

North Yorkshire County Council

Pension Fund Committee

21 February 2020

Business Plan and 2020/21 Budget

Report of the Treasurer

1. Purpose of the Report

- 1.1. To report on the progress made against the key NYPF business plan activities identified for 2019/20.
- 1.2. To approve the draft NYPF Business Plan for 2020/21 – 2022/23.
- 1.3. To approve the draft 2020/21 NYPF Budget.

2. Progress Update

- 2.1. In the NYPF 2019/20 Business Plan eight key actions for the year were identified and approved by Members in the February 2019 Committee meeting. It was agreed that officers would provide a progress report against these key actions, this progress report is attached as **Appendix 1**.

3. Draft 2020/21 Business Plan

- 3.1. The draft 2020/21 Business Plan, attached at **Appendix 2**, sets out the purpose and strategy of the Fund for the next 3 years to enable the Committee to plan and comply with legal requirements. It sets out the key initiatives of the Fund with delivery dates to enable tracking of progress. The plan has been moved on to cover the period 2020/21 to 2022/23 and any outstanding actions from 2019/20 have been rolled forward to 2020/21 and some new actions identified. A plan on a page, that provides a summary of the business plan has also been attached as **Appendix 3**.
- 3.2. The key activities for 2020/21, outlined in the draft Business Plan, are as follows:
 - a) **Pooling** – the transition of assets into the Pool has started to take place in 2019/20 and this will continue until at least 2022. The sub-funds that the Fund is expected to invest in during 2020/21 are the Multi-Asset Credit Fund, Index-linked Gilts Fund and Investment Grade Credit Fund. Work will also continue on the design of new sub-funds and ensuring that they meet the needs of NYPF.
 - b) **Implementation of long-term Investment Strategy** – the Committee approved a new long-term investment strategy as part of the 2019 Triennial Valuation. The new strategy has an increased allocation to alternatives as the Fund aims to de-risk in light of the improved funding position. Due to the more illiquid nature of alternative investments, it is expected that the implementation of the new long term strategy may take a number of years to complete.
 - c) **System Re-procurement** – the current administration system is out of contract on 31 December 2021 and the target to award the new contract is Q2 2020. Once this is in place the Fund will be able to progress with the business process re-engineering, online employer portal and integrated payroll. The aim of this project is to increase data quality and improve efficiency within the administration function.
 - d) **Online Monthly Employer Returns** – will be introduced from Q2 2020 and a phased roll out will follow until all employers are submitting monthly member data via an online portal. This data will be validated at source and will ensure data held for members is accurate and up to date.
 - e) **Pensioner Reconciliation** – The initial comparison has been undertaken and the rectification stage will now commence with a target completion date of Q2 2020. Pensioner data is held on

two separate databases and they do not reconcile to each other. It is critical for liability assessment, funding position assessment and data quality measures that the data is aligned.

4. Draft 2020/21 Budget

- 4.1. The draft 2020/21 budget for the cost of running the Fund is presented in **Appendix 4** and totals £30.1m. This budget only includes the costs that the Fund has control over and has been developed on an accruals basis.
- 4.2. The total 2020/21 budget has increased by £7.5m compared with the 2019/20 budget, however it is in line with the 2019/20 forecast outturn of £28.8m, which is described in more detail in the Budget and Statistics Report. The main reason for this increase in the budget is due to the increase in management fees to reflect the additional transaction costs disclosed by Fund Managers since the approval of the 2019/20 budget. In total the investment management fee budget has increased by £7.8m to £27.0m, which is an increase of £1.6m over the expected 2019/20 outturn. The figures reflect known fund movements or rebalancing and anticipated fund growth, informed by the asset return assumptions used for the 2019 Triennial Valuation.
- 4.3. Other key changes to the budget figures from the 2019/20 budget are as follows:
 - The Pensions Administration Budget has been increased by £110k. This is made up of posting and printing costs of £12k and increased pay costs of £98k. The increase of £98k is nearly all accounted for by the costs of pay awards, pay assimilation and successful career advancement.
 - Recruitment is under way jointly with East Riding Pension Fund in order to appoint a joint Head of Investments post. The workload as a consequence of simultaneous investment strategy review and pooling has increased significantly and an increased dependency upon consultants has resulted. The recruitment market in this area is massively challenging and a joint post with a similarly minded organisation is seen as a unique selling point which may attract the right candidate to work alongside and complement the existing Finance team and resources. This will also help with resilience and given much of the interaction of the postholder is with BCPP there should be some efficiencies with representing both Funds in a single setting. A further sum of £50k has been provided in the Budget for 2020/21.
 - The Pooling Annual Operating Charge has been updated to reflect the new 2020/21 charge from BCPP. In 2020/21 the Annual Operating Charge will be £600k. This is made up of a governance element which is split on a one twelfth basis and an AUM charge based on the Fund's strategic asset split at 31 March 2019.
 - The 2020/21 BCPP project budget is expected to be around £70k which is to support the design and setup of the sub-funds due to launch in 2020/21.
 - The budget for Consultants fees has increased by £140k to £290k. However, this is less than the forecast outturn for 2019/20 of £404k. This increase in budget reflects the increased level of work required from the consultants on the due diligence of the BCPP sub-funds prior to investment by the Fund.
 - The budget for Custodian Fees has been reduced by £80k to reflect the movement of funds currently under custody to the Pool in 2020/21.
 - The Pensioner Data Reconciliation exercise has been included as a one off budget of £50k for 2020/21. This is the second phase of the project which includes the rectification of the data.
 - The other Administration budget line includes £30k on a one-off basis to include the NYPF Website development planned for 2020/21 as this did not take place in 2019/20.
 - The budget for Actuarial Fees has been reduced by £30k in 2020/21 following the completion of the Triennial Valuation.

- 4.4. The draft 2020/21 budget reflects the activities outlined in the draft 2020/21 Business Plan where the costs are known. The budget does not yet reflect the estimated costs of c.£615k on a one-off basis for the re-procurement of the pension administration system and additional employer portal functionality. This amount is an estimate based on an average of the costs provided by the main suppliers and will be subject to change when the final supplier is known. Detailed costs will be presented to the Committee at a future meeting and will be included in the budget after approval is obtained.
- 4.5. It is proposed that the NYPF budget is revised twice a year going forward to reflect any material known changes during the year. The 2020/21 budget will therefore be brought back to the September 2020 PFC meeting for the approval of any necessary amendments, in line with the business plan progress update. This update will include any known costs of the new pension administration system following approval, as discussed above. Any changes in investment management fees disclosed at year-end will also be reflected in these bi-annual budget refinements.

5. Recommendations

Members are to:

- 5.1. Note the progress made against the 2019/20 NYPF Business Plan.
- 5.2. Approve the draft 2020/21 NYPF Business Plan.
- 5.3. Approve the draft 2020/21 NYPF Budget.

Gary Fielding
Treasurer of North Yorkshire Pension Fund
NYCC
County Hall
Northallerton

13 February 2020

NYPF 2019/2022 Business Plan Update January 2020

Appendix 1

RAG rating:

Green – completed or not yet due

Orange – ongoing, carried forward to 2020/21

Red – outstanding, overdue

| Key Activity | | | Resource |
|--|------------|--|--|
| Effective and efficient member administration | | | Head of Pensions Administration |
| Action | Timescale | Progress Update | |
| Website review | Q4 2019/20 | In progress – being picked up as part of administration software review. Carried forward to 2020/21. | Orange |
| Administration software review | Q1 2020/21 | Completed – Next stage is to procure new system. | Green |
| Business process re-engineering | Q4 2019/20 | In progress – ‘As is’ process mapping completed. Processes will be re-engineered when the new administration system is in place. Carried forward to 2020/21. | Orange |
| Key Activity | | | Resource |
| Improve Data Quality | | | Head of Pensions Administration |
| Action | Timescale | Progress Update | |
| GMP Reconciliation | Q1 2019/20 | In progress - Final GMP reconciliation delayed due to final file from HMRC still outstanding. Rectification stage progressing ready to correct when final HMRC file received. Carried forward to 2020/21. | Orange |
| Pensioner Reconciliation | Q4 2019/20 | In progress - Pensioner reconciliation being progressed with the GMP project in mind. Initial data comparison and corrections made. Carried forward to 2020/21. | Orange |
| Employer interaction | Q2 2019/20 | Completed - Employer relationship team in place with visits and training provided. This is now an ongoing activity as part of BAU. | Green |
| Create Data Improvement Plan | Q1 2019/20 | Completed - Draft data improvement plan will be submitted to the Committee in the July meeting for approval. | Green |
| Key Activity | | | Resource |
| People | | | Head of Pensions Administration |
| Action | Timescale | Progress Update | |
| Review of team structure | Q1 2019/20 | Completed - New structure went live June 2019. Being monitored and adapted as required. | Green |
| Training | Q4 2019/20 | Completed – A training structure for new staff has been created. Work continues on formalising training plans across the wider team. On target for completion in Q4 2019/20. This is now an ongoing activity as part of BAU. | Green |
| Cross skilling | Q4 2019/20 | Completed – The new structure requires staff to rotate between administration sections to receive development on new work types. This is now an ongoing activity as part of BAU. | Green |
| Resilience | Q4 2019/20 | Completed – The new structure requires staff to rotate between administration sections to increase cross skilling which in turn increases resilience within the team. This is now an ongoing activity as part of BAU. | Green |
| Succession planning | Q4 2019/20 | Completed – The new structure, cross skilling & increased resilience enable succession planning to be put in place. | Green |

NYPF 2019/2022 Business Plan Update January 2020

Continued 1

| Key Activity | | | Resource |
|---|------------|--|---|
| Excellent Customer Service | | | Head of Pensions Administration/Senior Accountant |
| Action | Timescale | Progress Update | |
| Improved employer engagement | Q4 2021/22 | Completed. The new team structure introduced an employer relationship team specifically to proactively engage with employers on all pensions issues. Improvements already being seen in timeliness and accuracy of information being provided. This is now an ongoing activity as part of BAU. | |
| Partnership working with employers | Q4 2021/22 | Completed. As above. This is now an ongoing activity as part of BAU. | |
| Pension Fund rebrand | Q4 2019/20 | In progress – A new brand and logo has been selected which will be rolled out as part of the member portal upgrade. This will be rolled out throughout 2020. | |
| Key Activity | | | Resource |
| Effective Investment Strategy | | | Pension Fund Committee |
| Action | Timescale | Progress Update | |
| Review of Investment Strategy | Q4 2019/20 | Completed. As part of the 2019 Triennial Valuation the Committee approved a new long-term investment strategy. | |
| Key Activity | | | Resource |
| Pooling | | | Pension Fund Committee/ Treasurer/ Senior Accountant |
| Action | Timescale | Progress Update | |
| Effective management of transition | Q4 2021/22 | The Fund is now invested in the BCPP UK Equity Alpha and Global Equity Alpha Funds and has made commitments to the Infrastructure and Private Debt sub-funds. Due diligence on new sub-funds due to be launched in the current year is currently being undertaken by the Fund's investment consultants and advisor and will continue into 2020/21 and 2021/22. | |
| NYPF representation | Q4 2021/22 | Work is ongoing on setting up the new sub-funds. Workshops are being held to allow each partner fund and their advisors to input into the design of the sub-funds. | |
| Key Activity | | | Resource |
| Monitor Income | | | Senior Accountant |
| Action | Timescale | Progress Update | |
| Introduce monthly monitoring of employer and member pension contributions | Q1 2019/20 | This is an ongoing target of the Fund. Work is in progress on addressing any late payments and paperwork and enforcing the charging policy that came into effect from April 2019. A review of the current monitoring arrangements will take place in 2020/21. | |
| Effective financial management | Q4 2021/22 | This is an ongoing target of the Fund. The 2018/19 financial accounts for the Pension Fund were unqualified and ongoing regular monitoring of investments and other income and expenditure of the Fund takes place. | |

NYPF 2019/2022 Business Plan Update January 2020

Continued 2

| Key Activity | | | Resource |
|---------------------------------------|------------|---|---|
| Effective Fund Governance | | | Pension Fund Committee |
| Action | Timescale | Progress Update | |
| Committee and Board skills evaluation | Q1 2019/20 | Completed – Skills evaluations completed and responses being collated. | Green |
| Committee and Board training plan | Q2 2019/20 | In progress - Following data gathering on skills a training plan will be developed to address any gaps. | Yellow |
| Key Activity | | | Resource |
| Triennial Valuation | | | Head of Pensions Administration/ Senior Accountant |
| Action | Timescale | Progress Update | |
| Agree assumptions | Q1 2019/20 | Completed – Valuation now in consultation stage. | Green |
| Review of scheme factors | Q1 2019/20 | Completed – Valuation now in consultation stage. | Green |
| Data cleansing | Q1 2019/20 | Completed – Valuation now in consultation stage. | Green |
| Employer engagement | Q2 2019/20 | Completed – Valuation now in consultation stage. | Green |
| Review of strength of covenant | Q2 2019/20 | Completed – Valuation now in consultation stage. | Green |



North Yorkshire Pension Fund

Business Plan 2020/21 – 2022/23



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01609 536335**

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1. Background

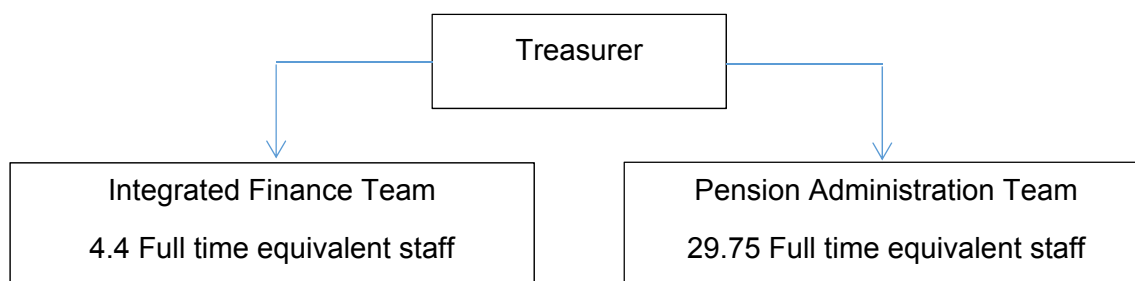
North Yorkshire County Council (NYCC) is the statutory administering authority for the North Yorkshire Pension Fund (the Fund), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension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

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area.

The day to day running of the Fund is delegated to the Treasurer who is the Corporate Director – Strategic Resources of the NYCC and is responsible for implementing the decisions made by the PFC.

Supporting him is a team of staff split into two sections. The Pension Administration team administers all aspects of member records, pension benefits etc. and the Integrated Finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

Current structure:



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

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016
- the LGPS (Amendment) Regulations 2018

The main systems utilised in the running of the Fund are Oracle, a third party finance and accounting system provided by the Oracle Corporation, and Altair a third party pensions administration system provided by Aquila Heywood.

This business plan should be read in conjunction with the administration strategy and the investment strategy statement, these being the key documents that set out the principles of the running of the Fund.

These can be found on our website at <https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>

2. Introduction

As part of its programme of improving the standards of governance across all pension schemes the Pensions Regulator has recommended that each scheme should have a business plan in place which sets out a clear purpose and strategy. This plan should be used to manage the scheme effectively and enable members to get good outcomes. Having a business plan will enable the PFC to plan ahead and improve their ability to comply with legal requirements.

This Plan will be reviewed annually and objectives and key actions revised accordingly. Progress reviews will be undertaken every six months and progress reported to the PFC.

3. Vision

To ensure sufficient assets are available to pay the right pension benefits at the right time.

4. Objectives

The objectives set out below will enable the Fund to achieve its long term vision to ensure sufficient assets are available to pay the right pension benefits at the right time.

We will:

1. Maximise investment returns
2. Manage Scheme funding
3. Provide excellent customer service
4. Ensure effective Fund governance

5. Key Actions

The following key actions have been identified:

| Action | Resource | Timescale |
|---|--|--|
| Effective and efficient member administration Administration software re-procurement Business process re-engineering Integrated Payroll | Head of Pensions Administration | Q2 2020/21 Q4 2020/21 Q2 2021/22 |
| Improve Data Quality GMP Reconciliation Pensioner Reconciliation Roll out online monthly employer returns | Head of Pensions Administration | Q1 2020/21 Q2 2020/21 Q4 2020/21 |
| Excellent Customer Service Pension Fund rebrand Improve self-service functionality Complete website re-development | Head of Pensions Administration | Q1 2020/21 Q2 2020/21 Q4 2022/23 |
| Effective Investment Strategy Implementation of long-term Investment Strategy | Pension Fund Committee | Q4 2021/22 |
| Pooling Effective management of transition of assets into the Pool NYPF involvement in development of sub-funds | Pension Fund Committee/Treasurer/Senior Accountant | Q4 2021/22 Q4 2021/22 |
| Effective Financial Management Review of monitoring of employer and member pension contributions Review of cashflow monitoring | Senior Accountant | Q2 2020/21 Q2 2020/21 |
| Effective Fund Governance Committee and Board training plan Delivery of identified training | Pension Fund Committee/Treasurer | Q2 2020/21 Q4 2020/21 |

The following resources have been identified as key to ensuring delivery of the objectives identified:

- a. Systems and technology which are fit for purpose
- b. People
 - i. Focussed on customers' needs
 - ii. Highly skilled and knowledgeable
- c. The right information and data
 - i. Financial
 - ii. Performance
 - iii. Benchmarking
 - iv. Membership data
- d. Third party service providers
 - i. Actuary
 - ii. Legal Advisers
 - iii. Custodian
 - iv. Fund Managers
 - v. Investment Consultants
 - vi. Software provider
 - vii. Borders to Coast Pensions Partnership (BCPP)

These actions are recorded and scheduled in more detail in the NYPF scheduler which is used by officers to ensure the appropriate actions are taken to deliver the business plan.

North Yorkshire Pension Fund Business Plan

| | | | |
|--------------------|--|--|--|
| Vision | To ensure sufficient assets are available to pay the right pension benefits at the right time | | |
| Objectives | Maximising investment returns, management of Scheme funding, provide excellent customer service, effective Fund governance | | |
| Key actions | Effective and efficient member administration Administration software re-procurement Business process re-engineering Integrated Payroll | Improve Data Quality GMP Reconciliation Pensioner Reconciliation Roll out monthly employer returns | Excellent Customer Service Pension Fund rebrand Improve self-service functionality Complete website re-development |
| | Effective Investment Strategy Implementation of Investment Strategy | Pooling Effective management of transition of assets into the Pool NYPF involvement in development of sub-funds | Effective financial Management Review of employer and member pension contributions monitoring Review of cashflow monitoring |
| | Effective Fund Governance Committee and Board training plan Delivery of identified training | | |
| Resources | Systems and technology which are fit for purpose | People Focussed on customers' needs Highly skilled and knowledgeable | The right information and data Financial Performance Benchmarking Membership data |
| | Third party service providers Actuary Legal Advisers Custodian Fund Managers Investment Consultants Software provider Borders to Coast Pensions Partnership (BCPP) | | |

**North Yorkshire Pension Fund - 2019/2020 Budget - Cost of
Running the Pension Fund**

| | Budget 2019/2020 £k | Budget 2020/2021 £k | Variance £k | Forecast 2019/2020 £k |
|---|---------------------------|---------------------------|----------------|-----------------------------|
| EXPENDITURE | | | | |
| Admin Expenses | | | | |
| Finance and Central Services | 380 | 430 | 50 | 380 |
| Provision of Pensioner Payroll (ESS) | 140 | 140 | 0 | 140 |
| Pensions Administration Team | 980 | 1,090 | 110 | 980 |
| GMP Reconciliation Programme | 0 | 0 | 0 | 40 |
| Pension Data Reconciliation | 100 | 50 | -50 | 18 |
| Other Admin Expenses | 260 | 270 | 10 | 268 |
| | 1,860 | 1,980 | 120 | 1,826 |
| Oversight and Governance | | | | |
| Actuarial Fees | 70 | 40 | -30 | 100 |
| Custodian Fees | 130 | 50 | -80 | 90 |
| Consultants Fees | 150 | 290 | 140 | 404 |
| Pooling Project Costs | 140 | 70 | -70 | 146 |
| Pooling Operational Charge | 980 | 600 | -380 | 711 |
| Other O & G Expenses | 110 | 100 | -10 | 128 |
| | 1,580 | 1,150 | -430 | 1,579 |
| Investment Fees | | | | |
| Investment Management Base Fee invoiced | 4,000 | 2,200 | -1,800 | 3,000 |
| Performance Fees Base Fee invoiced | 3,500 | 2,000 | -1,500 | 2,200 |
| Investment Base Fees deducted from Fund | 11,700 | 22,760 | 11,060 | 20,200 |
| | 19,200 | 26,960 | 7,760 | 25,400 |
| | | | | |
| TOTAL | 22,640 | 30,090 | 7,450 | 28,805 |