of training

A training log to record the training offered and undertaken will be maintained.

A report on training will be included in the Funds annual report and accounts.

The Pensions Committee and Local Pension Board will periodically review the training programme.

#### Costs

Where there is a cost involved in providing the training this will be met directly by the Fund.

# 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 East Riding of Yorkshire 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## b) The Director of Finance

The Director of Finance 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 Financial Reporting Standards (the Code).

In preparing these financial statements, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Certificate

I hereby certify that the following accounts give a true and fair view of the financial position of the East Riding Pension Fund as at 31 March 2023 and its income and expenditure for the financial year then ended.

Julian Neilson  
Section 151 Officer  
30 June 2023  
East Riding of Yorkshire Council  
County Hall  
Beverley, East Riding of Yorkshire, HU17 9BA

# fund account, net assets statement and notes

## Fund Account

2021/22	Dealings With Members and Employers	Note	2022/23
£000			£000
	Dealings with Members and Employers Contributions		
162,595	Contributions receivable	E	152,059
8,593	Individual transfer values receivable		7,932
171,188			159,991
	Benefits		
-188,474	Benefits payable	F	-198,122
-10,442	Payments to and on account of leavers	G	-9,110
-27,728	Net additions/withdrawals (-) from dealings with Members		-47,241
	Management expenses	H	
-7,991			-9,111
-35,719	Net additions/withdrawals (-) including Fund Management Expenses		-56,352
	Returns on investments		
164,986	Investment income	I	163,012
384,167	Profit and losses (-) on disposal of investments and changes in the market value of investments	J	-124,657
549,153	Net Return on Investments		38,355
513,434	Net increase / decrease (-) in the net assets available for benefits during the year		-17,997
	Net Assets of the Fund		
5,749,208	Opening net assets as at 1 April		6,262,642
513,434	Deficit (-) / Surplus		-17,997
6,262,642	Closing net assets as at 31 March		6,244,645

## Net Assets Statement

31 March 2022		Note	31 March 2023
£000			£000
1,181	Long Term Investments		1,181
6,265,745	Investment Assets		6,230,016
6,266,926		J	6,231,197
-18,492	Investment Liabilities	J	-6
6,248,434	Total net investment	J	6,231,191
16,553	Current assets		16,002
6,264,987			6,267,193
-2,345	Current Liabilities		-2,548
6,262,642	Net assets of the scheme available to fund benefits at 31 March		6,244,645

The Accounts summarise the transactions and deals with the net assets of the Fund and do not take into account liabilities to pay pensions and other benefits in the future.

## Notes to the Accounts

### A Fund Status

The Fund is a funded defined benefits scheme.

### B Audit of the East Riding Pension Fund Accounts

These accounts are subject to external audit.

### C Accounting Policies

#### 1. General

These Accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 based on International Financial Reporting Standards, which requires that the Fund's Accounts comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans.

The accounts do not take account of liabilities to pay pensions and other benefits in the future.

The accounts have been prepared on a going concern basis.

#### 2. Changes in Accounting Policies

There have been no changes in Accounting Policies required in 2022/23.

#### 3. Income

##### a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay. Any amounts due but not received are shown in the Net Asset Statement as a current asset;
- Employer contributions are set at the percentage rate recommended by the Fund Actuary in his valuation of 31 March 2019 effective from 1 April 2020, for the period to which they relate. Employer contributions are accounted for on the date on which they are due or when received, if earlier. Further information regarding the Actuary's Report and Actuarial Valuation, as at 31 March 2019, effective from 1 April 2020, can be found on pages 42 and 44 of these accounts.

Employers' pensions strain contributions are accounted for in the period in which liability arises. Employer deficit funding contributions are set at the rates certified by the Fund Actuary in his valuation of 31 March 2019, effective from 1 April 2020. Deficit funding payments are payable over a maximum of 20 years.

##### b) Transfer values receivable

Transfer values receivable relate to amounts received for members joining the Fund during the financial year and are accounted for in the year of receipt. Transfer values are disclosed as individual transfers and group transfers.

#### c) Investment income

##### i. Dividend income

Dividend income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset. Dividend income is recognised on the date the asset is quoted ex-dividend

##### ii. Interest income

Interest income is accounted for on an accruals basis using the effective interest rate of the financial instrument as at the date of origination. Accrued interest income is shown in the Net Assets Statement as an investment asset.

##### iii Stock Lending Income

Stock lending income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

##### iv. Distributions from pooled investment assets

Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

##### v. Movement in the net market value of investments

Changes in the net market value of investments, including all realised and unrealised profits/losses are shown as returns on investments..

##### vi. Currency conversion

Investment income received in overseas currency is converted at the appropriate exchange rate quoted in the Financial Times on the date of receipt. Accrued income is first recognised on transaction date with any foreign exchange gain or loss recognised separately until settlement.

#### 4. Expenditure

##### a. Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are shown in the Net Assets Statement as current liabilities.

##### b. Transfer values payable

Transfer values payable relate to amounts paid relating to members leaving the Fund during the financial year and are accounted for in the year of payment.

#### 5. Expenses

Expenses are accrued appropriately to ensure charges are incurred within the relevant accounting period.

#### 6. Valuation of Assets

Investments are included in the Net Assets Statement at their fair value.

Investments made through the UK Stock Exchanges are valued at bid market price at the close of business on 31 March 2023. Investments made on overseas stock exchanges are valued at bid price or last trade price.

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

Unquoted investments are inherently difficult to value and rely, to a certain extent, on estimation techniques and non-market observable inputs; where market values are available at the date of the Statement these are used as above.

Fair value is calculated as the net asset value as at the date of the Statement in accordance with recognised valuation standards, e.g. Royal Institution of Chartered Surveyors (RICS). Where the net asset value at the date of the Statement is not available, fair value is calculated based on either a valuation estimate by the fund manager or using the last available set of financial statements, adjusted for subsequent cash flows. The valuation of the investment may be amended for material changes notified in subsequent documentation received from the fund manager.

The valuation in the Fund's investment in Border to Coast Pension Partnership has been assessed using the criteria set out in IFRS9 Financial Instruments. The key factors considered include:

- There is currently no market for these investments and no identical or similar market to compare to. Therefore, it is not possible to use a 'quoted price'.
- Border to Coast Pensions Partnership is intending to trade at a breakeven position (nominal profit or loss) with any values offset against Partner Fund future costs. The company has now published audited accounts, and these show the company equity as equal to the 'Called up Share Capital' i.e. Class B Regulated Capital of £12.99m (shared equally between the eleven partner funds).
- Given the limited available evidence identified above there are potentially a wide range of fair values available for this investment. Cost has been determined as the appropriate fair value. The Fund's value of the shareholding in Border to Coast Pensions Partnership is £1.181k.

## 7. Future Liabilities

The Accounts summarise the transactions and net assets of the Fund and do not take into account liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations is dealt with in the report by the Actuary on pages 42 to 43 of these accounts and should be read in conjunction with the report.

## 8. Taxation

The scheme is a Registered Pension Scheme in accordance with Paragraph 1 (1) of Schedule 36 to the Finance Act 2004 and for UK taxation purposes is wholly exempt from income tax and capital gains tax. 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.

## 9. Value Added Tax

The Fund is reimbursed VAT by HM Revenue and Customs and the accounts are shown exclusive of VAT.

## 10. Management Expenses

All pension administration expenses are accounted for on an accrual's basis. All employee costs of the pension administration section are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

All investment management expenses, including external management and custody, are accounted for on an accrual's basis. All employee costs of the investment section are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

External manager Schroder Investment Management fee is based on a fixed rate basis.

External manager Border to Coast Pensions Partnership fee is based on an agreed budget.

Custody fees are agreed in the mandate for the provision of custodian services.

All oversight and governance costs are accounted for on an accrual's basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

**11. Currency Conversion Rates**

Overseas investments have been converted at the exchange rate quoted in the Financial Times at close of business on 31 March 2023 to arrive at sterling values in the Net Asset Statement.

**12. Additional Voluntary Contributions**

An additional voluntary contribution (AVC) scheme is provided for members of the Fund by Prudential. Contributions are paid to Prudential by scheme members and are specifically for providing additional benefits for individual contributors. AVCs do not form part of the Fund accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, see note Q.

**13. Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is based on the triennial valuation of the Fund by the Actuary, with liabilities at 31 March 2023 being projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The Fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the accounts, see note R.

**14. Assumptions Made About the Future and Other Major Source of Estimation Uncertainty**

The Statement of Accounts includes estimated figures that are based on assumptions and estimates, which take into account historical experience, current trends and other relevant factors. Therefore, these estimated figures cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The item in the Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

**Level 3 Investments**

By definition these investments are not publicly quoted, and the valuation depends on estimation techniques and non-marketable observable inputs. A 10% movement in prices in the next financial year would increase or decrease the value of the Fund of level 3 investments by £148.5m.

## D Stock Lending

State Street, the Fund's Custodian has authorisation to release stock to third parties as determined by the contract between State Street and the Fund.

During the year to 31 March 2023 stock lending income of £0.191m (2022 £0.078m) was raised against expenditure for the activity of £0.058m (2022 £0.024m). At 31 March 2023 the total value of securities on loan was £55.0m (2022 £47.8m). Against the securities on loan the Fund held collateral at 31 March 2023 of £56.6m (2022 £50.9m) in UK and overseas equities and UK and overseas bonds.

## E Contributions Receivable

2021/22			2022/23	
£000	£000		£000	£000
102,157		Employers - Normal	87,399	
11,521		Employers - Augmentation	11,175	
7,789	121,467	Employers - Deficit Recovery	7,737	106,311
	41,128	Employees		45,748
	162,595			152,059
		From		
	20,729	Administering Authority		28,617
	134,837	Scheduled Bodies		116,771
	7,029	Admission Bodies		6,671
	162,595			152,059

## F Benefits Payable

2021/22			2022/23	
£000	£000		£000	£000
153,995		Pensions	162,189	
30,736		Commutations, compounded and lump sum retirement benefits	29,356	
3,743		Lump sum death benefits	6,577	
188,474			198,122	
		Paid to		
37,242		Administering Authority	40,628	
138,351		Scheduled Bodies	145,708	
12,881		Admission Bodies	11,786	
188,474			198,122	

## G Payments to and on account of leavers

2021/22		2022/23
£000		£000
360	Refunds to Members leaving service	240
10,082	Individual transfer values payable	8,870
10,442		9,110

## H Management Expenses

2021/22		2022/23
£000		£000
2,221	Pensions Administration	3,020
4,810	Investment Management	4,945
960	Oversight and Governance	1,146
7,991		9,111

Of the Investment Management expenses in 2022/23, no payment was made in respect of performance related fees paid to the Fund's internal investment manager.

Of the Oversight and Governance expenses in 2022/23, the external audit fee payable to Mazars LLP is £0.035m (2021/22 £0.031m). Included in the 2022/23 fee is £0.007m audit fee variations for additional work required during 2021-22. The statutory audit fee does not include fees chargeable to the Fund for pension assurance work undertaken by Mazars LLP at the request of employer auditors. Fees payable for this work are £0.018m (2021/22 £0.014m). These fees will be recharged to the employer for whom the information is provided. No fees have been paid to Mazars LLP in 2022/23 in respect of non-audit work.

Externally managed funds are managed by Schroder Investment Management Ltd and Border to Coast.

## I Investment Income

2021/22		2022/23
£000		£000
3,649	Bonds	3,075
12,522	Equities	14,161
149,685	Pooled Investments	145,244
46	Derivatives	0
-947	Other	-815
31	Cash Deposits	1,347
164,986		163,012

## J Reconciliation of Movements in Investments

2022/23	Value 31/03/22	Purchase at Costs	Sale Proceeds	Change in Market Value	Value at 31/03/23
Investment Assets	£000	£000	£000	£000	£000
Bonds	246,188	5,447	-61,678	-26,637	163,230
Equities	718,773	239,871	-955,634	-1,829	1,181
Derivatives					
Pooled Investment Vehicles					
Pooled Equities	2,526,316	1,475,851	-870,406	3,228	3,134,989
Pooled Bonds	820,187	428,050	-283,238	-86,565	878,434
Pooled Property	591,194	33,766	-46,117	-25,096	553,747
Pooled Private Equity	353,813	64,226	-60,410	24,235	381,864
Pooled Infrastructure	334,074	69,291	-18,145	32,551	417,771
Pooled Other	573,351	136,128	-75,783	-45,642	588,054
	5,198,935	2,207,312	-1,354,099	-97,289	5,954,859
	6,163,896	2,452,630	-2,371,501	-125,755	6,119,270
Investment Cash	90,493	1,985,767	-2,036,227	1,098	41,131
	6,254,389	4,438,397	-4,407,728	-124,657	6,160,401
Other Investment Assets	12,537				70,796
Investment Assets	6,266,926	4,438,397	-4,407,728	-124,657	6,231,197
Investment Liabilities	-18,492				-6
	6,248,434	4,411,856	-4,407,728	-124,657	6,231,191

Net Gains and Losses on Financial Instruments. All net gains and losses on financial assets are fair value through profit and loss.

2021/22	Value 01/04/21	Reclassification	Purchase at Costs	Sale Proceeds	Change in Market Value	Value at 31/03/22
Investment Assets	£000		£000	£000	£000	£000
Bonds	285,012		9,899	-38,598	-10,125	246,188
Equities	665,345		260,872	-254,213	46,769	718,773
Derivatives	-5,466		8,111		-2,645	0
Pooled Investment Vehicles						
Pooled Equities	2,375,706	-36,177	50,498	0	136,289	2,526,316
Pooled Bonds	736,553		452,367	-348,790	-19,943	820,187
Pooled Property	666,543		54,352	-178,297	48,596	591,194
Pooled Private Equity	326,946	21,764	62,403	-162,024	104,724	353,813
Pooled Infrastructure	344,552	21,764	86,813	-123,879	12,175	334,074
Pooled Other	180,277		400,859	-75,685	67,900	573,351
	4,630,577	0	1,107,292	-888,675	349,741	5,198,935
	5,575,468	0	1,386,174	-1,181,486	383,740	6,163,896
Investment Cash	145,050		787,134	-842,119	427	90,493
	5,720,518		2,173,308	-2,023,605	384,167	6,254,389
Other Investment Assets	18,555		0	0	0	12,537
Investment Assets	5,739,073		2,173,308	-2,023,605	384,167	6,266,926
Investment Liabilities	-4,012		0	0	0	-18,492
	5,735,061		2,173,308	-2,023,605	384,167	6,248,434

## K Concentration of Investments

The Code require disclosure where there is a concentration of investment which exceeds 5% of the total value of the net assets of the scheme.

31 March 2022				31 March 2023		
Number of Units	Value £000	% of Net Assets		Number of Units	Value £000	% of Net Assets
211,406,273.140	313,135	5.0	Border to Coast PP UK Listed Equity A	1,015,768,731.61	1,540,921	24.7
1,513,050,159.030	1,776,624	28.4	Border to Coast PP Listed Alternatives A	1,021,373,115.88	1,258,945	20.2
346,474,455.38	360,645	5.8	Border to Coast PP Overseas Developed Markets A	407,497,289.46	375,509	6.0

## L Managerial Arrangements of Assets

31 March 2022			31 March 2022	
£m	%		£m	%
2,074	33	Internally managed	2,061	33
1,110	18	Externally managed (Schroder Investment Management Limited)	65	1
3,079	49	Externally managed (Border to Coast Pensions Partnership)	4,119	66
6,263	100		6,245	100

## M Contractual Commitments

At 31 March 2023 the Fund had commitments to the purchase of investments as analysed below. The Fund will be advised on the drawdown of these commitments by the individual fund manager.

2021/22			2022/23	
Foreign Currency	£000		Foreign Currency	£000
0	324,963	Sterling Denominated (£)	0	503,623
209,740	159,292	US Dollar Denominated (\$)	155,302	125,608
87,452	73,899	Euro Denominated (€)	85,850	75,433
	558,154			704,664

## N Members Allowances

Following modernisation of the Committee structures, allowances are not paid to Members directly in respect of Pensions Committee attendance. The Chairman of the Pensions Committee is paid a special responsibility allowance. However, allowances are not cumulative, and only the highest allowance for any committee responsibility is paid to the Member. Payments to Members are disclosed on the council's website.

## O Related Party Transactions

In accordance with International Accounting Standard (IAS) 24 and International Public Sector Accounting Standard (IPSAS) 20 'Related Party Disclosures', material transactions with related parties not disclosed elsewhere are detailed below:

- The officer responsible for the proper administration of the financial affairs of the East Riding Pension Fund (the Section 151 officer) is also the Section 151 officer of East Riding of Yorkshire Council.
- The East Riding Pension Fund is administered by East Riding of Yorkshire Council. During the financial year, the Council incurred costs of £9.111m (2022 £7.991m) comprising pensions administration costs of £3.020m (2022 £2.221m), investment management costs of £4.945m (2022 £4.810m) and oversight and governance

costs of £1.146m (2022 £0.960m). The Council was subsequently reimbursed by the Fund for these expenses. The Council is also the largest employer of members of the Pension Fund and, during the financial year, made contributions of £28.617m to the Fund (2022 £20.729m). £11.195m (2022 £10.152m) of this total sum is in respect of contributions paid by members of the Pension Fund. As at 31 March 2023, the Council was a net debtor to the Fund of £1.484m (2022 £2.469m).

- Under legislation introduced in 2003-04, Councillors were entitled to join the Pension Scheme. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 removed this entitlement for Councillors from the later of 1 April 2014 or the end of their current term in office (or to age 75 if earlier). Therefore, no members of the Pension Committee made contributions to the Fund during the financial year in their member capacity. Councillors Rudd, Horton and Whittle declared being members of the Local Government Scheme during 2022-23.
- No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.
- The key management personnel of the Pension Fund are the Executive Director of Corporate Resources and the Director of Finance. The charge to the Pension Fund for these two posts in 2022-23 was £47,415 (2022 £44,107).
- Councillor John Holtby is the Partner Fund nominated non-executive director on Border to Coast Pensions Partnership's Board of Directors.

## P Additional Voluntary Contributions

The Fund's approved Additional Voluntary Contributions (AVC) provider is Prudential and during the year to 31 March 2023 members made contributions to this facility of £1.501m (2022 £1.395m). The total value of the funds invested by Prudential on behalf of the members of the East Riding Pension Fund at 31 March 2023 is £22.536m (2022 £21.140m).

AVC's do not form part of the Pension Fund Accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## Q Investment Strategy Statement

The East Riding Pension Fund is required to maintain an Investment Strategy Statement (ISS) in accordance with the LGPS Regulations. Full details of the ISS for the Fund are set out within the East Riding Pension Fund Annual Report and Accounts. The Pensions Committee approved the ISS at its meeting on 17 March 2023, and it complies with the LGPS Regulations.

The Fund is also required to maintain a Funding Strategy Statement (FSS) in accordance with the LGPS Regulations. The FSS effective 1 April 2023 was approved by Pensions Committee on 17 March 2023, taking into account the results of the 2022 actuarial valuation.

In preparing the ISS and the FSS, the Pensions Committee has taken professional advice from its advisers and investment managers, whom it considers are suitably qualified and experienced in investment matters. The principal employers and trade unions are represented at the Pensions Committee, enabling their views to be taken into account.

The investment managers and the investment advisers are required to adhere to the principles set out in the ISS. The Pensions Committee requires an annual, written statement from its investment managers confirming that they have adhered to the principles set out in the statement.

## R The Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits at 31 March 2023 was £5.594bn (31 March 2022 £7.773bn). The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from

the latest formal funding valuation as at 31 March 2022. The net assets of the Scheme available to pay benefits at 31 March 2023 was £6.245bn (31 March 2022 £6.263bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future

Significant actuarial assumptions are shown below:

Year ended (% p.a.)	31 March 2022	31 March 2023
Pension Increase Rate	3.2%	2.95%
Salary Increase Rate	3.2%	2.95%
Discount Rate	2.7%	4.75%

## S Disclosures Relating to Financial Instruments

The items in the Net Asset Statement are made up of the following categories of financial instrument.

31 March 2022		31 March 2023
£000		£000
	<b>Financial Assets at fair value through profit or loss</b>	
246,188	Bonds	163,230
717,592	Equities	0
5,198,935	Pooled Investment Vehicles	5,954,859
6,162,715	<b>Total Financial Assets at Fair Value Through Profit or Loss</b>	6,118,089
	<b>Financial Assets at Cost</b>	
1,181	Long term investments	1,181
6,163,896	<b>Total Financial Assets</b>	6,119,270
	<b>Financial Assets at Amortised Cost</b>	
90,493	Cash Deposits - Sterling	1,003,90
7,542	Foreign Currency	6,678
16,553	Current Assets	16,002
4,995	Other Investment Balances	4,859
119,583	<b>Total Financial Assets at Amortised Cost</b>	127,929
	<b>Financial Liabilities at Amortised Cost</b>	
-18,492	Other Investment Balances	-6
-2,345	Current liabilities	-2,548
6,262,642	<b>Net Financial Assets</b>	6,244,645

The methodology for the valuation of investment assets is described in Note 10 c), 6. Valuation of Assets.

The Fund's primary long-term risk is that the Fund's assets do not meet its liabilities i.e. the benefits payable to members. Therefore, the aim of the Fund's investment management is to achieve the long term expected rate of return with an acceptable level of risk. The Fund achieves this by setting a strategic asset allocation on a triennial basis which is expected to achieve the target rate of return over the long term. The tactical asset allocation is reviewed by the Pensions Committee on a quarterly basis.

The Fund has a dedicated strategic risk register which identifies the key risks within the Pension Fund and the risk controls that are in place to mitigate these risks. The risk register is reviewed by the Pensions Committee on a semi-annual basis and by the Local Pension Board every quarter. In addition, an investment risk management schedule is reviewed by the Pensions Committee on a quarterly basis which considers issues such as performance; regulation and compliance; and personnel and structure.

The key risks inherent in the Pension Fund in relation to its financial assets are:

#### **Market risk**

Market risk is the risk that the value of an investment decreases as a result of changing market conditions. The risk is mitigated by:

- An appropriate strategic asset allocation is determined on a triennial basis in conjunction with the actuarial valuation exercise. This aims to meet the target long term rate of return with an acceptable level of risk and includes an appropriate diversification of asset classes. The allocation is agreed by the Pensions Committee and the Fund's advisers and investment managers.
- The strategic asset allocation is disclosed in the Fund's Investment Strategy Statement including the permitted asset classes, their allocations, and the permitted ranges.
- Tactical asset allocation is reviewed on a quarterly basis by the Pensions Committee in light of financial market conditions and following advice from the Fund's advisers and investment managers.
- The Pensions Committee regularly reviews the long term investment strategy to ensure that it remains appropriate.

The investment policy of the East Riding Pension Fund does not permit any employer related investment, either in the assets, stock, land or property of the Principal Employers or the assets, stock, land or property of any associated employers. The Pensions Committee considers that employer related investments pose too great a risk to the security of the Fund.

The Fund has adopted the CIPFA Code of Practice for Treasury Management in Public Services and maintains and operates a Treasury Management Policy comprising an overview of the principles and practices to which the activity will comply. The Treasury Management Policy is approved by the Pensions Committee on an annual basis and they also receive a half-yearly and annual report on treasury activity.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state the following regarding the use and investment of Pension Fund monies:

- an Administering authority must invest any fund money that is not needed immediately to make payments from the fund;
- they may vary their investments;
- their investment policy must be formulated with a view to the advisability of investing fund money in a wide variety of investments and to the suitability of particular investments and types of investments;
- an Administering authority must obtain proper advice at reasonable intervals about their investments; and
- the authority must consider such advice in taking any steps about their investments.

The Fund has determined that the following movements in market price risk are possible for the 2023/24 reporting period:

Asset Type	Potential market movements (+/-) %
Bonds	6.1
Equities	11.5
Property	5.1
Pooled Investments	5.1
Private Equity	5.1
Cash	2.0

Had the market price of the fund investments increased or decreased in line with the above, the change in the net assets available to fund benefits would have been as follows:

Asset Type	Value as at 31 March 2023	Potential Value on Increase	Potential Value on Decrease
	£000	£000	£000
Bonds	163,230	173,187	153,273
Equities	1,181	1,317	1,045
Pooled Investments	5,954,859	6,467,980	5,441,738
Cash	107,068	109,209	104,927
<b>TOTAL</b>	<b>6,226,338</b>	<b>6,751,693</b>	<b>5,700,983</b>

The Fund determined that the following movements in market price risk were possible for the 2022/23 reporting period:

Asset Type	Potential market movements (+/-) %
Bonds	5.7
Equities	13.8
Property	3.2
Pooled Investments	13.8
Private Equity	4.0
Cash	1.1

Asset Type	Value as at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£000	£000	£000
Bonds	246,188	260,221	232,155
Equities	718,773	817,964	619,582
Pooled Investments	5,198,935	5,682,604	4,715,266
Cash	90,493	91,488	89,498
<b>TOTAL</b>	<b>6,254,389</b>	<b>6,852,277</b>	<b>5,656,501</b>

### Performance risk

Performance risk is the risk that the Fund's investment managers fail to deliver returns in line with the underlying asset classes. This risk is mitigated by:

- Investment management responsibilities are split between the internal and external investment managers.
- Each investment manager has a robust investment process including detailed research and analysis.
- Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis by an independent third party.
- Detailed analysis of investment managers' performance on an annual basis.

### Valuation risk

This is the risk that the valuations disclosed in the financial statements are not reflective of the value that could be achieved on disposal. The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 – Level 1 valuations are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments classified as level 1 include quoted equities.
- Level 2 – Level 2 valuations are those where quoted market prices are not available or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data including evaluated price feeds.
- Level 3 – Level 3 valuations are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. Products classified as level 3 include unquoted property funds, private equity, infrastructure and private credit, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. Holdings in property funds are valued at fair value at the year end in accordance with RICS Valuation Global Standards (incorporating the International Valuation Standards and the UK national supplement). The observable and unobservable inputs for this type of investment include existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels and estimated rental growth. Key sensitivities which impact on these valuations include significant changes in rental growth, vacancy levels and general changes to market prices. Investments in unquoted private equity and infrastructure funds are valued based on the Fund's share of the net assets in the fund using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. Observable and unobservable inputs for this type include earnings before interest, tax, depreciation and amortisation, revenue multiple, discount for lack of marketability and control premium. Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund reporting date, changes to expected cashflows and differences between audited and unaudited accounts.

	Values at 31 March 2023			
	Level 1 £000	Level 2 £000	Level 3 £000	TOTAL £000
Financial Assets at fair value through profit or loss	3,659,486	973,777	1,484,826	6,118,089
Financial Assets at amortised cost	129,110	0	0	129,110
	3,788,596	973,777	1,484,826	6,247,199
Financial Liabilities at amortised cost	-2,554	0	0	-2,554
	3,786,042	973,777	1,484,826	6,244,645

	Values at 31 March 2022			
	Level 1 £000	Level 2 £000	Level 3 £000	TOTAL £000
Financial Assets at fair value through profit or loss	3,419,453	1,371,606	1,371,656	6,162,715
Financial Assets at amortised cost	120,764	0	0	120,764
	3,540,217	1,371,606	1,371,656	6,283,479
Financial Liabilities at amortised cost	20,837	0	0	20,837
	3,519,380	1,371,606	1,371,656	6,262,642

Level 3 Analysis				
Value at 01/04/22 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/23 £000
1,371,656	305,417	-245,489	53,242	1,484,826

Level 3 Analysis				
Value at 01/04/21 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/22 £000
1,199,828	261,227	-266,560	177,161	1,137,656

The main characteristic of Level 3 assets is the absence of any observable market data. The inputs used to determine the fair value of Level 3 assets include the provision of net asset values by the fund manager, prepared in accordance with IFRS and US GAAP accounting principles, which are adjusted for cash flows from the report date to 31 March. Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any difference between audited and unaudited accounts.

The table below shows the effect of potential market movements on those assets classified at Level 3.

	Value at 31/03/23	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£000	%	£000	£000
Multi Asset Credit	269,797	6.1	286,255	253,339
Property	385,906	5.1	405,587	366,225
Private Equity	312,616	5.1	328,559	296,673
Infrastructure	367,756	5.1	386,512	349,000
Other	148,751	5.1	156,337	141,165
	1,484,826		1,563,250	1,406,402

	Value at 31/03/22	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£000	%	£000	£000
Multi Asset Credit	270,869	5.7	286,309	255,429
Property	374,235	3.2	386,211	362,259
Private Equity	284,434	5.5	300,078	268,790
Infrastructure	290,414	5.5	306,387	274,441
Other	151,704	5.5	160,048	143,360
	1,371,656		1,439,033	1,304,279

### Credit risk

This is the risk that the Fund's counterparties fail to pay amounts due. Appropriate credit limits have been established by the Fund for individual counterparties for Treasury Management purposes. The Pension Fund Treasury Management Policy specifies the following framework for credit limits for individual counterparties:

31 March 2022			31 March 2023	
Maximum Limit £000	Actual £000		Maximum Limit £000	Actual £000
50,000	34,693	Institutions or Funds with a minimum rating of AAA/A2	50,000	15,256
25,000	0	Institutions with a minimum rating of AA/A2	25,000	0
20,000	5,000	Institutions with a minimum rating of A/A2	20,000	775
10,000	0	Local Authorities	10,000	0
10,000	0	Building Societies - top 15 ranked by asset value	10,000	0

The investment balances at the end of the financial year were:

31 March 2022			31 March 2023	
£000			£000	
82,289		Institutions or Funds with a minimum rating of AAA/A2	40,356	
0		Institutions with a minimum rating of AA/A2	0	
15,746		Institutions with a minimum rating of A/A2	66,712	
0		Local Authorities	0	
0		Building Societies - top 15 ranked by asset value	0	
98,035			107,068	

Treasury credit risk has been managed dynamically during the year, responding to national and international events in financial markets. Security of principal sums invested continues to be the prime objective. The duration of investments is limited to a maximum of twelve months to enable a reasonable exit strategy to be implemented if necessary. The Pension Fund makes use of Money Market Funds which are instant access funds whose objectives match those of the Pension Fund, being security of principal and diversification of investments. The present restrictions within

the approved Treasury Management Policy will continue until economic and market conditions normalise.

### Liquidity risk

Liquidity risk is the risk that the Pension Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Pension Fund's policy is to maintain sufficient funds in a liquid form at all times to ensure that it can cover all fluctuations in cash flow and meet its financial obligations. The accounts do not take into account liabilities to pay pensions and other benefits.

The table below profiles investment assets by maturity date, however it should be noted that those investments in the 1 - 5 years and more than 5 years categories, ie bonds, can be liquidated at any given time

As at 31 March 2023	Not more than 3 months	3 - 12 months	1 - 5 years	More than 5 years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000
<b>Assets</b>						
Cash	0	0	0	0	107,068	107,068
Investments	0	1,414	65,194	96,621	5,956,041	6,119,270
Other investment balances	4,859	0	0	0	0	4,859
Current assets	16,002	0	0	0	0	16,002
<b>Total assets</b>	<b>20,861</b>	<b>1,414</b>	<b>65,194</b>	<b>96,621</b>	<b>6,063,109</b>	<b>6,247,199</b>
<b>Liabilities</b>						
Other investment balances	-6	0	0	0	0	-6
Current liabilities	-2,548	0	0	0	0	-2,548
<b>Total liabilities</b>	<b>-2,554</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,554</b>
<b>Liquidity gap</b>	<b>18,307</b>	<b>1,414</b>	<b>65,194</b>	<b>96,621</b>	<b>6,063,109</b>	<b>6,244,645</b>

As at 31 March 2022	Not more than 3 months	3 - 12 months	1 - 5 years	More than 5 years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000
<b>Assets</b>						
Cash	5,000	0	0	0	93,035	98,035
Investments	0	7,997	84,275	153,915	5,917,708	6,163,895
Other investment balances	4,996	0	0	0	0	4,996
Current assets	16,553	0	0	0	0	16,553
<b>Total assets</b>	<b>26,549</b>	<b>7,997</b>	<b>84,275</b>	<b>153,915</b>	<b>6,010,743</b>	<b>6,283,479</b>
<b>Liabilities</b>						
Other investment balances	18,492	0	0	0	0	18,492
Current liabilities	2,345	0	0	0	0	2,345
<b>Total liabilities</b>	<b>20,837</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,837</b>
<b>Liquidity gap</b>	<b>5,712</b>	<b>7,997</b>	<b>84,275</b>	<b>153,915</b>	<b>6,010,743</b>	<b>6,262,642</b>

## Interest rate risk

Interest rate risk is the risk that a change in interest rates will result in a change in the valuation of an investment. The Fund's direct exposure to changes in interest rates is as follows:

31 March 2022		31 March 2023
£000		£000
	Asset Type	
93,035	Cash and cash equivalents	107,068
246,188	Bonds	163,230
339,223		270,298

The table below shows the effect in the year on assets exposed to interest rate changes of a + / - 100 basis points in interest rates:

Assets exposed to interest rate risk	Value as at 31 March 2023	Potential movement on 1% change in interest rates	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and cash equivalents	107,068	1,071	108,139	105,997
Bonds	163,230	1,632	164,862	161,598
<b>TOTAL</b>	<b>270,298</b>	<b>2,703</b>	<b>273,001</b>	<b>267,595</b>

Assets exposed to interest rate risk	Value as at 31 March 2022	Potential movement on 1% change in interest rates	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and cash equivalents	93,035	930	93,965	92,105
Bonds	246,188	2,462	248,650	243,726
<b>TOTAL</b>	<b>339,223</b>	<b>3,392</b>	<b>342,615</b>	<b>335,831</b>

The table below shows the impact on income exposed to interest rate changes of + / - 100 basis points change in interest rates:

Income exposed to interest rate risk	Value as at 31 March 2023	Potential movement on 1% change in interest rates	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and cash equivalents	1,654	17	1,671	1,637
Bonds	20,013	200	20,213	19,813
<b>TOTAL</b>	<b>21,667</b>	<b>217</b>	<b>21,884</b>	<b>21,450</b>

Income exposed to interest rate risk	Value as at 31 March 2022	Potential movement on 1% change in interest rates	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and cash equivalents	-13	0	-13	-13
Bonds	3,649	36	3,685	3,613
<b>TOTAL</b>	<b>3,636</b>	<b>36</b>	<b>3,672</b>	<b>3,600</b>

## Foreign Exchange Risk

Foreign exchange risk is the risk that an adverse movement in foreign exchange rates will impact on the value of the Fund's investments denominated in foreign currencies. The calculated volatility of 6.3% (2022 7.3%) associated with foreign exchange movements would increase or decrease the net assets available to fund benefits as follows:

Assets exposed to currency risk	Asset value at 31 March 2023	Potential market movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Bonds	55,724	3,511	59,235	52,213
Equities	-	-	-	-
Managed Funds	912,850	57,493	970,343	855,357
Cash	6,678	421	7,099	6,257
<b>TOTAL</b>	<b>975,252</b>	<b>61,425</b>	<b>1,036,677</b>	<b>913,827</b>

Assets exposed to currency risk	Asset value at 31 March 2022	Potential market movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Bonds	96,749	7,063	103,812	89,686
Equities	717,591	52,384	769,975	665,207
Managed Funds	694,880	50,726	745,606	644,154
<b>TOTAL</b>	<b>1,509,220</b>	<b>110,173</b>	<b>1,619,393</b>	<b>1,399,047</b>

## T Accounting standards that have been issued but not yet adopted

Accounting standards that have been issued before 1 January 2022 but not yet adopted by the Code relate to:

IFRS 16 Leases - the new Standard replaces IAS 17 Leases and comes into effect 1 April 2024 (deferred from April 2022). The new Standard changes the accounting for leases substantially. It eliminates a lessee's classification for leases as either operating leases or finance leases. Instead, all leases are treated in a similar way to finance leases applying IAS 17 meaning that the leases will be brought onto the balance sheet.

The introduction of the above accounting standard is not expected to have a material impact on the Pension Fund Accounts.

## U Events after Balance Sheet Date

This note considers events that arise after the balance sheet date, which concerns conditions that did not exist at that time and are of such materiality that their disclosure is required for the fair presentation of the final statements. Events after the balance sheet date are reflected up to the date when the draft Statement of Accounts was authorised by the Director of Finance as Section 151 Officer on 31 August 2023.

At the date of signing there have been no adjusting or non-adjusting events after the reporting period.

## X Scheme Registration Number

The Fund's scheme registration number with the Pensions Regulator is 10079121.

## FURTHER DETAIL

The complete Annual Report and Accounts of the East Riding Pension Fund can be found on the Fund's website [www.erpf.org.uk](http://www.erpf.org.uk).



# funding strategy statement

## 1 Introduction

### 1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the East Riding Pension Fund ("the Fund"), which is administered by East Riding of Yorkshire Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2020.

### 1.2 What is the East Riding Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the East Riding Pension Fund, in effect the LGPS for public sector bodies in the East Riding of Yorkshire, North Lincolnshire, North East Lincolnshire and Kingston-upon-Hull areas, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

### 1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions;
- transparency of processes;
- stability of employers' contributions; and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the capitalisation of added years contracts; and
- the Fund's Statement of Investment Principles and Investment Strategy Statement (see Section 4).

## 1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: you will want to be sure the Fund is collecting and holding enough money for your benefits to be paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: you will want to understand how your council seeks to strike the balance above, and also seeks to minimise cross-subsidies between different generations of taxpayers.

## 1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, which are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

## 1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what;
- C. what issues the Fund needs to monitor, and how it manages its risks;
- D. some more details about the actuarial calculations required;
- E. the assumptions which the Fund actuary currently makes about the future; and
- F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Graham Ferry, Pensions Manager in the first instance at email address [graham.ferry@eastriding.gov.uk](mailto:graham.ferry@eastriding.gov.uk) or on telephone number (01482) 394171.

## 2 Basic Funding issues *(More detailed and extensive descriptions are given in Appendix D).*

### 2.1 How does the actuary calculate a contribution rate?

In essence this is a three-step process in which the actuary:

1. Calculates the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determines the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details; and
3. Calculates the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

### 2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The Fund's general policy for employers is that total contribution rate payable is floored at a minimum of the calculated Primary Rate.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to

pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

## 2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant proportion of whom are academies converted in the last few years.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

**Scheduled bodies** - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such academies (or Multi Academy Trusts), as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

**Designating employers** - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – community admission bodies ("CAB") or those providing a service on behalf of a scheme employer – transferee admission bodies ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

## 2.4 How does the measured contribution rate vary for different employers?

All three steps, see 2.1 above, are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The funding target is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The time horizon required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and a longer period to lower contributions (all other things being equal).

Employers may be given a shorter time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The likelihood of achieving the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

## 2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits/surpluses are short term, high level risk measures, whereas contribution-setting is a longer term issue.

## 2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter an employer's ultimate obligation to the Fund in respect of its

current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

## **2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?**

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations, for the purposes of disclosing funding levels etc.

Separately, the Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this is achieved by incorporating higher likelihood requirements.

Once the outcome of the McCloud case is known, at the next formal valuation the Fund will revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

## 2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

## 3 Calculating contributions for individual Employers

### 3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

### 3.2 The effect of paying lower contributions

On request from an employer, the Administering Authority may permit an employer to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;

- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

### 3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies				Community Admission Bodies and closed Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Town Councils	Academies	Police, Fire, Colleges	Open to new members	Closed to new members	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)				Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)						
Stabilised contributions?	Yes - see Note (b)	Yes - see Note (b)	Yes Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	15 years	Future Working Lifetime (or less if no guarantee)	Future Working Lifetime (or less if no guarantee)	As per the letting employer
Secondary rate – Note (d)	Monetary amount	% of payroll	% of payroll	Monetary amount			Monetary amount
Treatment of surplus	Covered by stabilisation arrangement			Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority			Reduce contributions by spreading the surplus over the remaining contract term. Surplus is not usually used to reduce the contributions where the contract length exceeds 4 years, however the Admin. Authority may consider this on request

Probability of achieving target – Note (e)	70%	70%	75%	80%	80%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement			None	Not usually		None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Particularly reviewed in last 3 years of contract
New employer	n/a		Note (g)		Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).				Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and designating employers closed to new entrants)

In the circumstances where:

- the employer is a designating employer, or an admission body but not a transferee admission body;
- the employer has no guarantor; and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding.

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those designating employers and admission bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the designating employer alters its designation.

#### Note (b) Stabilisation

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The stabilisation mechanism is only available to employers who have tax raising powers (unitary authorities, town and parish councils) or a government guarantee (academies).

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below); and
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Unitary Authorities *	Town and Parish Councils	Academy
Starting rate**	Actual contribution in 2019-20, expressed as % of pay	Actual contribution in 2019-20, expressed as % of pay	Actual contribution in 2019-20, expressed as % of pay
Maximum annual contribution increase from 2020-21 onwards**	1%	2%	2%
Maximum annual contribution decrease from 2020-21 onwards**	1%	2%	2%

\* The actuary analyses the position for all four Unitary Authorities, and will identify if any council is in a materially more mature position (i.e. high liabilities relative to payroll). Any such "mature" council will be required to increase contributions at a higher rate than standard, or else pay an additional contribution at the outset which broadly matches that excess increase.

\*\* In practice, the required council contributions will be split between percentage of pay and monetary lump sum. This table shows just % of pay for ease of summary and comparison.

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

#### Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

The requirement for a shorter recovery period for colleges is on the basis that colleges have neither tax raising powers nor a government guarantee.

Where stabilisation applies, the resulting employer contribution rate changes from year to year in line with the stabilisation mechanism, as opposed to being directly affected by the deficit recovery period.

Admission Bodies without a funding guarantee will have a maximum deficit recovery period equal to the remaining contract length (or the expected future working lifetime of the remaining active scheme members if no defined contract end date).

#### Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary rate for each employer covering the period until the next valuation will typically be set in lump sum monetary terms.

The payment of Secondary rate contributions set in lump sum monetary terms must be paid in monthly instalments by employers.

For some employers, the Secondary rates are expressed as a percentage of payroll, as opposed to monetary lump sums, as follows:

- Academies (due to their anticipated continued payroll growth); and
- Employers within pools (see 3.4) where it would not be practical to split out each employer's deficit payment amount.

For other employers, the Administering Authority may in its discretion agree that Secondary rates can be a percentage of salaries instead of monetary lump sums. In those cases, the Administering Authority reserves the right between valuations to amend such rates and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary rate (e.g. above 15% of payroll);
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises; or
- the employer has closed the Fund to new entrants.

#### Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers;
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

#### Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

#### Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;
- The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having

first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

- iv. The new academy's calculated contribution rate will be based on market conditions, the council funding position and, membership data, all as at the day prior to conversion; it will also be based on the time horizon and likelihood of funding target outlined in the table in 3.3 above.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) above will be reconsidered at each valuation.

#### Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all admission bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee admission bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) on the next page.

Community admission bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of admission bodies ceasing with an unpaid deficit.

#### Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the

appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any letting employer and a contractor. Accordingly any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place. The Administering Authority will not recognise any risk sharing agreement in the certified employer contribution rate. As the risk arrangement is not recognised, then the letting employer and the contractor will need to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly the contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of the risk sharing arrangement in place. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

**Note (j) (Admission Bodies Ceasing)**

Notwithstanding the provisions of an admission agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case;
- The insolvency, winding up or liquidation of an admission body;
- Any breach by an admission body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by an admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by an admission body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the admission body; where there is a surplus following the LGPS (Amendment) Regulations 2020 which came into effect on 14th May 2018, this may result in an exit credit payment to the Admission Body, at the discretion of the Administering Authority and subject to a number of conditions being met. Where an admission body was assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits at entry to the Fund, then an exit credit will only be considered upon a full cessation calculation being carried out by the Fund actuary. The cost of the full cessation calculation must be met by the admitted body.

If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an adjustment of 1.3% to the ceasing employer's active and deferred liabilities, as an estimate of the possible impact of resulting benefit changes.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-transferee admission bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply

guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E.

- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit against the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation: the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

### 3.4 Pooled contributions

From time to time, with the advice of the Fund's actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- Local authority maintained schools generally are pooled with their relevant Unitary Authority. However there may be exceptions for specialist or independent schools.
- Academies within a Multi Academy Trust may be pooled for contribution setting purposes, at the MATs request. However the position of each academy would continue to be tracked individually.
- Smaller transferee admission bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree. See 3.3 Note (i).
- Small Colleges Pool.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool

contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community admission bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

### 3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

### 3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay an immediate lump sum payment ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

### 3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. The strains are assessed at each funding valuation, included in the calculated past service obligations for each affected employer and all else being equal may result in higher employer contribution rates.

### 3.8 External ill health insurance

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation. Forms of external insurance are available to employers and the Fund can provide details on request.

### 3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation

debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

There are a number of ceased employers whose assets and liabilities are covered by the four Unitary Authorities (as opposed to all Fund employers) in set proportions. The relevant liabilities are calculated at each valuation and the pro-rata asset share allocated to the Unitary Authorities.

### 3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- Where a subset of an employer's membership is transferring (in or out), the Fund's general approach will be to arrange for bulk payments calculated as the sum of Cash Equivalent Transfer Values for the members concerned, using Government Actuary's Department standard CETV factors;
- Where an entire employer is transferring in or out of the Fund, the bulk transfer should equal the asset share of the employer in the transferring Fund (regardless of whether this is greater or lesser than the value of past service liabilities for members). The Fund will not grant added benefits to members bringing in entitlements from outside the LGPS unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

## 4 Funding strategy and links to investment strategy

### 4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

### 4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

### 4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the reassessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

### 4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the solvency position annually and reports these to the regular Pensions Committee meetings. The changes are also reported in the annual report and accounts of the Fund and are presented at the Annual General Meeting.

## 5 Statutory reporting and comparison to other LGPS Funds

### 5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG requirement may have an impact on the strategy for setting contribution rates at future valuations.

### 5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

### 5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

- 1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
- 2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
- 3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

## Appendix A – Regulatory framework

### A1 Why does the Fund need an FSS??

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

*"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*

*to take a prudent longer-term view of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

## A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in December 2016 for comment;
- b) Comments were requested within 30 days;
- c) There was an Employers Forum on 15 December 2016 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2017.

## A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at [erpf.eastriding.gov.uk](http://erpf.eastriding.gov.uk);
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

## A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation (expected to be in 2022).

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications;
- amendments affecting only one class of employer would be consulted with those employers; and
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

## A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at [www.erpf.org.uk](http://www.erpf.org.uk).

## Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

### B1 The Administering Authority should:

1. operate the Fund as per the LGPS Regulations and guidance from the Pensions Regulator;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary);
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate; and
14. enable the Local Pension Board to review the valuation process as part of the Board's role to support the Administering Authority as set out in their terms of reference.

### B2 The Individual Employer should:

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. comply with statutory obligations by providing the Fund with accurate and timely member data
4. have a policy on discretions and exercise these within the regulatory framework;
5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain;
6. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding; and
7. pay any exit payments on ceasing participation of the Fund.

### B3 The Fund Actuary should:

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

### B4 Other parties:

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
5. the Ministry for Housing, Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.
6. the Pensions Regulator should work with the Fund to promote and improve understanding of, the good administration of work-based pension schemes such as the LGPS.

## Appendix C – Key risks and controls

### C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below. The latest version of the Fund Risk Register can be found in the Fund's Annual Report and Accounts and on the Fund's website.

Risk	Summary of Control Mechanisms
Fund assets do not meet expected liabilities when they fall due.	Key mechanisms include strategic and tactical asset allocation.
The potential for disruption, monetary losses and adverse investment performance from the transfer of assets into Border to Coast Pensions Partnership Ltd.	FCA regulation of Border to Coast.
Actuarial assumptions in respect of membership are significantly different than expected.	Assumptions are set at valuation and employers are charged strain costs.
Failure to carry out administrative duties.	Quality checks, training and testing measures are all in place. Employers are informed of statutory responsibilities.
Failure to provide Local Pension Board and Committee members and officers with LGPS knowledge and understanding.	Induction and training programmes in place.
Failure to establish and operate internal controls.	IT systems are operated to ensure secure storage and safe transmission of data. Disaster recovery and business continuity plans in place.
Financial stability of an admitted body.	Procedures in place including risk assessments, the requirement for a bond to be in place and cessation valuations reports.
Failure to recruit and retain staff.	Responsible staff have undertaken training and follow procedures in line with ERYC requirements. Review of vacant posts and restructuring is considered as appropriate.
Significant reduction in individual scheme employer membership.	Membership totals are monitored and material changes of membership are referred to the Fund actuary.

## C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies.	<p>An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.</p>
Orphaned employers give rise to added costs for the Fund.	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>
Effect of possible asset underperformance as a result of climate change	<p>The Pension Fund, and its investment managers, consider that Environmental, Social and Governance (ESG) considerations, including climate change, can have a material impact on the value of its investments. As a result, the consideration of ESG factors are incorporated into its investment managers' investment processes.</p> <p>Whilst there has been no specific climate change modelling the Fund recognises that the transition to a lower-carbon world is complex requiring significant change across public policy, business and finance, technology as well as the incumbent fossil fuel industry.</p>

### C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements.	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored quarterly, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments.	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

### C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.

Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.

The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.

Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

## C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way.	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>

An employer ceasing to exist resulting in an exit credit being payable.

The Administering Authority regularly monitors admission bodies coming up to cessation and will use its discretion to decide if an exit credit should be payable. The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

## Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details; and
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

### D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

### D2 How is the Primary rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits\*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

\* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

### D3 How is the Secondary rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "ESS" – see Appendix E) developed by the Fund's actuary: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

### D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

### D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary

is required to apportion the assets of the whole Fund between the employers, at each triennial valuation. There are broadly two ways to do this:

1. A technique known as “analysis of surplus” in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer’s liability value to calculate the employer’s asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
2. A ‘cashflow approach’ in which an employer’s assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer’s assets.

Until 31 March 2016 the Administering Authority used the ‘analysis of surplus’ approach to apportion the Fund’s assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson’s proprietary “HEAT” system to track employer assets on a monthly basis. Starting with each employer’s assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund’s assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

## **D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?**

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer’s asset share to the receiving employer’s asset share. This sum is equal to the member’s Cash Equivalent Transfer Value (CETV) as advised by the Fund’s administrators.

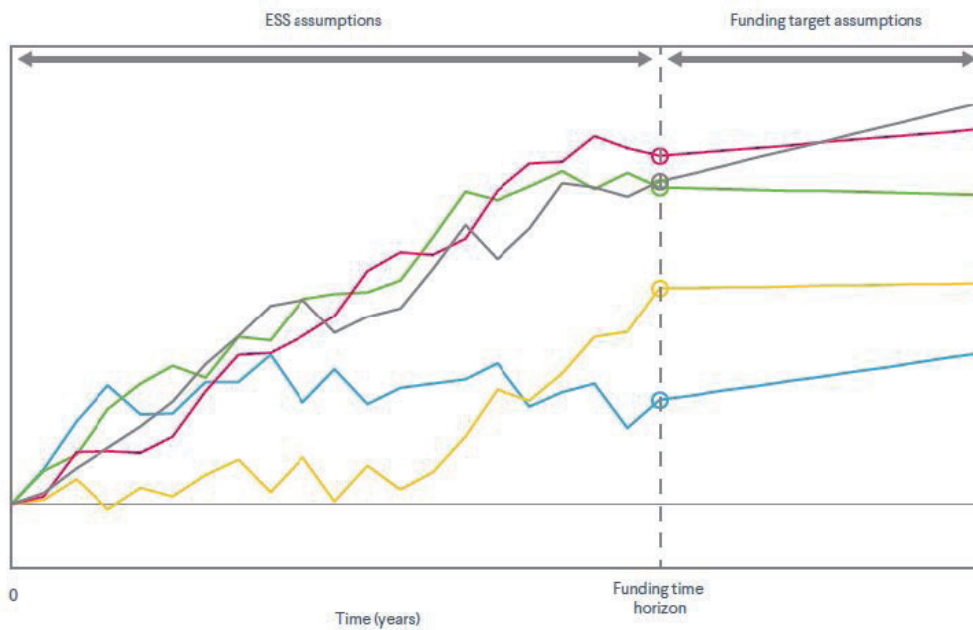
## **Appendix E – Actuarial assumptions**

### **E1 What are the actuarial assumptions used to calculate employer contribution rates?**

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s



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Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

		Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp) (1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

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### E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

1. Benefit increases and CARE revaluation
2. Salary growth
3. Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus an AOA of 1.6% (a similar approach for initially allocating assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

### E3 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

#### a) Salary growth

Based on discussions with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2.8% p.a. until 31 March 2022, followed by
2. the retail prices index (RPI) per annum p.a. thereafter

which equates to a single equivalent assumption of RPI less 0.1% p.a..

This is a change from the previous valuation, which assumed a single equivalent assumption of RPI less 0.8% per annum. The change has led to an increase in the funding target (all other things being equal).

#### b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

#### c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

#### d) General

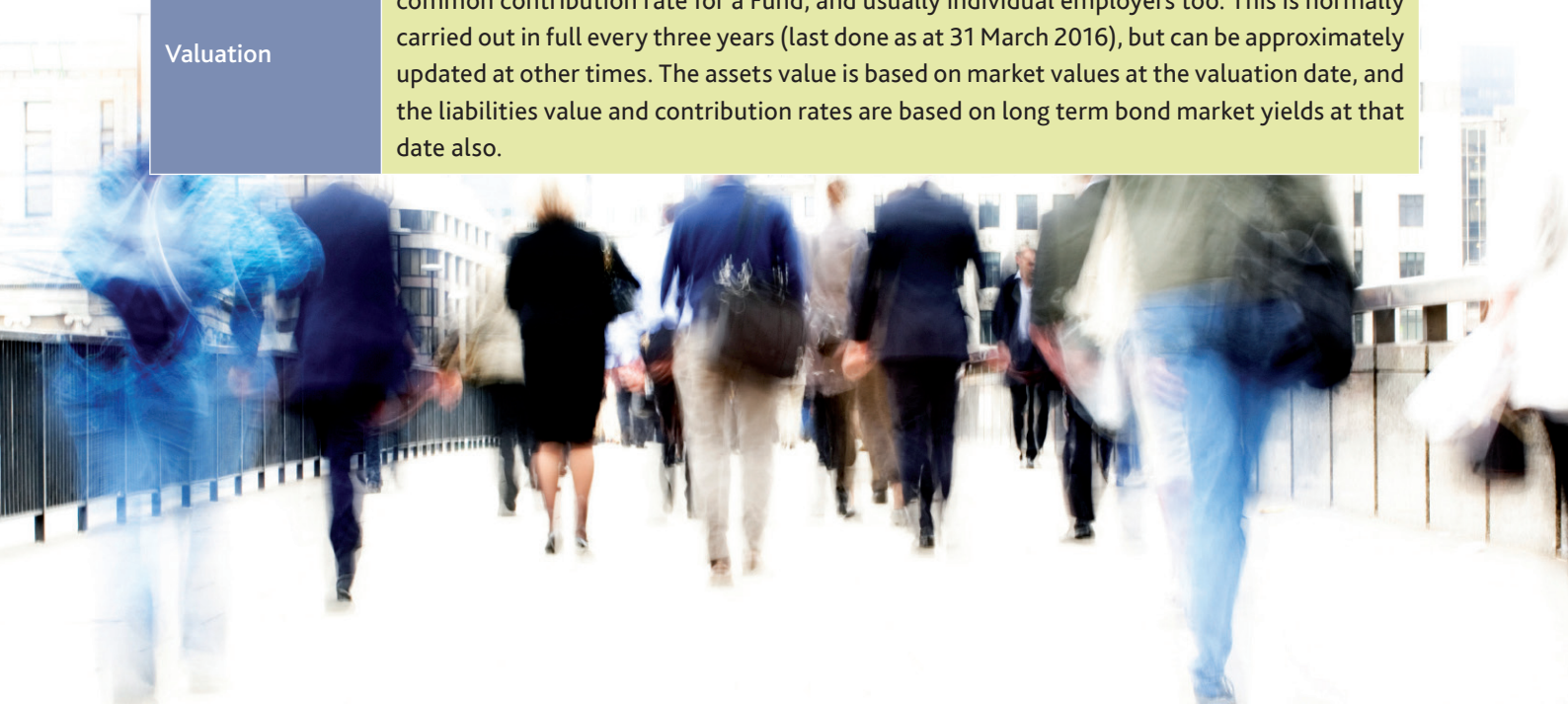
The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

## Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Administering Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation.
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary rate	The difference between the employer's actual and Primary rates. In broad terms, this relates to the shortfall of its asset share to its funding target. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.



# investment strategy statement

## Introduction

The East Riding Pension Fund ("the Fund"), which is administered by the East Riding of Yorkshire Council ("the Administering Authority"), is required to maintain an Investment Strategy Statement ("ISS") in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Administering Authority has delegated all its functions as administering authority to the Pensions Committee ("the Committee"). The ISS has been prepared by the Committee having taken advice from the Director of Corporate Resources.

The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statement ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS for the Fund was last revised as part of the 2019 actuarial valuation, with results effective from 1 April 2020. The FSS, which was approved by the Pensions Committee on 13 March 2020, complies with these Regulations.

## Investment Strategy

The primary investment objective is to ensure that the Fund will have sufficient assets to meet all pension liabilities as they fall due. In order to meet this overall objective, the Fund's investment strategy is intended to:

- maximise the return from investments whilst maintaining risk within acceptable levels with a suitable long-term return objective of 5.1% p.a.;
- maintain and improve the future funding level of the Fund with the aim of achieving a funding level of at least 100%, and
- enable employer contributions to be kept as stable as possible.

In order to discharge its responsibilities, the Pensions Committee will take advice, where appropriate, from a wide range of sources including, but not limited to, the Director of Corporate Resources, the independent advisor, the Fund's investment managers, and the Council's Section 151 and Monitoring Officers.

The core investment beliefs of the East Riding Pension Fund are as follows:

### *Fund objectives*

1. Clear and well defined objectives are essential to reflect the Fund's long-term strategic direction of travel and to help build a plan for achieving these objectives.
2. The long-term objective of achieving contribution stability for the Fund should be key in determining the level of investment risk taken.
3. The funding and investment strategies are linked; it is therefore important that the long-term investment strategy supports the funding objectives.

### *Investment strategy, structure and risk*

4. The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives.
5. Strategic asset allocation is a key determinant of risk and return, and has a more significant influence on outcomes than manager or stock selection.
6. Alternative asset classes (including income-oriented assets) can add diversification to the Fund's investment strategy and should ensure equities alone do not dominate the overall level of risk and return.
7. A degree of short-term volatility in asset returns is acceptable to support long-term return objectives provided there is an expectation that this risk will be rewarded over the long term.

- 8 Climate change and the expected transition to a low carbon economy represents a long-term financial risk and opportunity with respect to the Fund achieving its objectives.

*Implementation and investment management*

- 9 Rebalancing, subject to appropriate tolerances, can add value over the longer term.
- 10 Investment in illiquid assets is acceptable to achieve long-term returns for the Fund, however, the overall level of illiquid assets should be carefully monitored and managed.
- 11 Selection of manager benchmarks is important, particularly for passive mandates where the characteristics of the benchmark should be considered carefully.
- 12 Active management can add value although the performance of active managers should be measured over a sufficiently long investment horizon.
- 13 Returns net of fees and costs are more important than the absolute level of fees, although investment managers' fees should be transparent and reviewed regularly.
- 14 Companies that demonstrate better Environmental, Social and Governance ("ESG") characteristics are expected to outperform other companies, over the longer term.
- 15 Engagement on specific ESG risks (such as climate change and executive pay), can be an effective way of promoting shareholder value.

### Investment of money in a wide variety of investments

It is the Pensions Committee's policy to invest the assets of the East Riding Pension Fund to spread the risk by ensuring reasonable balance between different categories of investments. The Pensions Committee takes a long-term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled investments. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, to protect the value of the Fund's assets.

The Committee reviews the nature of Fund's investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers advice from a suitably qualified person on these matters. If an investment not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification benefits.

The Committee completed a review of the investment strategy and asset allocation in April 2022. The conclusion was that changes were required to improve diversification, enhance return expectations, and improve the resilience of the Fund should there be a sustained period of negative conditions for financial markets. There was also a focus on inflation, which is the Fund's biggest investment risk, and changes that could be made to improve the inflation linkage of the Fund's assets. Protection assets were reduced from 20% to 10%, and Income assets was increased by 10% to 35%. UK Equities was reduced from 30% to 20% and Overseas Equities (including Emerging Markets) increased from 20% to 30% to improve diversification across global markets.

The Fund's strategic asset allocation is set out below. This reflects the recategorization of asset classes into Growth, Income and Protection. All Alternatives sit within Income, except for Private Equity. The table also includes the ranges within which the asset allocations may vary without reference to the Pensions Committee. The asset allocation is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market risk and the nature of the Fund's liabilities.

Asset class	Strategic allocation	Range
<b>GROWTH</b>	55%	+/- 10%
UK equities	20%	+/- 5%
Overseas equities:	30%	+/- 5%
North America	10%	
Europe ex-UK	7.5%	
Japan	5%	
Pacific ex-Japan	2.5%	
Emerging Markets	5%	
Private Equity	5%	
<b>INCOME</b>	35%	+/- 5%
Property	8%	
Infrastructure	8%	
Private Credit	6%	
Other Alternatives	8%	
Listed Alternatives	5%	
<b>PROTECTION</b>	10%	+/- 2.5%
Multi-Asset Credit	5%	
Index Linked Bonds	4%	
Cash	1%	

The Regulations do not permit more than 5% of the Fund's value to be invested in entities connected to the administering authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

The Pensions Committee believes that the Fund's portfolio is well diversified, and has taken professional advice to this effect from the investment consultant and independent advisor.

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and action will be taken if considered appropriate.

#### The suitability of particular investments and types of investments

The Pensions Committee reviews the suitability of the asset allocation of the Fund on a quarterly basis, in light of advice from the independent advisor and comments from the investment managers. This helps ensure the risks and volatility are appropriately managed in line with the overall investment strategy.

It is intended that the Fund's investment strategy will be reviewed at least every three years around the time of each actuarial valuation. The investment strategy takes due account of the maturity profile of the Fund's liabilities and the funding position.

The 2022 investment strategy review included an assessment of the asset class combination expected to give an improved investment return with reduced volatility.

The following long-term assumptions about 20-year investment returns (as at April 2022) and one-year volatility were provided by the investment consultant and built into the review.

Asset class	Expected return (% p.a.)	Expected Volatility (%)
<b>EQUITIES</b>		
UK equities	5.8%	18.0%
Overseas equities	5.9%	17.3%
Private equity	6.8%	31.7%
<b>INCOME</b>		
Property	4.2%	15.1%
Infrastructure	5.8%	22.6%
Private Credit	5.4%	5.4%
Other Alternatives	5.8%	8.2%
Listed Alternatives	5.9%	17.3%
<b>PROTECTION</b>		
Multi-Asset Credit	4.5%	6.1%
Index Linked Bonds	-1.8%	9.6%
Cash	2.0%	0.3%

The expected return of this portfolio was 5.1% p.a. with volatility of 7.3%. The investment strategy review included an estimate of the probability of being 100% funded or better in 20 years' time, of 79%.

After receiving appropriate advice, the Pensions Committee has set the following benchmarks against which performance of the Fund will be measured.

Asset class	Benchmark
<b>GROWTH</b>	
UK equities	FTSE All Share
Overseas equities	
North America	FTSE Developed North America
Europe ex-UK	FTSE Developed Europe ex-UK
Japan	FTSE Japan
Pacific ex-Japan	MSCI Pacific ex-Japan
Emerging Markets	MSCI Emerging Markets
Private Equity	FTSE All Share + 3%
<b>Income</b>	
Property	MSCI UK All Property Fund Index
Infrastructure	UK Index-linked + 3%
Private Credit	3 month SONIA + 4%
Other Alternatives	3 month SONIA + 5%
Listed Alternatives	MSCI All Countries World Index
<b>PROTECTION</b>	
Multi-Asset Credit	3 month SONIA + 3.5%
Index Linked Bonds	FTSE Index Linked 15+ years
Cash	SONIA 7 day

Some of these benchmarks will need to be changed as assets are transferred to Border to Coast, if the basis on which they are managed is different.

The Fund's investment managers hold a mix of investments which reflects their views relative to their respective benchmarks. The managers maintain diversified portfolios through direct investment and pooled vehicles. The Committee's expectations in respect of returns from the Fund's investments are expressed through achievable and prudent objectives and restrictions that have been set for each mandate. The objectives and restrictions have been discussed and agreed with each manager to allow them to implement their natural investment style and process.

In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurements of the Fund's investments. This is provided by the Fund's performance measurer, Portfolio Evaluation on a quarterly basis. In addition, the Pensions Committee conducts a formal annual performance review of each of its investment managers.

### The approach to risk

The Fund's primary long-term risk is that the Fund's assets do not meet its liabilities i.e. the benefits payable to its members. Therefore, the aim of the Fund's investment strategy is to achieve the long-term target rate of return with an acceptable level of risk. The Fund achieves this through setting the strategic asset allocation on a triennial basis, alongside the latest actuarial valuation, which is expected to achieve the target rate of return over the long term. The Fund's appetite for risk will vary depending on market conditions and the types of investments available to it but will be commensurate with meeting the long-term target investment rate of return.

The Fund has a dedicated strategic risk register which identifies the key risks inherent in the Pension Fund, an estimate of the severity of each risk, and the risk controls that are in place to mitigate these risks. The risk register is reviewed by the Pensions Committee and the Pension Board on a semi-annual basis.

The key risks inherent in the Pension Fund, and how these risks are mitigated, are:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	<p>Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis.</p> <p>Tactical asset allocation on a quarterly basis taking into account current market conditions.</p> <p>Derivatives may be used for portfolio management purposes or to hedge specific risks, in order to protect the value of the Fund's assets from risks that may materialise.</p>
Environmental, Social and Governance (ESG)	Risks relating to ESG issues impact on the ability to produce a long term return.	The Fund works with Border to Coast on the Responsible Investment and Voting policies, and investment managers are held to account on their effectiveness of addressing these risks.
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	<p>Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis.</p> <p>Detailed analysis of investment managers' performance on an annual basis</p>
Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data.
Credit	The Fund's counterparties or service providers e.g. custodian fail to pay amounts due.	<p>Appropriate credit limits are established, and regularly reviewed, by the Fund for individual counterparties.</p> <p>Regular performance monitoring of service providers and indemnities secured where appropriate.</p>

Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund maintains sufficient liquid funds at all times to ensure that it can meet its financial obligations.
Interest rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates, and may consider hedging, through the use of derivatives, in order to protect the value of the Fund's assets from risks that may materialise.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure, and may consider hedging, through the use of derivatives, in order to protect the value of the Fund's assets from risks that may materialise.
Transitions	Unexpected costs may be incurred in relation to the transition of assets to Border to Coast.	The Fund is involved in transition arrangements from the early planning to the post transition review stages, supported by a transition manager and a transition management advisor.
Demographic	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Regulatory	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
Governance	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

### Approach to pooling investments

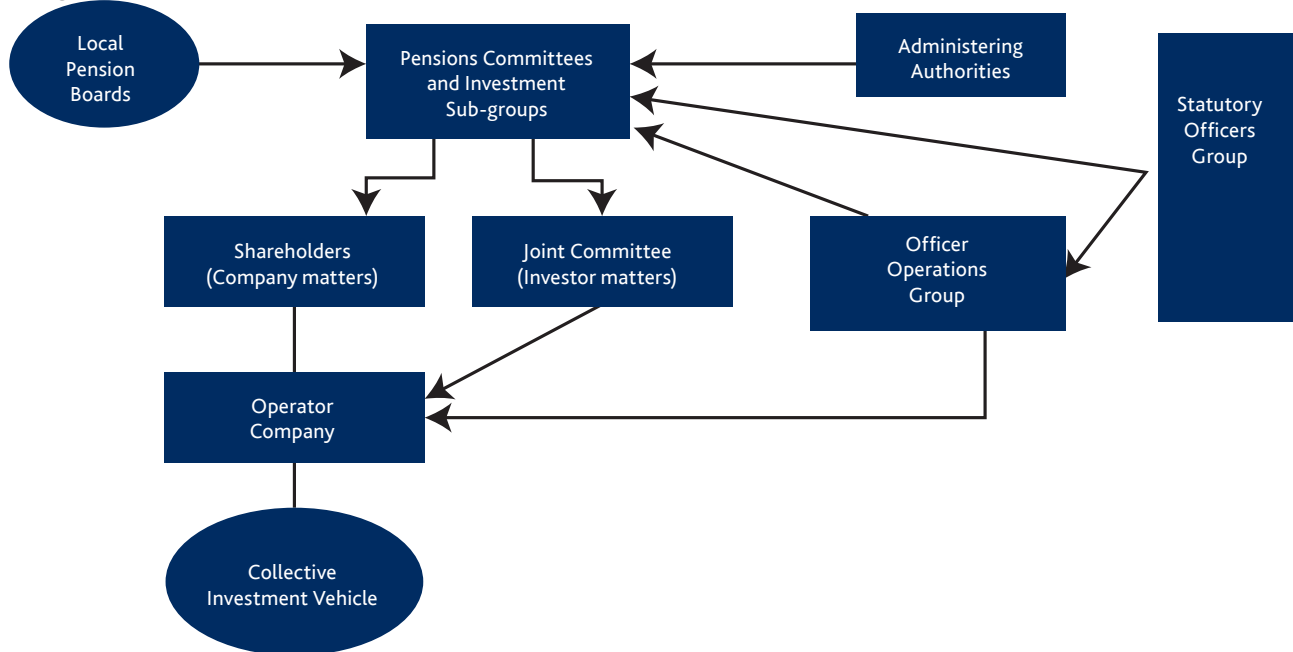
In order to satisfy the requirements of the "Local Government Pension Scheme: Investment Reform and Guidance" issued by the Department for Levelling Up, Housing and Communities ("DLUHC") in November 2015, East Riding of Yorkshire Council, as administering authority for the East Riding Pension Fund, is a shareholder in Border to Coast Pensions Partnership Limited (Border to Coast). Border to Coast is an FCA-regulated Operator and Alternative Investment Fund Manager ("AIFM").

Border to Coast is a partnership of the following administering authorities:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund

- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- Northumberland Pension Fund
- South Yorkshire Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The governance structure of Border to Coast is as follows:



The Fund's intention is to invest its assets with Border to Coast pool as and when suitable investment solutions become available. The key criteria for the assessment of investment solutions is as follows:

- That the Pool enables access to an appropriate fund that meets the objectives and benchmark criteria acceptable to the Fund
- That there is financial benefit to the Fund in investing in the solution offered by the Pool.

Border to Coast became fully operational in June 2018 and assets have transferred into the pool on a phased basis since then. The position is reviewed by the Committee every quarter. Where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed directly by the Fund. This is expected to predominantly include unquoted investments such as limited partnerships where there is no benefit in them being transferred. However, once these investments mature the proceeds will be available to reinvest into Border to Coast.

The Fund holds Border to Coast 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 Border to Coast.
- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Committee retains the decision making powers regarding the investment strategy and the Fund's asset allocation.

#### Approach to environmental, social and governance (ESG) factors and exercise of rights attached to investments

Environmental, social and governance factors relate to non-financial factors that can have a material impact on the value of a Fund's investments. They include factors such as carbon emissions, labour relations and shareholder rights.

The Pension Fund, and its investment managers, considers that ESG considerations can have a material impact on the value of its investments. As a result, the consideration of ESG factors are incorporated into its investment managers' investment processes. This includes acting as a responsible investor, through the considered voting of shares and engaging with investee companies in relation to corporate governance standards and best practice.

Climate change presents a particular systemic risk to the financial stability of the global economy, and has the potential to impact on investments, members and employers. It could negatively impact on the Fund's financial performance, and as such it represents a long-term financial risk to the Fund and its holdings. The Responsible Investment Policy and the Climate Change Policy provide details on how the financial risks relating to climate change are taken into account.

The overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries. The Fund will take non-financial considerations, including ESG factors, into account in the selection, retention and realisation of investments but not where it is considered to have a detrimental financial impact.

The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard.

It is considered that the Pensions Committee, which receives advice from its independent advisor and information from its investment managers, represents the views of the Fund's stakeholders including the Pension Board.

Although the responsibility for ESG policy lies with the Fund, it is considered to be more efficient and effective to determine a collective policy for the partner funds in Border to Coast. A single joint policy approach should result in greater influence, together with the greater scale of pooled investments, and enable the greater resources available to Border to Coast to be utilised efficiently. Furthermore, in practice, Border to Coast will exercise rights attached to investments on behalf of its investors and, therefore, there needs to be standard Border to Coast responsible investment and corporate governance policies which can be implemented by the company.

The East Riding Pension Fund has therefore adopted the following Border to Coast documents into its Investment Strategy Statement:

- Responsible Investment Policy

- [Corporate Governance & Voting Guidelines](#)
- [UK Stewardship Code Compliance Statement](#)

These documents are available on the Fund's website.

The Pension Fund's internal investment manager and Border to Coast will discharge their corporate governance responsibilities in accordance with these documents. The Pension Fund, through the Joint Committee and Officer Operations Group has, and will continue to have, input into the development of Border to Coast's corporate governance policies and activities.

The Fund's other external investment manager, Schroder Investment Management Ltd, discharges its corporate governance responsibilities in accordance with its Investment and Corporate Governance Policy, which is also based on industry best practice.

The Fund's investment managers present reports on their voting activity on a quarterly basis to the Pensions Committee which are then subject to challenge and debate. The Pensions Committee also receives reports summarising the issues being raised by LAPFF describing its current areas of focus, which further informs this process.

The Fund's investment managers can exercise their discretion not to vote in accordance with their respective policies, or against a recommendation made by a voting advisor. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee on a quarterly basis.

#### **Compliance and monitoring**

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement.

The Investment Strategy Statement of the East Riding Pension Fund will be reviewed by the Pensions Committee at least every 3 years and more regularly if considered appropriate.

**Investment Section  
Council Offices  
Goole**

**Effective Date 1 April 2022**

# communications policy

## Introduction

This is the Communications Policy for the East Riding Pension Fund (the Fund) in relation to the Local Government Pension Scheme (the Scheme), which is administered by the East Riding of Yorkshire Council (the administering authority) on behalf of Scheme employers.

The Fund communicates with over 300 Scheme employers and over 120,000 Scheme members in relation to the Scheme.

The Communications Policy is made under Regulation 61 of the LGPS Regulations 2013 in conjunction with the Fund's Pension Administration Strategy. These detail the requirements of the Fund and Scheme employers to fulfil their administration responsibilities and the Memorandum of Understanding which sets out an agreement between the Fund and the Scheme employer to ensure that the 2018 Data Protection (with GDPR) Regulations are adhered to.

The Fund will review this policy on an annual basis and following any material change in legislation or policy..

## Key Objectives

The Fund aims to deliver a consistently high level of customer service and performance to our stakeholders and recognises that effective communication plays a vital role in driving efficiencies within the Fund. The Fund also recognises and acknowledges that different stakeholders may require information delivered via different methods. Wherever possible, the Fund will look towards digital communication for both Scheme members and Scheme employers.

The Fund communications aim to:

- Put the needs of our customers at the centre of our policy and provide clear, accurate and relevant information in a timely manner,
- Be compliant with all legislative requirements
- Use a multi-channel approach to communication, that focuses on having digital communication at the centre of our policy
- Ensure members can make informed decisions regarding their pension with the information made available
- cut out jargon

## Our stakeholders

- Scheme members
- Representatives of members
- Prospective members
- Scheme employers
- Prospective scheme employers

## How the Fund Communicates with Scheme Members

When communicating with Scheme members, the Fund's objectives are to:

- Encourage and retain membership of the scheme.
- Highlight the benefits of the Local Government Pension Scheme.
- Provide more opportunities for two-way communication.
- Provide clear information to promote informed decision making.
- Update on key events, regulatory changes and guidance to keep scheme members informed.

## ERPF Member Self Service and the ERPF website

The Fund has a digital first approach to communication and has developed a secure member self-service portal (ERPFMSS), providing secure online areas to transfer data between the Fund and its Scheme members. Scheme members can view the information that the Fund holds for them, perform their own pension updates, model the benefits that they may be entitled to, access letters/documents and complete administration forms online. ERPFMSS allows the secure transmission of information from the Fund to Scheme members and from Scheme members to the Fund, ensuring data security.

Members are automatically issued documentation online through the portal when they join or leave the Scheme or on retirement and are able to opt out of online communication. The Fund also has a rolling programme of inviting all its existing members to sign up to the portal or there is a facility for Scheme members to sign up anytime using the link on the home page of the ERPF website.

The Fund promotes the ERPFMSS in its correspondence to Scheme members where appropriate and is developing a Member Engagement Strategy.

Our website [www.erp.org](http://www.erp.org) and [www.lgpsmember.org](http://www.lgpsmember.org) are principal sources of information for Scheme members and prospective Scheme members.

Paper communications and special requests

The Fund understands that not all Scheme members want to communicate digitally, and Scheme members are therefore able to opt out of digital communication through ERPFMSS and instead continue to receive all communication by letter.

Scheme members who require alternative formats (such as Braille or audio) can always request this to ensure access to relevant information.

## Annual Updates

Annual Benefit Statements (ABSs) will be moving online through ERPFMSS for those members who have not already opted out of digital communication, however, paper communications will still be sent to members to let them know that the information is available and where it can be viewed.

Once a member is in receipt of a pension from the Fund, they are sent a payslip in April & May each year or where the monthly pension changes by more than £1. P60's are also sent annually.

## ERPF Helpline

The Fund's digital telephony call centre makes contacting the right team easy and allows the Fund to maintain a high level of customer service. Telephone numbers are quoted on all our letters which means our Scheme members can communicate verbally with the pension fund staff.

## Visits to our Offices

Scheme members are encouraged to book an appointment before visiting our offices. Online video calls are also available.

## Workshops

Pre-retirement presentations are held regularly, online and in person for Scheme members in partnership with Affinity Conne.

## How the Fund Communicates with Representatives of Scheme Members

When communicating with representatives of Scheme members, the Fund's objectives are to:

- Ensure that the representative is entitled to represent the Scheme member.
- Encourage and retain membership of the scheme.

- Highlight the benefits of Local Government Pension Scheme.
- Provide clear information to promote informed decision making for customers.

## ERPF website

Our website [www.erpf.org](http://www.erpf.org) and [www.lgpsmember.org](http://www.lgpsmember.org) are principal sources of information for representatives of Scheme members.

## Helpline and Contact

The 'contact us' page of the website details how representatives of Scheme members can contact the Fund by letter, e-mail or telephone. The Fund's digital telephony call centre makes contacting the right team easy and allows the Fund to maintain a high level of customer service

How the Fund communicates with Prospective Scheme members

When communicating with prospective Scheme members, the Fund's objectives are to:

- Highlight who can join the Local Government Pension Scheme.
- Highlight the benefits of the Local Government Pension Scheme.
- Highlight the cost to the Scheme member and their Scheme employer contribution.
- Provide clear information to encourage membership of the scheme.

## ERPF website

Our website [www.erpf.org](http://www.erpf.org) and [www.lgpsmember.org](http://www.lgpsmember.org) are principal sources of information for prospective Scheme members.

## Helpline and Contact

The 'contact us' page of the website details how prospective Scheme members can contact the Fund by letter, e-mail or telephone. The Fund's digital telephony call centre makes contacting the right team easily and allows the Fund to maintain a high level of customer service.

Scheme employers are required to provide prospective Scheme members with information about the Scheme as part of the employee's letter of appointment.

How the Fund Communicates with Scheme employers

When communicating with Scheme employers, the Fund objectives are to:

- Improve relationships.
- Help Scheme employers understand costs/funding issues.
- Work together to maintain accurate data.
- Ensure the smooth transfer of staff.
- Ensure Scheme employers understand the benefits of being a Scheme employer.
- Assist Scheme employers to maximise discretionary benefits of the Scheme.

The Fund has a digital first approach to communication and has developed a secure self-service portal (ERPF Online Services), providing secure online areas to transfer data between the Fund and its Scheme employers. This ensures data security and gives Scheme employers access to relevant information for the Scheme employer and their Scheme members. Scheme employers can view queries raised from the Fund, reply online and can also submit member or regulatory queries through the ERPF Online Services.

The secure self-service portal includes the facility for Scheme employers to calculate the estimated costs associated with a member's potential early retirement.

Our website [www.erpf.org](http://www.erpf.org) has a dedicated section for Scheme employers. The website is maintained and regularly reviewed to ensure that the information provided is relevant, up to date, useful and helps to identify areas for improvement whilst ensuring the website complies with the EU accessibility directive. Where relevant, guidance documents are provided for Scheme employers on the website to assist with specific areas of work.

Scheme employers can communicate verbally with pension fund staff and are provided with contact details for all key pension fund staff on a regular basis. The Fund's Data and Employer Governance Team, including the Fund's Training Officer are always available to support Scheme employers.

Scheme employers can request a meeting with the Fund at any time either in person or online to raise any questions or discuss any issues they may have.

Workshops for Scheme employers take place on a quarterly basis. These workshops are delivered remotely and face to face where possible. The Fund is developing e-learning packages to enhance the website and further support Scheme employers.

Employer Bulletins and alerts are issued via email regularly to the contacts provided by Scheme employers with important regulatory and procedural information.

How the Fund communicate with Prospective Scheme employers

When communicating with prospective Scheme employers, the Fund's objectives are to:

- Establish a good working relationship
- Help prospective Scheme employers to understand costs/funding issues
- Work together to maintain accurate data
- Ensure the smooth transfer of eligible staff within the Scheme
- Ensure an understanding of the benefits of being a Scheme employer
- Assist and promote maximisation of discretionary areas within the Local Government Pension Scheme

Our website ([www.erpf.org](http://www.erpf.org)) has a dedicated section for Scheme employers, which includes a section about becoming a Scheme employer.

Prospective Scheme employers can communicate verbally with pension fund staff using the contact page of the website and the Fund's Data and Employer Governance Team, including the Fund's Training Officer are always available to support prospective Scheme employers.

Prospective Scheme employers can request a meeting with the Fund at any time either in person or online to raise any questions or discuss any issues they may have.

## Feedback

ERPF welcomes feedback on this policy and any communications. Please e-mail us at [employerweb@eastriding.gov.uk](mailto:employerweb@eastriding.gov.uk) or contact us at:

**East Riding Pension Fund**

**Council Offices**

**Church Street**

**Goole**

**DN14 5BG**

**01482 394113**

Resource	Audience	Delivered via	Frequency
ERPFMSS	Active / deferred / pensioner	Electronic self-service portal	Constant
Member website	Prospective scheme members / active / deferred / pensioner	Dedicated area of <a href="http://www.erpf.org.uk">www.erpf.org.uk</a> with information designed specifically for members	Constant
Pension enquiries (via telephone or email)	Prospective scheme members / active / deferred / pensioner	The pensions call centre number or dedicated e-mail address	Monday to Thursday; 9.00 to 17.00 Friday; 9.00 to 16.30
Visits in person (currently subject to restrictions as a result of the coronavirus pandemic)	Prospective scheme members / active / deferred / pensioner	Once it is safe for visitors to attend, subject to COVID safe systems of work, scheme members will be welcome to visit the pension fund offices and have a one-to-one discussion with a member of staff	Monday to Thursday; 9.00 to 17.00 Friday; 9.00 to 16.30
Scheme member guides	Prospective scheme members / active / deferred / pensioner	Electronic - Available online at <a href="http://www.erpf.org.uk">www.erpf.org.uk</a>	Constant
Newsletters for active, deferred and pensioner	Active / deferred Members / pensioner	Post / electronic	As and when required
Annual report and accounts	Prospective scheme members / active / deferred / pensioner	Electronic	Available online at <a href="http://www.erpf.org.uk">www.erpf.org.uk</a>
Bespoke communications	Active / deferred / pensioner	Post / electronic	As and when required – usually following regulatory change
Annual Benefit Statement for active and deferred members	Active / deferred	Post / electronic	Annual
Pre-retirement presentations (in partnership with Affinity connect)	Active	Face to face presentation / online workshops	A minimum of 10 sessions per year
Payslips for pensioner members	Pensioner	Post / electronic	April and May each year or where the monthly pension changes by more than £1
P60 for pensioner members	Pensioner	Post / electronic	Annual

# report of the east riding pension fund local pension board

## Role of the Pension Board

The role of the East Riding Pension Board (the Board) as defined by section 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Administering Authority (East Riding of Yorkshire Council) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator and,
- such other matters as the LGPS Regulations may specify.

## Membership of the Board

The Board consists of six voting members constituted as follows:

- three Employer Representatives – Administering Authority (1), other scheme employers (ie organisations other than the Administering Authority who, under the Regulations, can participate in the LGPS) (2)
- three Scheme Member Representatives – active members (1), pensioner members (1), active/pensioner or deferred member (1).

Name	Year of joining	Representing
<b>Scheme Member Representatives</b>		
Jayne Karlson	2018	Active member
Lynda Bowen	2019	Pensioner member
David Smith	2021	Pensioner member
<b>Employer Representative</b>		
Councillor John Holtby	2021	East Riding of Yorkshire Council
Guy Lonsdale	2018	North East Lincolnshire Council
Natasha McLaren	2015	University of Lincoln

## Board Meetings

During 2022/23, the Board met three times to consider reports from the Executive Director of Corporate Resources on pensions administration, governance and investment issues and to receive training as part of the Board's training programme. Lynda Bowen has been Chair of the Board since February 2022. During 2022/23, changes to the Pensions Committee Terms of Reference and Procedures were made to enable the Chair of the Board to sit on the Pensions Committee in a non-voting capacity.

Attendance at the Board's meetings through the year was as follows:

	27 May 2022	4 November 2022	24 February 2023
<b>Scheme Member Representatives</b>			
Jayne Karlson	Yes	No	Yes
Lynda Bowen	Yes	Yes	Yes
David Smith	No	Yes	Yes
<b>Employer Representative</b>			
Councillor Holtby	Yes	Yes	No
Guy Lonsdale	Yes	Yes	Yes
Natasha McLaren	Yes	Yes	Yes

## Work of the Board

The Board has a work programme which provides the basis for the agendas at its meetings. During the year, the Board's agendas included a range of issues covering investment, governance and pensions administration:

- **Terms of Reference** – The Board approved revisions to its Terms of Reference following the annual review.
- **Risk Management** – Considered the Pension Funds Risk Register and assisted the Fund in identifying, managing, and monitoring risk.
- **Annual Report and Accounts** – Revised the Funds Annual Report and Accounts.
- **Governance Policy Statement** – Reviewed the Funds revised Governance Policy Statement.
- **Internal Controls and Assurance Reports** – The Board reviewed the internal controls in place.
- **Administration Policies and Strategies** – The Board reviewed the updated Pensions Administration Strategy and Communications Policy and provided comments and recommendations prior to approval by the Pensions Committee.
- **Investment Policy** – The Board reviewed the Responsible Investment Policy and Corporate Governance and Voting Guidelines.
- **Border to Coast** – The Board received updates on the arrangements of the Border to Coast Pensions Partnership.
- **2022 Triennial Actuarial Valuation** – The Board received updates on the 2022 actuarial valuation and reviewed and provided comment on the Fund's Funding Strategy Statement and the Investment Strategy Statement.
- **Pensions Administration Performance** – The Board received quarterly administration performance reports, details of key performance indicators and results from the 2021 CIPFA Pensions Administration Benchmarking Club.
- **ERPF Member Self-Service and Digital Services** – The Board received updates on member self-service and digital services and reviewed the Member Engagement Strategy.
- **Data Quality Improvement** – The Board received an update on The Pensions Regulators annual data scoring.

During the year the Board strengthened their work surrounding the risk register, including agreeing a workplan to carry out deep dives to look further at individual risks.

The Board ensures their work assists the Pensions Committee. All relevant recommendations and decisions are referred to the Pensions Committee and during in 2022/23 the Chair of the Board attended Pensions Committee meetings to provide an update on the work being carried out by the Board, including recommendations of the Board with the appropriate justifications and any other issues the Board believes would be of interest to the Committee. Approved changes to the Pensions Committee Terms of Reference and Procedures will enable the Chair of the Board to sit on the Pensions Committee in a non-voting capacity.

## Training

The Fund has in place a training strategy to aid all Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.

All Board members are required to undertake induction training before taking up their role.

During the year Board members have attended the following training events both in person and remotely online and via Zoom:

Event	Date	Attendees
Annual CIPFA Conference for Pensions Board Members	18 May 2022	L Bowen, G Lonsdale
Risk Management Members Workshop	27 May 2022	J Holtby, G Lonsdale, N McLaren, L Bowen, J Karlsen
Actuarial Valuation 2022 – Assumption Setting	29 July 2022	J Holtby, L Bowen
Actuarial Valuation 2022 – Introduction to actuarial valuations and Funding Strategy	7 October 2022	J Holtby, L Bowen
LGPS Governance Review, including sustainable investment and ESG matters, The Single Code of Practice and Good Governance	1 December 2022	L Bowen, G Lonsdale, D Smith, J Karlsen, N McLaren, J Holtby
LGPS Governance Conference 2023	19 and 20 January 2023	L Bowen
Review of the Pension Fund Risk Register - Staffing and system resources are insufficient to adequately meet the needs of the Pensions Service	24 February 2023	L Bowen, G Lonsdale, D Smith, J Karlsen, N McLaren, J Holtby

Individually, Board members are requested to complete all modules in the Pension Regulator's Public Service toolkit and the LGPS Online Learning Academy further supports the training needs of Board members. The online training course covers all the key areas that members need to understand in order to successfully manage the running of the Fund, including:

- An introduction to LGPS oversight bodies, governance, legislation and guidance
- LGPS administration, including policies and procedures, pension fund auditing
- LGPS valuations, funding strategy and LGPS employers
- Investment strategy, pooling and responsible investment
- Performance monitoring and procurement
- Current issues in the LGP.

## Work plan for 2023

Over the coming year the Board will aim to:

- Assist the Fund in identifying, managing, and monitoring risk
- Review the Funds cyber security policies and procedures
- Support the Fund in its efforts to improve pensions administration data and employer compliance
- Continue to monitor the Funds administration performance and key performance indicators

- Support the Fund in its Member Engagement Strategy and Digital Engagement
- Monitor governance arrangements
- Monitor the Funds approach to responsible investment
- Work with the Fund to develop Board members knowledge and understanding

The main challenge facing the Fund in 2023/24 is to ensure good quality, accessible and reliable data is in place. The Fund continues to implement technology solutions to help improve the quality of data and meet the changes needs of pensions administration. The Board will receive reports on the progress made and advise the Fund on effective strategies to maximise both member and employer engagement.

## Costs

The cost of the implementation and running of the Board has been minimal, having been included in existing officer workloads.

Details of the Board activities including papers, agendas and minutes of Board meetings can be found at [www.erpf.org.uk/local-pension-board](http://www.erpf.org.uk/local-pension-board)

**East Riding Pension Fund Local Pension Board  
May 2023**

# auditor report

# contact points

Information relating to any pension matters including individual benefit or contribution enquiries should be addressed to the Pensions Section at the address below or by telephoning (01482) 394150

**The Pensions Manager**  
**East Riding Pension Fund**  
**Pensions Section**  
**PO Box 118**  
**Church Street**  
**Goole**  
**East Riding of Yorkshire**  
**DN14 5BG**

Enquiries relating to investment matters should be addressed to the Investments Section at the address below or by telephoning (01482) 394135

**The Head of Investments**  
**East Riding Pension Fund**  
**Investment Section**  
**PO Box 164**  
**Church Street**  
**Goole**  
**East Riding of Yorkshire**  
**DN14 5YZ**

General information can be found on the East Riding Pension Fund website [www.erpf.org.uk](http://www.erpf.org.uk)

