

North York Moors National Park Authority

20 March 2017

Local Government Pensions Scheme Arrangements for Asset Pooling

1. Purpose of the Report

- 1.1 To inform Members of the decision taken by North Yorkshire Pension Fund (NYPF) to join the Borders to Coast Pensions Partnership.

2. Background

- 2.1 The North Yorkshire Pension Fund (NYPF) has assets of £2.8bn, liabilities of £3bn and a funding level of 93% (30 September 2016). There are 136 contributing employers, (of which the North York Moors National Park Authority is one) from the public and private sector, and over 90,000 active, deferred pensioner and pensioner members.
- 2.2 A verbal presentation was given to FRASC on 6 February and this report builds upon that and updates on recent developments. As a contributing employer of the NYPF the Authority will by default be part of the arrangements in any decision made by North Yorkshire County Council as the administering Authority. As a result this report is for information only.

3. Requirement for Pensions Pooling

- 3.1 Following three years of consultation up to November 2015, the Government issued an Investment Reform Criteria and Guidance document inviting proposals for pooling. Estimated annual savings were assessed as £200m -£300m across the Local Government Pension Scheme (LGPS).
- 3.2 In July 2015 Budget, the then Chancellor announced the Government's intention to work with (LGPS) administering authorities to ensure they pool investments to reduce costs while maintaining investment performance.
- 3.3 The Criteria and Guidance published in November 2015 required all LGPS administering authorities to submit to Government initial and detailed proposals by 19 February 2016 and 15 July 2016 respectively.
- 3.4 On 15 January 2016 the Pension Fund Committee (PFC) agreed to provisionally join a pooling arrangement subsequently named the Border to Coast Pensions Partnership (BCPP), on the basis that this pool represented the best fit for NYPF. This was one of 8 separate investment pools submitted detailed proposals to Government by 15 July 2016.
- 3.5 On 1 November 2016 the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 came into force. These Regulations mandate that the 89 separate Local Government Pension Scheme Funds in England and Wales combine their assets into a small number of investment pools.

- 3.6 Those Regulations require each LGPS administering authority to formulate, having taken proper advice, an investment strategy and to publish a statement of that strategy no later than 1 April 2017. That investment strategy must include the administering authority's approach to pooling investments including the use of collective investment vehicles and must be in accordance with guidance issued by the Secretary of State. The Guidance states that each LGPS administering authority must commit to a suitable pool to achieve benefits of scale and must confirm their chosen investment pool meets the Investment Reform and Criteria issued in November 2015. The Secretary of State has direction and intervention powers if he is not satisfied that an administering authority is complying with its obligations in relation to the Regulations. The Secretary of State approved BCPP as meeting the requirements in 2016.
- 3.7 The NYPF Committee approved the arrangements on 26 January 2017 and NYCC as the administering body approved that the fund should pool with the Border to Coast Pensions Partnership on 15 February 2017. This will involve entering into the Inter Authority Agreement which will take along the employer organisations in the fund, establish a Joint Committee and take one voting share and proportionate non-voting shares in the Asset Management Company which is being established to hold and invest the assets (Border to Coast Pensions Partnership Limited).
- 3.8 The revised arrangements will be fully operation by 1 April 2018.

4. **Border to Coast Pensions Partnership**

- 4.1 The provisional Members of the partnership are

	BCPP Partners: Fund Value at 31/03/2015 (£bn)
Bedfordshire Pension Fund	1.7
Cumbria Pension Fund	2.0
Durham Pension Fund	2.3
East Riding Pension Fund	3.7
Lincolnshire Pension Fund	1.8
North Yorkshire Pension Fund	2.4
Northumberland Pension Fund	1.1
South Yorkshire Pension Fund	6.3
South Yorkshire Passenger Transport Pension Fund	0.2
Surrey Pension Fund	3.2
Teesside Pension Fund	3.2
Tyne and Wear Pension Fund	6.4
Warwickshire Pension Fund	1.7
BCPP TOTAL	35.9

- 4.2 The Border to Coast Pensions Partnership Ltd (BCPP Ltd) needs to be registered with Financial Conduct Authority and required to operate under the Financial Services and Markets Act 2000 (FCA compliance) and the Corporate Governance Code, as well as local authority regulations. Assets of the partner funds will transfer to the company over time to allow for transfer of less liquid assets.

- 4.3 BCPP Ltd will be responsible for managing investments in line with the investment strategy and asset allocation requirements as instructed by NYPF and the other Partner Funds. While there will be some changes required from the current processes, much will remain as is, i.e. instead of overseeing a range of external managers, the Pension Fund Committee will oversee a range of sub-funds managed by BCPP Ltd.
- 4.4 BCPP Ltd will employ staff to undertake the investments, however, the administration of the employee records will continue to be undertaken by North Yorkshire County Council.

5. **Financial Impact**

- 5.1 The North York Moors National Park Authority position following the recent Triennial Review is that the Pension Fund is currently 100% funded and future service contribution rates are set at 18% for the next three years. The impact of the changes and other factors will be assessed in the next triennial valuation.

6 **Legal Implications**

- 6.1 These are covered in the main part of the report.

<h2>7. Recommendation</h2>

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| <p>7.1 That Members note the pension fund pooling arrangements.</p> |
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Background papers to this Report –

File ref.

2015/2016 Income and Expenditure	2016/2017 Revised £000's	2017/2018 MTFS £000's	2017/2018 Revised £000's	Movement from 2016/17 RE £000's
Income				
Natural Environment	147	638	638	+491
Cultural Heritage	572	541	541	-31
Recreation Management	633	621	621	-12
Promoting Understanding	474	607	607	+133
Rangers and Volunteers	26	4	4	-22
Development Management	285	290	290	-95
Forward Planning	15	15	15	0
Corporate and Democratic Core	174	123	123	-51
DEFRA Grant	4,163	4,235	4,235	+72
Sirius Minerals s 106	100	1,038	1,038	+938
Total Income	6,589	8,112	8,112	+1,523
Expenditure				
Natural Environment	869	1,449	1,449	+580
Cultural Heritage	822	884	884	+62
Recreation Management	1,148	1,050	1,150	-98
Promoting Understanding	1,338	1,558	1,558	+220
Rangers and Volunteers	758	811	811	+53
Development Management	692	670	670	-122
Forward Planning	314	401	401	+87
Corporate and Democratic Core	437	362	370	-67
Sirius Minerals s106	100	1038	1038	+946
Total Expenditure	6,478	8,323	8,331	+1,853
Net Cash Budget	15	-110	-218	